

MINUTES OF
Budget and
Control Board
Meeting

December 21, 1977

MINUTES OF BUDGET AND CONTROL BOARD MEETING

DECEMBER 21, 1977 2:30 P. M.

The Budget and Control Board met at 2:30 p. m. on December 21, 1977 in the Governor's Conference Room with the following members in attendance:

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

Also attending were Board Secretary State Auditor W. T. Putnam, Messrs. P. C. Smith and Jesse A. Coles, of the Division of Planning, Governor's Executive Assistant Walter R. Pettiss and his Assistant A. E. Reiser, Finance Division Budget Analyst John Crosscope, and Assistant State Auditor William A. McInnis.

The following items of business were considered:

MINUTES OF PREVIOUS MEETINGS - Budget and Control Board members previously had been furnished with minutes of the meetings and polls held on November 29, December 1, 2 and 7, 1977.

Upon a motion by Mr. Patterson, seconded by Mr. Morris, the Budget and Control Board approved these minutes as written.

POLL AGENDA - State Auditor Putnam advised that the review of the financial information submitted in connection with Poll Item 2, relating to an Anderson County Petition to issue \$2,000,000 of Industrial Revenue Bonds on behalf of Schmid Laboratories, Inc., was not yet complete and requested that the Budget and Control Board approve this item subject to the completion of the referenced review. Items included in the Poll Agenda are specifically identified as such in these minutes.

INDUSTRIAL REVENUE BONDS - SPARTANBURG COUNTY (POLL ITEM 1) -

The Budget and Control Board was presented with a Petition from Spartanburg

County (carried over from 11/8/77 and 12/7/77 meetings) for the issuance of a \$1,700,000 Industrial Revenue Note on behalf of American Fast Print Limited, a United Kingdom Corporation. The proposal consists of the refunding of the outstanding principal amount of a \$1,000,000 Industrial Revenue Note and the financing of certain additional facilities. The firm is engaged in the knitting of fabrics and the project will provide employment for about 60 additional persons.

At its earlier meetings, the Budget and Control Board had been advised that the Auditor's Office review of the financial information submitted found the firm in violation of agreements with the County and Wachovia Bank relating to the earlier Industrial Revenue Bond issue. This review also found the firm in a relatively weak position financially. Letters from the interested parties acknowledging the firm's violation of the previous agreement had been received. The letter from the Trust Company Bank also indicates its intention to purchase the issue for its own account with no intention of distribution after assessing the firm's financial status.

At the 12/7/77 meeting, the Board requested State Treasurer Patterson to investigate the matter further. Subsequent to that meeting, Mr. Patterson met with the parties involved and now asks that the matter be brought back to the Budget and Control Board for its action.

The Budget and Control Board previously had been assured that all legal documents pertaining to this issue had been reviewed by the Office of the Attorney General and, at the present meeting, upon a motion by Mr. Patterson, seconded by Mr. Morris, the Budget and Control Board adopted a Resolution approving the Spartanburg County proposal to issue a \$1,700,000 Industrial Revenue Note on behalf of American Fast Print Limited, pursuant to 1976 Code Sections 4-29-10 et seq.

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

INDUSTRIAL REVENUE BONDS - ANDERSON COUNTY (POLL ITEM 2) -

The Budget and Control Board was presented with a Petition from Anderson County for the issuance of not to exceed \$2,000,000 of Industrial Revenue Bonds on behalf of Schmid Laboratories, Inc. This firm is engaged in the manufacture of over-the-counter drugs, toiletries and health and beauty aids and the project, upon completion, will provide employment for 80 persons.

State Auditor Putnam advised the Board that the review of the financial information relating to this project by his office has not yet been completed and requested that the Board adopt a Resolution approving the referenced proposal subject to the completion of the financial review by his office.

After being assured that all legal documents pertaining to this issue had been reviewed by the Office of the Attorney General, the Budget and Control Board, upon a motion by Mr. Patterson, seconded by Mr. Morris, adopted a Resolution approving the Anderson County proposal to issue not to exceed \$2,000,000 of Industrial Revenue Bonds on behalf of Schmid Laboratories, Inc., subject to the completion of the financial review by the State Auditor's Office, pursuant to 1976 Code Sections 4-29-10 et seq.

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

EMPLOYMENT SECURITY COMMISSION - SELECTION OF A&E FIRM (POLL

ITEM 3) - Employment Security Commission Executive Director Robert E.

David 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 adding about 1,100 square feet and making minor modifications to the existing Employment Security Building in Orangeburg:

- (1) Architects Boudreaux;
- (2) William Anderson, Architects Planners; and
- (3) Molten Architects.

After being assured that the required selection procedure had been followed in this case, the Budget and Control Board without objection approved the selection of Architects Boudreaux for the referenced project, as recommended by Executive Director David of the Employment Security Commission.

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

HIGHWAYS AND PUBLIC TRANSPORTATION - SELECTION OF A&E FIRM (POLL ITEM 4) - Chief Commissioner Paul W. Cobb, of the Department of Highways and Public Transportation, has 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 the development of plans for two to five license and patrol office buildings:

- (1) William O. Fulmer, Architect;
- (2) McMillian Associates; and
- (3) Carlisle Associates, Inc.

After being assured that the required selection procedure had been followed in this instance, the Budget and Control Board without objection approved the selection of William O. Fulmer, Architect, for the referenced project, as requested by Chief Commissioner Cobb in his December 9, 1977 letter to Mr. Putnam.

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

CONSULTANT SERVICES CONTRACTS (POLL ITEM 5) - The Budget and Control Board without objection approved the following consultant services contracts, pursuant to a proviso in Part I, Section 13, Page 47 of the 1977-78 Appropriation Act:

- (1) Division of Administration (Health & Social Development):
 Consultant: Durham T. Harrison, Jr.;
 Maximum Dollars: \$14,000 (75% Federal, 25% State).
- (2) Department of Education:
 Consultant: National Evaluation Systems, Inc.;
 Maximum Dollars: \$10,675 (100% Federal).

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

MOTOR VEHICLE MANAGEMENT DIVISION - VEHICLE PURCHASE REQUESTS

(POLL ITEM 6) - Upon the recommendation of Division Director Allan J. Spence, the Budget and Control Board without objection approved the following vehicle purchase requests:

- (1) University of South Carolina - Aiken: one sub-compact station wagon;
- (2) Department of Mental Health: one 15-passenger van for assignment to the South Greenville Mental Health Center; and
- (3) Division of Administration: four compact sedans for use by the Manpower Division in its monitoring of the CETA program.

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

DEPARTMENT OF YOUTH SERVICES - FUNDS TRANSFER FOR YOUTH BUREAU

PROGRAM - Department of Youth Services Director Grady A. Decell, accompanied by Mrs. Lucy Davis, Mrs. Barbara Sylvester and Mr. Horace B. Youngblood, Chairperson, Secretary and Ex-officio member, respectively, of the Board of Youth Services, appeared before the Budget and Control Board to request approval of the transfer of \$40,147 of State appropriated funds to match Federal grant funds for the Youth Bureau Program and to request Board approval of a request for State and Federal funds to finance a Pee Dee area Youth Bureau.

In support of these requests, Director Decell distributed a package of information including summary data on status offenders and a study of the impact of the Youth Bureau Division prepared by Youth Services. Director Decell emphasized that the cost effectiveness of the Youth Bureau program is a major point and noted that, between January 1, 1976 and September 30, 1977, the Youth Bureau Division provided active treatment services for 5,891 clients while expending approximately \$3.1 million. The resulting \$526 per case cost was contrasted by Director Decell with

annual institutional costs in South Carolina of \$9,600 and in some other states of \$25 to \$30,000. Mr. Decell also indicated that during this period his Department's institutional population had been reduced by 18% and that the daily client population in DYS institutions is down an average of 125 per day. He pointed out that seven years ago about 1,000 youth were in institutional care facilities in South Carolina but that that total is now nearing the 350 to 450 target level his Agency is seeking to achieve.

With regard to the request for Board approval of the transfer of \$40,147, Director Decell pointed out that, unless the transfer request is approved, the current grant will terminate on January 20, 1978. He also stated that the employees currently supported by that grant had been advised that their employment was for the duration of the grant unless the Department of Youth Services secured the State funding necessary to continue the program. He indicated that the \$40,147 proposed for transfer to the Youth Bureau Division were available as a result of a reduced institutional population and corresponding decreases in requirements for various supplies and that approval would make it possible to continue the Youth Bureau program until June 30, 1978.

In response to questions from Board members, Director Decell stated that, if the transfer request is approved, he would present for consideration by the House Ways and Means Committee several alternative funding proposals for continuing the Youth Bureau program in FY 1978-79 and that he is not planning to request a supplemental appropriation during the current fiscal year. He also pointed out that the Youth Bureau funding problem stems from the General Assembly's action requiring that Title XX and other reimbursements go to the General Fund rather than to his Agency.

With regard to the request for Federal and State funds in support of a Pee Dee Youth Bureau (G&CRU 11/22/77 request #137, on which Board action had been deferred), Director Decell pointed out that the six-

county Pee Dee area is the only area in the State not presently served by the Youth Bureau program and that the grant funds being requested are fiscal year 1976 funds which would support the Pee Dee operation through September 30, 1978.

Mrs. Davis stressed a need to help younger children and their families and took the position that the Youth Bureaus are a part of the solution to the problem of getting services to the young. She also stated that the Florence area is desperately in need of the service and expressed concern about having to seek the needed services through the Family Courts.

Mrs. Sylvester expressed appreciation to Governor Edwards for the time he had devoted to considering this proposal and stressed the need to deal with children as close to their homes as possible. She urged that the Board give the Youth Bureau program adequate time to grow and become what the Department of Youth Services envisions for it and in the process to give the adult population of tomorrow a chance they would not otherwise have.

Following an extended discussion, upon a motion by Mr. Morris, seconded by Mr. Patterson, the Budget and Control Board approved the transfer of not to exceed \$40,147 of State appropriated funds, as requested by Director Decell in his December 14, 1977 letter to Mr. Putnam. Mr. Mangum wanted it clearly understood that all of the staff involved in this program should be advised again that their jobs are dependent upon Federal funding, unless State funds are made available for this purpose.

State Auditor Putnam noted, with regard to the request for the Pee Dee Youth Bureau, that grant funds are available to support that activity through September of 1978 but that the funds necessary to support it for the balance of the fiscal year are not in the Budget and Control Board recommendation for that fiscal year and that the Department's program

would have to be altered in order that this Bureau might continue to operate.

Mr. John Parton, Director of the Division of Administration Office of Criminal Justice Programs (OCJP), observed that, while only positive things had been said about the Youth Bureau program during this meeting, there are some negatives. He pointed out that the OCJP had been unsuccessful for several years in its efforts to evaluate Youth Bureau programs and cited its recent \$50,000 study by Jack Lieb as an example. Although that study's results were attacked by various groups on a variety of grounds, Mr. Parton expressed the view that the Youth Bureau program does not affect the flow of children through the juvenile justice system although it does offer a wide range of services and programs. He also raised the philosophical question relating to whether or not the State should have responsibility for support programs of the sort offered by Youth Bureaus or whether they should be provided by various local groups.

Mr. Parton expressed the view that, compared to the Lieb study, the study of the impact of the Youth Bureau Division prepared by Youth Services and presented to the Budget and Control Board today is totally unreliable and he indicated that he could not lend any credence to that study's findings. He further indicated that the matching funds appropriated to the Office of Criminal Justice programs being requested for the Pee Dee Youth Bureau could go to any other project in the criminal justice field if it is not approved for the Pee Dee Youth Bureau.

Mrs. Sylvester took the position that Youth Bureau programs should be a State responsibility and that, while local groups have good intentions, they have not been successful in their efforts.

Following an extended discussion of the request relating to the Pee Dee Youth Bureau, upon a motion by Mr. Patterson, seconded by Representative Mangum, the Budget and Control Board voted to carry the matter over to its next meeting at which time a decision would be made.

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

FINANCE DIVISION, GRANTS AND CONTRACTS REVIEW UNIT - FEDERAL GRANTS AND CONTRACTS PROPOSALS - State Auditor Putnam, accompanied by Grants Services Administrator George Oliver, presented 82 requests involving Federal, State and other funds in the amount of \$21,756,866 for consideration by the Board. Mr. Putnam noted that the remarks "no State funds" in the summary relating to request number 47 is a typographical error in that State funds are required. Mr. Putnam also called attention to request number 50, an Arts Commission request for an additional 15 personnel under a previously-approved contract for CETA funds, by noting the disproportionate State unemployment compensation costs which CETA positions may represent.

Governor Edwards observed that approval of these requests would bring the total approved to more than \$1 billion including funding for more than 1800 personnel at a theoretical, life-time cost in excess of \$1.5 billion to South Carolina taxpayers.

Following a brief discussion, upon a motion by Mr. Morris, seconded by Mr. Patterson, the Budget and Control Board approved the 82 requests for funding included in the Grants and Contracts Review Unit listing dated December 15, 1977.

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

FINANCE DIVISION, GRANTS AND CONTRACTS REVIEW UNIT - INDIRECT COST RECOVERY SUB-COMMITTEE REPORT - State Auditor Putnam presented the following recommendations of the sub-committee comprised of Messrs. Patterson, Morris, Putnam, Pettiss and Oliver, named at the 12/7/77 meeting:

(1) With regard to the 11 requests carried over at the 12/7/77 meeting, the sub-committee recommended approval of #8-H12-021, #8-H12-022 (Clemson University); #8-H15-015 (College of Charleston); #8-H47-013,

#8-H47-014 (Winthrop College); and #8-H67-014 (ETV). The sub-committee recommended approval of these requests although they do not literally meet the requirements of State law because the programs are underway and the agencies involved are under contractual agreements with various Federal agencies. The sub-committee further recommended that a letter be forwarded with the Board's approval to insure that each agency administrator is aware of the intent of the Board and of the General Assembly regarding the timely submission of their requests and of the indirect cost recovery policies. Because they do not comply with State law and have not been awarded or no contracts have been entered into, the sub-committee recommended disapproval of the following requests: #8-H15-010 (College of Charleston); #8-H59-023 (Piedmont Technical College); and #8-H67-005, #8-H67-006, and #8-H67-007 (ETV). The sub-committee also recommended that an appropriate letter be forwarded with the Board's disapproval action.

(2) Mr. Putnam then read a policy statement proposed by the sub-committee as follows: "No agency may undertake Federal programs unless sufficient matching funds have been appropriated by the Legislature or are available from sources other than State-appropriated money. However, indirect cost recoveries must be applied for where permitted under Federal regulations, and must be deposited to the General Fund as required in the current Appropriation Act." Mr. Putnam pointed out that the literal application of this policy and of the State law could impair a number of major programs of several agencies and he cited a \$4.9 million contract for CETA training funds involving Technical and Comprehensive Education and several private industries as an example of a program not now meeting the literal requirements of State law with respect to indirect cost recoveries on which reason has to be exercised. Governor's Executive Assistant Roger Kirk appeared before the Board in connection with the program cited by Mr. Putnam and pointed out that the purpose of these STIP contracts

is to train over 1,000 skilled persons for higher skill jobs and that the original contract which started 10/1/77 and the one proposed to begin 1/78 could be amended to include indirect costs.

State Auditor Putnam suggested that the Board approve the referenced TEC-CETA contract with the understanding that a good-faith effort would be made to work out the indirect cost question in the existing and proposed contracts and, if obtained, those funds would be deposited in the General Fund.

Grants Services Administrator Oliver pointed out that only 25 State agencies have Federally-approved indirect cost rates but that a provisional rate of about 10% could be quickly established while efforts to establish an approved rate continue.

Governor Edwards expressed the view that the State could not turn down a \$4.9 million contract on a technicality and, in response to a question from Representative Mangum, Mr. Kirk stated that when the program ends, the jobs end and that the instructors involved in the CETA training program are employed by TEC on a special basis.

Following this discussion, upon a motion by Mr. Patterson, seconded by Mr. Morris, the Budget and Control Board approved the recommendations of the indirect cost recovery sub-committee and modified its approval of the STIP-CETA requests in the list of 82 requests presented at the present meeting to require Technical and Comprehensive Education to seek a provisional Federal indirect cost rate pending the development of a formal rate.

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

FRANCIS MARION COLLEGE - SOURCE OF FUNDS FOR EMPLOYEE BENEFITS -

Francis Marion College Vice President for Business and Finance N. C. Frederick reported to the Board that the Retirement System has advised the College of a need to pay \$1,760 as the employer's contribution to establish the

non-member service of College employee Florence H. Steele for a two-year period. Mr. Frederick also pointed out that Francis Marion College has no funds budgeted for this purpose and requested assistance in securing the additional funding necessary to remit the required amount.

Following a brief discussion, upon the recommendation of State Auditor Putnam, the Budget and Control Board, upon a motion by Mr. Morris, seconded by Mr. Patterson, agreed to pay \$1,760 from the "Reserve" appropriated to the Board for this general purpose to the Retirement System to cover the employer portion of the costs involved in establishing the non-member service of Francis Marion College employee Florence H. Steele for a two-year period.

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

MEDICAL UNIVERSITY - SELECTION OF A&E FIRM - Medical University

Vice President John E. Wise 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 the planning of an East Wing Addition to the Medical University Hospital:

- (1) Geiger, McElveen & Kennedy in association with Ellerbe Architects;
- (2) Lucas & Stubbs, in association with Caudill, Rowlett & Scott and Enwright Associates; and
- (3) J. E. Sirrine Company in association with Perry, Dean, Stahl & Rogers.

Vice President Wise also advised that the MUSC Board of Trustees approved this order of ranking at its October 14, 1977 meeting. State Auditor Putnam noted that \$350,000 of Capital Improvement Bond funds had been authorized for planning and that the proposed contract had been drawn accordingly to provide that, if additional funds are not forthcoming, the project would terminate at the end of the Design Development Phase.

Representative Mangum noted that the Bond Review Committee had approved the referenced planning money so that the Medical University could get into position to see how much Federal money could be secured for the project.

After being assured that the required selection procedure had been followed in this instance, the Budget and Control Board, upon a motion by Mr. Patterson, seconded by Mr. Morris, approved the selection of Geiger, McElveen and Kennedy, in association with Ellerbe Architects, to provide the services required in connection with the planning of an East Wing Addition to the Medical University Hospital, pursuant to 1976 Code Sections 10-5-10, et seq.

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

PERMANENT IMPROVEMENTS SURVEY STATUS REPORT - State Auditor

Putnam reminded the Board that, under the law, the Budget and Control Board is required in alternate years (starting in 1977) to make recommendations to the General Assembly on capital improvement projects but that last year only one year of authorizations was considered by the Board and by the General Assembly. He also noted that, in transmitting its recommendations to the General Assembly last year, the Board referred to the possibility of reconsidering this question during 1978 and that the House-Senate Bond Review Committee also has indicated the possibility of further action on this subject during the up-coming session.

Mr. Putnam also reminded the Board that, earlier in the fall, it had authorized the staff to conduct a survey of agency permanent improvement proposals and that, while the final figures are not yet available, project proposals totaling about \$544 million in the next two fiscal years have been received. Of this total, the proposals received to date request the release of previously-authorized Capital Improvement Bonds in the amount of

\$100 million, about \$384 million of new Capital Improvement Bond authorizations and about \$62 million of funding from other sources. Mr. Putnam also indicated that the preliminary survey results show an additional \$286 million of requests for the period after 1979-80 for a total of about \$750 million in proposals for new bond authorizations.

Mr. Putnam then requested guidance from the Budget and Control Board on how the staff should proceed on this subject and noted that, under the law, the Board's recommendations should go to the General Assembly before February 15.

Mr. Patterson suggested that the staff should study the proposals received and contact the agencies on a restricted and selective basis in the course of preparing recommendations to the Board. The Board also agreed that reports on this subject should be shared with the Bond Review Committee.

FUTURE MEETING - The Budget and Control Board agreed to hold its next meeting at 11:00 a. m., Monday, January 9, 1978 in the Governor's Conference Room.

EXECUTIVE SESSION - State Auditor Putnam announced that two personnel matters and two Grievance Committee reports had been proposed for consideration in Executive Session. The Budget and Control Board without objection agreed to consider these matters whereupon Governor Edwards declared the meeting to be in Executive Session.

RATIFICATION OF EXECUTIVE SESSION ACTIONS - 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) Referred to a Board sub-committee headed by Mr. P. C. Smith a Department of Mental Health request to employ a psychoanalyst;

(2) Upheld the action of the Department of Mental Retardation in a Grievance case involving Ms. Nancy Gooch and disapproved a State Employee Grievance Committee recommended stipulation in this case;

(3) Authorized the payment of a special salary adjustment to two employees of the Finance Division;

(4) Upheld the action of the Department of Mental Health in a Grievance case involving Mrs. Willie Mae J. Fanning and, while disapproving a State Employee Grievance Committee recommended stipulation in this case, directed the Department of Mental Health to consider re-employing the grievant in any existing vacant position for which she is qualified; and

(5) Authorized the Department of Social Services to pay its new Commissioner at an annual rate of \$42,000, pending action by the General Assembly, and agreed to recommend the adoption by the General Assembly of a Joint Resolution authorizing a salary of \$42,000 for the DSS Commissioner.

The meeting was adjourned at 4:50 p. m.

(3) Authorized the payment of a special salary adjustment to two employees of the Finance Division;

(4) Upheld the action of the Department of Mental Health in a Grievance case involving Mrs. Willie Mae J. Fanning and, while disapproving a State Employee Grievance Committee recommended stipulation in this case, directed the Department of Mental Health to consider re-employing the grievant in any existing vacant position for which she is qualified; and

(5) Authorized the Department of Social Services to pay its new Commissioner at an annual rate of \$42,000, pending action by the General Assembly, and agreed to recommend the adoption by the General Assembly of a Joint Resolution authorizing a salary of \$42,000 for the DSS Commissioner.

The meeting was adjourned at 4:50 p. m.

EXHIBIT I
12/21/77

SINKLER GIBBS & SIMONS

PROFESSIONAL ASSOCIATION

ATTORNEYS & COUNSELLORS AT LAW

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

November 2, 1977

Mr. William A. McInnis
State Auditor's Office
Post Office Box 11333
Columbia, S. C. 29211

Re: \$1,700,000 Spartanburg County, South Carolina,
First Mortgage Industrial Revenue Note, Series
1977 (American Fast Print Limited - Lessee)

Dear Bill:

Enclosed herewith are eight (8) copies of a proposed
Resolution relating to the above Note.

If this Resolution is approved, I would appreciate
your returning seven executed copies to me.

Thank you for your help in this matter.

Sincerely,

Tom Hutcheson
(jpw)

TAH:jpw
Enclosures
cc: Karen L. Henderson

SINKLER GIBBS & SIMONS

PROFESSIONAL ASSOCIATION

ATTORNEYS & COUNSELLORS AT LAW

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

November 2, 1977

Karen LeCraft Henderson
Assistant Attorney General
Hampton Office Building
Box 11549
Columbia, South Carolina 29211

Re: \$1,700,000 Spartanburg County, South Carolina,
First Mortgage Industrial Revenue Note, Series
1977 (American Fast Print Limited - Lessee)

Dear Karen:

Enclosed are copies of the Lease Agreement, Note Ordinance and Mortgage and Security Agreement relating to the above Note. Roy Smith in Spartanburg should be forwarding to you the Resolution authorizing the Petition of Spartanburg County Council.

If possible, we would like to have this placed on the Budget and Control Board agenda for November 8, 1977.

If you require any further information, please advise.

Sincerely,

TAH:jpw

Enclosures

✓ cc: William A. McInnis

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

November 3, 1977

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

Re: \$1,700,000 Spartanburg County, South Carolina,
First Mortgage Industrial Revenue Note,
Series 1977 (American Fast Print, Ltd.-
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
Assistant Attorney General

bbb

ORIGINAL

RESOLUTION

12/21/77

STATE OF SOUTH CAROLINA BUDGET AND CONTROL BOARD

WHEREAS, heretofore the County Council of Spartanburg County (the County Board) did, pursuant to Title 4, Chapter 29, Code of Laws of South Carolina, 1976 (the Act), petition the State Budget and Control Board of South Carolina (the State Board) seeking the approval of the State Board to an undertaking by the County Board pursuant to the Act, and

WHEREAS, the proposed undertaking consists of the refunding of the outstanding principal amount of the original issue of \$1,000,000 Spartanburg County, First Mortgage Industrial Revenue Note, Series 1974 (American Fast Print Limited - Lessee) and the financing of the acquisition, construction, and equipping of certain additional facilities in Spartanburg County (the County) for the knitting of decorative fabrics together with the necessary machinery and equipment (the tract of land presently owned by the County and the buildings and equipment constituting the said facilities being hereinafter referred to as the Project), and which Project will be leased to American Fast Print Limited, a United Kingdom corporation (the Lessee); and

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

WHEREAS, in order to finance the Project the County Board proposes to provide for the issuance of its \$1,700,000 Spartanburg County, South Carolina, First Mortgage Industrial Revenue Note, Series 1977 (American Fast Print Limited - Lessee) (the Note) payable from the rentals derived from the Lessee. The County's Note will be secured by a Mortgage and Security Agreement from the County to Trust Company Bank, the purchaser of the Note, which will constitute a first mortgage lien on the Project; and the payment of the principal of, prepayment penalty, if any, and, interest on the Note will be unconditionally guaranteed by the Lessee; and

WHEREAS, the form of the Lease Agreement between the County and the Lessee, the Guaranty Agreement between the purchaser and the Lessee and of the Note and the Mortgage and Security Agreement have been considered by this Board.

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

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

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

(b) That the County Board has filed a proper petition to the State Board establishing a reasonable estimate of the cost of the Project, a general summary of the terms and conditions of the Lease, the Guaranty

Agreement and the Note and Mortgage spoken of herein-
above and has established that the Lessee will pay as
additional rentals, in lieu of taxes, the sums pre-
scribed by the Act.

(c) That, when completed, the Project will provide
employment for approximately 60 additional persons
and will be of benefit to the County and adjoining
areas.

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

2. On the basis of the foregoing findings the proposed
undertaking of the County Board to refund the said Note and
acquire the Project, to lease the Project to the Lessee and
to finance the cost of constructing the Project through the
issuance of a \$1,700,000 Spartanburg County, South Carolina,
First Mortgage Industrial Revenue Note, Series 1977 (Amer-
ican Fast Print Limited - Lessee) payable from the revenues
to be derived from the leasing of the Project and additionally
secured by the said Mortgage and Guaranty Agreement, all
pursuant to the Act (including changes in any details of the
said financing as finally consummated which do not materially
affect the said undertaking), be and the same is hereby
approved.

3. Notice of the action taken of the State Board in giving approval to the undertaking of the County above described in paragraph 2, supra, shall be published in THE SPARTANBURG HERALD a newspaper having general circulation in the County.

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

NOTICE PURSUANT TO TITLE 4, CHAPTER 29,
CODE OF LAWS OF SOUTH CAROLINA, 1976

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

The refunding of industrial revenue note of Spartanburg County, South Carolina (the County) and the acquisition, construction and equipping of additional facilities for the knitting of decorative fabrics (said facilities being hereinafter referred to as the Project). To refund said note and to finance the construction of the Project, the County Board will issue a \$1,700,000 Spartanburg County, South Carolina, First Mortgage Industrial Revenue Note, Series 1977 (American Fast Print Limited - Lessee) (the Note) pursuant to Chapter 4, Title 29, Code of Laws of South Carolina, 1976. The County Board will lease the Project to American Fast Print Limited, a United Kingdom corporation (the Lessee), under a Lease Agreement and the Note of the County will be payable 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; the Lessee will unconditionally guarantee the

payment of the principal of, prepayment penalty, if any, and interest on the Note.

In addition the Lessee has agreed to pay as additional rentals to the 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 the 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 by which the 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 Note.

When completed, it is estimated that the Project will provide employment for approximately 60 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 Board by action de novo instituted in the Court of Common Pleas for Spartanburg County.

THE STATE BUDGET AND CONTROL BOARD

By: William T. Putnam

Publication Date:

November __, 1977.

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

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

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

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

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

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

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

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

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

That at said meeting, a Resolution, of which the attached is a true, correct and verbatim copy, was introduced by _____, who moved its adoption; said motion was

seconded by _____, and upon vote being taken and recorded it appeared that the following votes were cast:

FOR MOTION

AGAINST MOTION

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

Secretary

Novmeber __, 1977.

STATE BUDGET AND CONTROL BOARD

POLL OF December 21, 1977

POLL ITEM NUMBER 1

Agency: Spartanburg County (Carried over from 11/8/77 and 12/7/77 meetings)

Subject: Petition to issue a \$1,700,000 Industrial Revenue Note on behalf of American Fast Print Limited, a United Kingdom Corporation.

The proposal consists of the refunding of the outstanding principal amount of a \$1,000,000 Industrial Revenue Note and the financing of certain additional facilities. The firm is engaged in the knitting of fabrics and the project will provide employment for about 60 additional persons.

The legal documents involved have been reviewed by the Attorney General's Office. The Auditor's Office review of the financial information found the firm in violation of agreements with the County and Wachovia Bank relating to the earlier Industrial Revenue Bond issue. This review also found the firm in a relatively weak position financially.

Letters from the interested parties acknowledging the firm's violation of the previous agreement are attached. The Trust Company Bank letter also indicates its intention to purchase the issue for its own account.

As a follow-up to the 12/7/77 meeting, State Treasurer Patterson met with the parties involved and now asks that the matter be brought back to the Budget and Control Board.

Board Action Requested:

Adopt a Resolution approving the Spartanburg County proposal to issue a \$1,700,000 Industrial Revenue Note on behalf of American Fast Print Limited, pursuant to 1976 Code Sections 4-29-10, et seq.

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:

- (1) Wachovia Bank & Trust Company letter dated 11/30/77;
- (2) Holcombe, Bomar, Wynn and Gunn letter dated 12/1/77; and
- (3) S. D. Leidesdorf & Co. letter dated 12/1/77.
- (4) Trust Company Bank letter dated 12/5/77.

Wachovia

Wachovia Bank & Trust Company, N.A.
P.O. Box 2667
Charlotte, NC 28234

November 30, 1977

S. C. State Budget and Control Board
c/o William McInnis
Post Office Box 11333
Columbia, South Carolina 29211

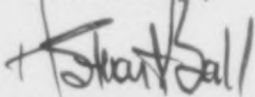
Dear Mr. McInnis:

Wachovia Bank and Trust Company, N. A. is aware of the circumstances surrounding the qualification in Note 4A of the J. M. Novotny audit of American Fast Print Limited (Incorporated in England) dated July 22, 1977 for the fiscal year ending December 31, 1976.

The bank understands that in connection with issuance of the \$1,700,000 Series 1977 note, the outstanding \$700,000 of the Series 1974 note held by us will be pre-paid.

In view of the proposed pre-payment the bank has not declared a default under the July 1, 1974 lease and mortgage and does not anticipate declaring a default prior to completion of the financing which will take place by January 16, 1978.

Sincerely,



H. Stuart Ball
Vice President

HSB/wmc

cc: Thomas A. Hutcheson
Post Office Box 340
Charleston, South Carolina 29402

HOLCOMBE, BOMAR, WYNN AND GUNN

ATTORNEYS AT LAW

MONTGOMERY BUILDING

SPARTANBURG, S. C.

NEVILLE HOLCOMBE
HORACE L. BOMAR
ROBERT L. WYNN, III
WILLIAM U. GUNN
H. L. BOMAR, III
DAVID G. INGALLS

December 1, 1977.

TELEPHONE (803) 585-4273
MAILING ADDRESS:
DRAWER 1897
SPARTANBURG, S. C. 29304

Mr. William McGinnis,
Post Office Box 11333,
Columbia, S. C. 29211.

Re: \$1,700,000 Spartanburg County, S.C. First
Mortgage Industrial Revenue Note, Series
1977 (American Fast Print, Ltd. - Lessee) -
Our File No. 6023

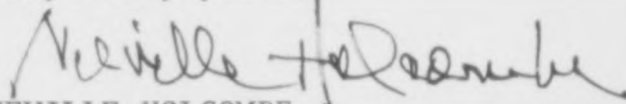
Dear Mr. McGinnis:

At the request of Mr. Thomas A. Hutcheson, I sent you on November 1st certain financial statements of American Fast Print, Ltd. In the financial statements of American Fast Print, branch of American Fast Print, Ltd., at December 31, 1976, the accountants, S.D. Leidesdorf & Co., noted three violations of financial covenants contained in the lease agreement supporting a 1974 Revenue Bond Note issued by American Fast Print, Ltd. to Wachovia Bank and Trust Company.

At the request of Mr. Hutcheson, I now enclose a letter of S.D. Leidesdorf & Co. to Mr. Jaroslav S. Fryml, President of American Fast Print, dated December 1, 1977, describing the three violations mentioned.

I am sending a copy of this same letter to Wachovia Bank and Trust Company, and I understand that the bank will now inform American Fast Print that it is aware of these violations, and does not intend to accelerate the maturity of its note or invoke any other remedy for such violations.

Very truly yours,


NEVILLE HOLCOMBE.

H:d

Enclosure.

cc: Mr. Tom Hutcheson
Mr. James Wilson

S. D. LEIDESDORF & CO.

CERTIFIED PUBLIC ACCOUNTANTS

550 MONTGOMERY BUILDING

SPARTANBURG, S. C. 29301

TELEPHONE 803-573-7801

December 1, 1977

Mr. Jaroslav S. Fryml
American Fast Print
P. O. Box 5765
Spartanburg, S. C. 29304

Dear Mr. Fryml:

We examined the financial statements of American Fast Print, Branch of American Fast Print Limited as at December 31, 1976 and for the year then ended and issued our report thereon dated March 29, 1977. In connection with the issuance of the 6.25% Industrial Revenue Note, the Company entered into agreements with Spartanburg County and a bank containing certain financial covenants.

The above mentioned financial statements contained the following disclosure in Note D:

"The Company has not complied with requirements of the agreements concerning capital expenditures, encumbrance of the Company's properties and furnishing financial statements to the bank on a timely basis. No waiver has been granted for the Company's breach of these covenants, and although the county and the bank have not given notice that they will do so, they may under the agreement demand immediate payment of the remaining balance of the note. Accordingly, the entire balance of the 6.25% Industrial Revenue Note has been included in the current portion of long-term debt."

The violations of financial covenants referred to above are more specifically described below:

- (1) Capital expenditures - The agreement provides that the Company shall purchase and install during 1976 in the building additional machinery and equipment having a fair market value of \$200,000. During this period, the Company actually purchased and installed in the building machinery and equipment amounting to \$105,649.
- (2) Encumbrance of the Company's properties - On June 10, 1976, the Company purchased land at Valley Falls, S. C. for cash of \$13,480 and its note in the amount of \$98,985. The note is collateralized by a mortgage on the property.

Mr. Jaroslav S. Fryml
American Fast Print

December 1, 1977
Page 2

- (3) Financial statements - Because of delays in accumulating financial data, the Company was unable to meet the time requirements for submission of financial statements.

Very truly yours,

J. D. Leidesdorf & Co.

SDL/lr



Trust Company Bank

Cooper N. Mills
Vice President

December 5, 1977

South Carolina Budget & Control Board
Attn: Mr. William McInnis
P. O. Box 11333
Columbia, S. C. 29211

Dear Mr. McInnis:

Trust Company Bank has made an independent financial evaluation of the creditworthiness of American Fast Print, Ltd., London, England, and Spartanburg, South Carolina, including the audited financial statements of J. M. Novotney and Company, and S. D. Leidesdorf and Company. We are aware of the violations of covenants as they relate to the 1974 lease agreement between the company and Spartanburg County. Trust Company Bank has made a determination to purchase 100% of the \$1,700,000 note to be issued by Spartanburg County in conjunction with the refinancing and increase in amount of the 1974 Industrial Revenue Bond financing. We will purchase this \$1,700,000 note for our own account without view to distribution.

Sincerely,

CNM, Jr.:ca

STATE BUDGET AND CONTROL BOARD

POLL OF December 7, 1977

POLL ITEM NUMBER 1

Agency: Spartanburg County (Carried over from 11/8/77 meeting)

Subject: Petition to issue a \$1,700,000 Industrial Revenue Note on behalf of American Fast Print Limited, a United Kingdom Corporation.

The proposed undertaking consists of the refunding of the outstanding principal amount of the original issue of a \$1,000,000 Industrial Revenue Note and the financing of certain additional facilities. The firm is engaged in the knitting of decorative fabrics and the project, when completed, will provide employment for about 60 additional persons.

The legal documents involved have been reviewed by the Attorney General's Office.

The Auditor's Office review of the financial information found the firm to be in violation of agreements with the County and with Wachovia Bank relating to an earlier Industrial Revenue Bond issue. This review also found the firm to be in a relatively weak position financially.

Bond Counsel, after being advised of these findings, has agreed to provide a letter from the Wachovia Bank (which holds the bonds now outstanding) acknowledging the firm's violation of the previous agreement. An investment letter from the Trust Company Bank, purchaser of the proposed issue, also is to be provided.

Board Action Requested:

If the bank letters are acceptable, adopt a Resolution approving the Spartanburg County proposal to issue a \$1,700,000 Industrial Revenue Note on behalf of American Fast Print Limited, pursuant to 1976 Code Sections 4-29-10, et seq.

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:

- (1) Wachovia Bank & Trust Company letter dated 11/30/77;
- (2) Holcombe, Bomar, Wynn and Gunn letter dated 12/1/77; and
- (3) S. D. Leidesdorf & Co. letter dated 12/1/77.

Wachovia

Wachovia Bank & Trust Company, N.A.
P.O. Box 2667
Charlotte, NC 28234

November 30, 1977

S. C. State Budget and Control Board
c/o William McInnis
Post Office Box 11333
Columbia, South Carolina 29211

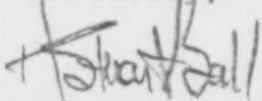
Dear Mr. McInnis:

Wachovia Bank and Trust Company, N. A. is aware of the circumstances surrounding the qualification in Note 4A of the J. M. Novotny audit of American Fast Print Limited (Incorporated in England) dated July 22, 1977 for the fiscal year ending December 31, 1976.

The bank understands that in connection with issuance of the \$1,700,000 Series 1977 note, the outstanding \$700,000 of the Series 1974 note held by us will be pre-paid.

In view of the proposed pre-payment the bank has not declared a default under the July 1, 1974 lease and mortgage and does not anticipate declaring a default prior to completion of the financing which will take place by January 16, 1978.

Sincerely,



H. Stuart Ball
Vice President

HSB/wmc

cc: Thomas A. Hutcheson
Post Office Box 340
Charleston, South Carolina 29402

HOLCOMBE, BOMAR, WYNN AND GUNN
ATTORNEYS AT LAW
MONTGOMERY BUILDING
SPARTANBURG, S. C.

NEVILLE HOLCOMBE
HORACE L. BOMAR
ROBERT L. WYNN, III
WILLIAM U. GUNN
H. L. BOMAR, III
DAVID G. INGALLS

December 1, 1977.

TELEPHONE (803) 585-4273
MAILING ADDRESS:
DRAWER 1897
SPARTANBURG, S. C. 29304

Mr. William McGinnis,
Post Office Box 11333,
Columbia, S. C. 29211.

Re: \$1,700,000 Spartanburg County, S.C. First
Mortgage Industrial Revenue Note, Series
1977 (American Fast Print, Ltd. - Lessee) -
Our File No. 6023

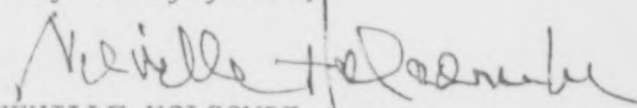
Dear Mr. McGinnis:

At the request of Mr. Thomas A. Hutcheson, I sent you on November 1st certain financial statements of American Fast Print, Ltd. In the financial statements of American Fast Print, branch of American Fast Print, Ltd., at December 31, 1976, the accountants, S.D. Leidesdorf & Co., noted three violations of financial covenants contained in the lease agreement supporting a 1974 Revenue Bond Note issued by American Fast Print, Ltd. to Wachovia Bank and Trust Company.

At the request of Mr. Hutcheson, I now enclose a letter of S.D. Leidesdorf & Co. to Mr. Jaroslav S. Fryml, President of American Fast Print, dated December 1, 1977, describing the three violations mentioned.

I am sending a copy of this same letter to Wachovia Bank and Trust Company, and I understand that the bank will now inform American Fast Print that it is aware of these violations, and does not intend to accelerate the maturity of its note or invoke any other remedy for such violations.

Very truly yours,


NEVILLE HOLCOMBE.

H:d

Enclosure.

cc: Mr. Tom Hutcheson
Mr. James Wilson

S. D. LEIDESDORF & CO.

CERTIFIED PUBLIC ACCOUNTANTS

550 MONTGOMERY BUILDING

SPARTANBURG, S. C. 29301

TELEPHONE 803-573-7801

December 1, 1977

Mr. Jaroslav S. Fryml
American Fast Print
P. O. Box 5765
Spartanburg, S. C. 29304

Dear Mr. Fryml:

We examined the financial statements of American Fast Print, Branch of American Fast Print Limited as at December 31, 1976 and for the year then ended and issued our report thereon dated March 29, 1977. In connection with the issuance of the 6.25% Industrial Revenue Note, the Company entered into agreements with Spartanburg County and a bank containing certain financial covenants.

The above mentioned financial statements contained the following disclosure in Note D:

"The Company has not complied with requirements of the agreements concerning capital expenditures, encumbrance of the Company's properties and furnishing financial statements to the bank on a timely basis. No waiver has been granted for the Company's breach of these covenants, and although the county and the bank have not given notice that they will do so, they may under the agreement demand immediate payment of the remaining balance of the note. Accordingly, the entire balance of the 6.25% Industrial Revenue Note has been included in the current portion of long-term debt."

The violations of financial covenants referred to above are more specifically described below:

- (1) Capital expenditures - The agreement provides that the Company shall purchase and install during 1976 in the building additional machinery and equipment having a fair market value of \$200,000. During this period, the Company actually purchased and installed in the building machinery and equipment amounting to \$105,649.
- (2) Encumbrance of the Company's properties - On June 10, 1976, the Company purchased land at Valley Falls, S. C. for cash of \$13,480 and its note in the amount of \$98,985. The note is collateralized by a mortgage on the property.

Mr. Jaroslav S. Fryml
American Fast Print

December 1, 1977
Page 2

- (3) Financial statements - Because of delays in accumulating financial data, the Company was unable to meet the time requirements for submission of financial statements.

Very truly yours,

J. D. Leidesdorf & Co.

SDL/lr

AMERICAN FAST PRINT LIMITED
(Incorporated in England)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1976

J. M. NOVOTNY & CO.

COMPTABLES AGRÉÉS - CHARTERED ACCOUNTANTS

1270 SHERBROOKE STREET WEST
MONTREAL 109, CANADA
TELEPHONE: 514-288-7741

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of American Fast Print Limited as at December 31, 1976 and the consolidated statements of income and retained earnings for the year then ended. We have relied on the reports of the auditors who have examined the financial statements of the subsidiaries and of the United States Branch of American Fast Print Limited.

In our opinion, these consolidated financial statements present fairly the financial position of the Companies as at December 31, 1976 and the results of their operation for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in the basis of depreciation as mentioned in note 1d).

CHARTERED ACCOUNTANTS

Montreal, Canada
July 22, 1977

AMERICAN FAST PRINT LIMITED

CONSOLIDATED BALANCE SHEET

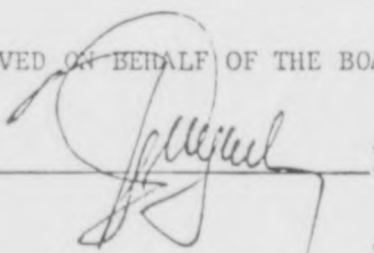
(Expressed in U.S. Dollars)

AS AT DECEMBER 31, 1976

A S S E T S

	<u>1976</u> \$	<u>1975</u> \$
CURRENT		
Cash on hand and term deposits	20,377	331,437
Accounts receivable	1,173,182	3,076,860
Inventory (note 1c)	1,900,164	1,831,907
Prepaid expenses	46,848	185,085
Cash surrender value of life insurance policies (note 2)	<u>196,170</u>	<u>150,623</u>
	3,336,741	5,575,912
ADVANCES TO PARENT COMPANIES	64,925	
ADVANCES TO AFFILIATED COMPANIES	55,896	206,194
FIXED ASSETS (note 3)	5,043,930	5,136,780
GOODWILL - arising on consolidation	---	988,029
UNAMORTIZED DEBT EXPENSES (note 4)	35,623	38,719
	<u>8,537,115</u>	<u>11,945,634</u>

APPROVED ON BEHALF OF THE BOARD:


_____) Director

_____) Director

AMERICAN FAST PRINT LIMITED

CONSOLIDATED BALANCE SHEET

(Expressed in U.S. Dollars)

AS AT DECEMBER 31, 1976

L I A B I L I T I E S

	<u>1976</u> \$	<u>1975</u> \$
CURRENT		
Bank overdraft	59,438	---
Bank loan	---	727,805
Accounts payable and accrued liabilities	685,405	1,633,163
Income taxes payable (note 6)	68,858	160,280
Current portion of long term debt (note 4)	<u>791,043</u>	<u>73,851</u>
	1,604,744	2,595,099
ADVANCE FROM PARENT COMPANY	---	132,744
ADVANCE FROM AN AFFILIATED COMPANY	156,776	1,941,141
DUE TO SHAREHOLDER	3,203,026	2,692,172
LONG TERM DEBT (note 4)	265,577	989,865
DEFERRED INCOME TAXES	125,800	94,800
MINORITY INTERESTS	---	193,695
PENSION PLAN (note 5)	<u> </u>	<u> </u>
	<u>5,355,923</u>	<u>8,639,516</u>

S H A R E H O L D E R S ' E Q U I T Y

CAPITAL STOCK		
Authorized, issued and fully paid		
1,200 8% non cumulative, redeemable, preferred shares of a par value of \$2,500	3,000,000	3,000,000
1,000 common shares of a par value of \$240	<u>240,000</u> <u>3,240,000</u>	<u>240,000</u> <u>3,240,000</u>
RETAINED EARNINGS (DEFICIT)	<u>(58,808)</u> <u>3,181,192</u>	<u>66,118</u> <u>3,306,118</u>
	<u>8,537,115</u>	<u>11,945,634</u>

AMERICAN FAST PRINT LIMITED
CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)
(Expressed in U.S. Dollars)
FOR THE YEAR ENDED DECEMBER 31, 1976

	<u>1976</u> \$	<u>1975</u> \$
RETAINED EARNINGS (DEFICIT), beginning of year		
As previously reported	66,118	(161,735)
Adjustments to prior years income (note 1d)	<u>390,540</u>	<u>5,654</u>
As restated	456,658	(156,081)
Net income for the year	<u>1,540,614</u>	<u>822,199</u>
	1,997,272	666,118
Dividends paid	<u>2,056,080</u>	<u>600,000</u>
RETAINED EARNINGS (DEFICIT), end of year	<u><u>(58,808)</u></u>	<u><u>66,118</u></u>

AMERICAN FAST PRINT LIMITED
CONSOLIDATED STATEMENT OF INCOME

(Expressed in U.S. Dollars).

FOR THE YEAR ENDED DECEMBER 31, 1976

	<u>1976</u> \$	<u>1975</u> \$
SALES		
Printing and designs	6,327,100	11,507,872
Greige goods	2,909,749	2,449,402
Rent	---	625,224
Other	---	232,591
	<u>9,236,849</u>	<u>14,815,089</u>
COST OF SALES	<u>8,112,226</u>	<u>11,576,913</u>
GROSS PROFIT	1,124,623	3,238,176
Selling, general and administrative expense	<u>891,008</u>	<u>1,596,977</u>
INCOME BEFORE TAXES AND EXTRAORDINARY ITEMS	<u>233,615</u>	<u>1,641,199</u>
PROVISION FOR INCOME TAXES		
Current	54,000	795,000
Deferred	<u>31,000</u>	<u>24,000</u>
	<u>85,000</u>	<u>819,000</u>
INCOME BEFORE EXTRAORDINARY ITEMS	148,615	822,199
Net profit on disposal of the Canadian branch operations (note 7)	<u>1,391,999</u>	<u>---</u>
NET INCOME FOR THE YEAR	<u><u>1,540,614</u></u>	<u><u>822,199</u></u>

AMERICAN FAST PRINT LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1976

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

The consolidated financial statements include the accounts of the U.S. Branch as well as the following subsidiaries:

	Decorprint Corporation	Globetex Corporation
Country of Incorporation	New York	Delaware
Ownership in common shares	100%	100%
Cost	\$1,000	\$2,500
Year-end	December 31	December 31

b) Foreign currencies

Canadian Dollars have been treated at par with U.S. dollars

c) Inventories

Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first out or average cost basis, and market is based on current replacement cost.

d) Depreciation

The company changed its basis of depreciation of fixed assets retroactively to the date of purchase. The company used to compute depreciation on the diminishing balance method, at varying rates to comply with Canadian taxation requirements. Depreciation is now computed principally by the double declining-balance method over the estimated useful lives of the assets. See note (e) below regarding use of different lives for income tax reporting in United States of America.

The net effect of the change in the method used has increased the retained earnings by \$390,540.

AMERICAN FAST PRINT LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1976

e) Income Taxes

United States and South Carolina corporation income tax returns are filed on a separate accounting basis for the U.S. branch, whose activities embrace all operations in the United States of American Fast Print Limited, a United Kingdom Corporation. Provision for income taxes has been made accordingly.

Depreciation of certain fixed assets is computed for income tax reporting based on shorter estimated useful lives than those used for computation of depreciation for financial reporting. Deferred income taxes are provided for the resulting timing difference.

Investment tax credits, approximately \$71,000 in the current year, are accounted for by the flow-through method. Approximately \$6,000 investment tax credits are available for carry forward through 1983.

2. LIFE INSURANCE

The Company is owner and beneficiary of three insurance policies on the life of its president in the aggregate face amount of \$12,000,000. The Company has obtained loans against the cash surrender value of two of the policies (note 4). Net life insurance expense (which is not deductible for income taxes) was \$88,813 in 1976.

3. FIXED ASSETS - at cost

Autos and trucks	\$ 106,376
Office equipment	80,031
Plant equipment	5,288,199
Paving, landscaping	178,150
Buildings	2,476,386
Land	<u>399,194</u>
	8,528,336
Less: accumulated depreciation	<u>3,484,406</u>
	<u>\$5,043,930</u>

AMERICAN FAST PRINT LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1976

4. LONG TERM DEBT

Industrial Revenue Note - 6.25%, repayable in semi-annual installments of \$50,000 (1977-1979) and \$25,000 (1980-1989) (See 4a)	\$ 750,000
Mortgage note - 9%, repayable in quarterly installments of \$6,201, to June 10, 1981	90,948
Mortgage note - 8%, repayable in monthly installments of \$627, including capital and interest, to September 1, 1992	67,625
Mortgage note - 7%, due May 1, 1977	20,838
Life Insurance Policy Loans - 5% with no specific terms of repayment (note 2)	126,445
Lease Purchase Agreement - 23%, repayable in monthly installments of \$135 to May 1977	<u>764</u>
	1,056,620
LESS CURRENT PORTION (See 4a)	<u>791,043</u>
	<u>\$ 265,577</u>

- a) Secured by the fixed assets of the Company, with net book amount of \$869,663, security title to which rests with Spartanburg County, South Carolina, which issued its 6.25% Industrial Revenue Note, in the amount of \$1,000,000, to finance the construction of the plant.

The Company is obligated to make payments to cover semi-annual payments of interest and scheduled retirement of the principal of the note. Upon complete retirement of the note, Spartanburg County agrees to sell the plant to the Company for a nominal amount.

AMERICAN FAST PRINT LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1976

4. LONG TERM DEBT (continued)

In connection with the issuance of this note, American Fast Print Limited entered into agreements with Spartanburg County and a bank containing certain financial covenants based on consolidated financial data. The agreements provide, among other matters, for: 1) maintenance of consolidated working capital and consolidated tangible net worth at certain levels; 2) restrictions as to mergers, sale or lease of assets, additional indebtedness or liens; 3) prohibition of certain investments; and 4) restrictions as to payment of cash dividends and capital expenditures.

Prepayment of the note at premium rates is permitted as outlined in the agreement. The company has not complied with requirements of the agreements concerning capital expenditures, encumbrance of the Company's properties and furnishings financial statements to the bank on a timely basis. No waiver has been granted for the Company's breach of these covenants, and although the county and the bank have not given notice that they will do so, they may under the agreement demand immediate payment of the remaining balance of the note. Accordingly, the entire balance of the 6.25% Industrial Revenue Note has been included in the current portion of long-term debt.

- b) Mortgage notes are collateralized by land and improvements with net book amount at December 31, 1976 of \$160,872 and land with cost of \$227,570. Equipment with net book amount at December 31, 1976, of \$1,975 was acquired under the capital lease.

5. PENSION PLAN

The Company has a contributory pension plan for all employees meeting certain eligibility requirements. The plan requires the purchase of group annuity contracts to provide monthly retirement benefits for participants. Benefits of the plan are vested in the participants upon the completion of 10 years continuous service. The Company's contribution for the year was \$11,723.

Changes have been made to bring the plan into compliance with the requirements of the Employee Retirement Income Security Act of 1974; the amended plan has been submitted to the Internal Revenue Service of the United States for approval.

AMERICAN FAST PRINT LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1976

6. INCOME TAXES

In addition to the taxes payable provided for in the balance sheet, the Company received from the Canadian tax authorities reassessments for additional income taxes payable with respect of the years 1972, 1973 and 1974 amounting to CDN \$196,222. It is the intention of the Company to appeal these reassessments.

- 7. DISPOSAL OF CANADIAN BRANCH

The Company sold the operations of its Canadian branch including its investment in 9500 Building Inc. on January 2nd, 1976. The profit realized on the disposal was \$1,391,399. As part of the proceeds the Company received 1,393 preferred shares of Montreal Fast Print (1975) Ltd. of par value of \$1,000 each. These shares were later distributed to the Company's shareholders in partial payment of the dividend of \$2,056,080 declared on December 30, 1976.

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

R E P O R T O N F I N A N C I A L S T A T E M E N T S

A S A T D E C E M B E R 3 1 , 1 9 7 6

A N D F O R T H E Y E A R T H E N E N D E D

(W I T H O T H E R D A T A)

ACCOUNTANTS' REPORT

To Mr. Jaroslav S. Fryml, President
American Fast Print, Branch of
American Fast Print Limited
Spartanburg, South Carolina

We have examined the statement of assets and liabilities of American Fast Print, Branch of American Fast Print Limited as at December 31, 1976, and the related statements of earnings and accumulated earnings and of changes in financial position for the year 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 assets and liabilities of American Fast Print, Branch of American Fast Print Limited at December 31, 1976, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A. D. Leidenorff Co.

Spartanburg, S. C.
March 29, 1977

A M E R I C A N
B R A N C H O F A M E R I C A N

S T A T E M E N T O F A S S E T S

A S A T D E C E M B E R

ASSETS

Current Assets:

Cash		\$ 11,076
Accounts receivable:		
Trade	\$1,151,545	
Employees	<u>21,625</u>	1,173,170
Inventories - Note A(1):		
Finished goods	485,490	
Work in process	354,933	
Raw materials	863,196	
Chemicals	62,190	
Colors	73,056	
Screens	19,615	
Supplies	<u>41,684</u>	1,900,164
Prepaid expenses		<u>46,677</u>
Total Current Assets		3,131,087

Other Assets:

Advances to affiliated companies	46,049	
Cash surrender value of life insurance - Note B	<u>196,170</u>	242,219

Fixed Assets - Notes A(2), C and D:

Cost	8,522,017	
Less: Accumulated depreciation	<u>3,480,862</u>	5,041,155
Unamortized Debt Expense		<u>35,623</u>
		<u>\$8,450,084</u>

The accompanying notes are an

FAST PRINT
FAST PRINT LIMITED

AND LIABILITIES

31, 1976

LIABILITIES AND HOME OFFICE EQUITY

Current Liabilities:

Bank overdraft		\$ 59,438
Current portion of long-term debt - Note D		791,043
Accounts payable		558,498
Advances from affiliated companies		879,488
Accrued and sundry liabilities:		
Payroll and other compensation	\$ 74,794	
Amounts withheld from salaries and wages	20,353	
Taxes other than income taxes	21,231	
Interest	<u>6,834</u>	123,212
Federal and state income taxes - Note A(3)		<u>68,858</u>

Total Current Liabilities 2,480,537

Long-Term Debt, Less Current Portion -
Note D

265,577

Deferred Income Taxes - Note A(3)

125,800

Total Liabilities

2,871,914

Pension Plan - Note E

Home Office Equity:

Advances from Home Office 4,339,856

Accumulated Earnings of Branch -
Exhibit B

1,238,314 5,578,170

\$8,450,084

integral part of this statement.

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

S T A T E M E N T O F E A R N I N G S A N D A C C U M U L A T E D E A R N I N G S

F O R T H E Y E A R E N D E D D E C E M B E R 3 1 , 1 9 7 6

Commission printing and designing	\$6,272,622	
Less: Cost of processing	<u>5,469,535</u>	\$ 803,087
Sales of greige cloth (including \$598,652 to an affiliate)	2,909,749	
Less: Cost of goods sold	<u>2,642,691</u>	<u>267,058</u>
		1,070,145
Selling, general and administrative expenses		<u>791,814</u>
		278,331
Other income		<u>22,041</u>
		300,372
Other charge - interest, net		<u>66,757</u>
Earnings before income taxes		233,615
Provision for Federal and state income taxes - Notes A(3) and B:		
Current	54,000	
Deferred	<u>31,000</u>	<u>85,000</u>
Net earnings		148,615
Accumulated Earnings of Branch at December 31, 1975		<u>1,089,699</u>
Accumulated Earnings of Branch at December 31, 1976 - Exhibit A		<u>\$1,238,314</u>

The accompanying notes are an integral part of this statement.

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

S T A T E M E N T O F C H A N G E S I N F I N A N C I A L P O S I T I O N

F O R T H E Y E A R E N D E D D E C E M B E R 3 1 , 1 9 7 6

Financial resources provided from:	
Net earnings - Exhibit B	\$ 148,615
Items not requiring outlay of or (providing)	
working capital in the current year:	
Depreciation	577,764
Amortization of debt expense	3,097
Increase in cash surrender value of	
life insurance	(45,547)
Deferred income taxes	<u>31,000</u>
Working capital provided from operations	714,929
Proceeds of long-term debt	98,985
Advances from home office, net	<u>17,001</u>
Total resources provided	<u>830,915</u>
Financial resources used for:	
Acquisitions of fixed assets	1,280,588
Payments and current portion of long-term debt	123,273
Reclassification of noncurrent balance of	
Industrial Revenue Note to current	700,000
Increase in advances to affiliated companies	<u>314</u>
Total resources used	<u>2,104,175</u>
(Decrease) in working capital	<u><u>\$ (1,273,260)</u></u>
Changes in working capital by components:	
Increase (decrease) in current assets:	
Cash	\$ (168,869)
Accounts receivable	(380,935)
Inventories	672,987
Prepaid expenses	<u>8,529</u>
	<u>131,712</u>
(Increase) decrease in current liabilities:	
Bank overdraft	166,722
Current portion of long-term debt	(717,192)
Accounts payable	(102,149)
Advances from affiliated company	(719,746)
Accrued and sundry liabilities	(10,873)
Federal and state income taxes	<u>(21,734)</u>
	<u>(1,404,972)</u>
(Decrease) in working capital	(1,273,260)
Working capital at December 31, 1975	<u>1,923,810</u>
Working capital at December 31, 1976	<u><u>\$ 650,550</u></u>

The accompanying notes are an integral part of this statement.

AMERICAN FAST PRINT
BRANCH OF AMERICAN FAST PRINT LIMITED

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 1976

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- (1) Inventories - Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out or average cost basis, and market is based on current replacement cost.
- (2) Depreciation - Depreciation is computed principally by the double-declining-balance method over the estimated useful lives of the assets. See (3) below regarding use of different lives for income tax reporting.
- (3) Income Taxes - United States and South Carolina corporation income tax returns are filed on a separate accounting basis for the branch, whose activities embrace all operations in the United States of American Fast Print Limited, a United Kingdom Corporation. Provision for income taxes has been made accordingly.

For income tax reporting, depreciation of certain fixed assets is computed based on shorter estimated useful lives than those used for computation of depreciation for financial reporting. Deferred income taxes are provided for the resulting timing difference.

Investment tax credits, approximately \$71,000 in the current year, are accounted for by the flow-through method. Approximately \$6,000 investment tax credits are available for carryforward through 1983.

NOTE B - LIFE INSURANCE:

The branch is owner and beneficiary of three insurance policies on the life of its president with total face amount of \$12,500,000. The branch has obtained loans against the cash surrender value of two of the policies (Note D). Net life insurance expense (which is not deductible for income taxes) was \$88,813 in 1976.

NOTE C - FIXED ASSETS:

Land	\$ 399,194
Building and improvements	2,306,277
Paving, landscaping and sewer line	178,150
Machinery and equipment	5,288,199
Office equipment	73,712
Transportation equipment	106,376
Rental property	170,109
	<u>\$8,522,017</u>

AMERICAN FAST PRINT
BRANCH OF AMERICAN FAST PRINT LIMITED

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 1976

NOTE D - LONG-TERM DEBT:

6.25% Industrial Revenue Note payable in semi-annual installments of \$50,000 (1977-1979) and \$25,000 (1980-1989)	\$ 750,000
9% mortgage note payable in quarterly installments of \$6,201 to June 10, 1981	90,948
8% mortgage note payable in monthly installments of \$627 to September 1, 1992	67,625
7% mortgage note payable - final installment due May 1, 1977	20,838
Obligation under capital lease, payable in monthly installments of \$135, including interest at 23%, to May 1977	764
5% life insurance policy loans, not expected to be repaid in one year - Note B	<u>126,445</u>
	1,056,620
Less current portion	<u>791,043</u>
	<u>\$ 265,577</u>

The 6.25% Industrial Revenue Note was issued in the original amount of \$1,000,000 by Spartanburg County, South Carolina. The county holds security title to the Fryml Fabrics plant which is included in the branch's fixed assets with net book amount of \$869,663 at December 31, 1976. American Fast Print Limited ("the Company") is obligated to make payments to the county to cover semi-annual payments of interest and scheduled retirement of the principal of the note. Upon complete retirement of the note, Spartanburg County is to sell the plant to the Company for a nominal amount. Prepayment of the note at premium rates is permitted.

In connection with the issuance of this note, the Company entered into agreements with Spartanburg County and a bank containing certain financial covenants based on consolidated financial data. The agreements provide, among other matters, for: (1) maintenance of consolidated working capital and consolidated tangible net worth at certain levels; (2) restrictions as to mergers, sale or lease of assets, additional indebtedness or liens; (3) prohibition of certain investments; and (4) restrictions as to payment of cash dividends and capital expenditures.

(continued)

LEIDESDORF

AMERICAN FAST PRINT
BRANCH OF AMERICAN FAST PRINT LIMITED

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 1976

NOTE D - LONG-TERM DEBT: (continued)

The Company has not complied with requirements of the agreements concerning capital expenditures, encumbrance of the Company's properties and furnishing financial statements to the bank on a timely basis. No waiver has been granted for the Company's breach of these covenants, and although the county and the bank have not given notice that they will do so, they may under the agreement demand immediate payment of the remaining balance of the note. Accordingly, the entire balance of the 6.25% Industrial Revenue Note has been included in the current portion of long-term debt.

Mortgage notes are collateralized by land and improvements with net book amount at December 31, 1976 of \$160,872 and land with cost of \$227,570. Equipment with net book amount at December 31, 1976, of \$1,975 was acquired under the capital lease.

NOTE E - PENSION PLAN:

The Company has a contributory pension plan for all employees meeting certain eligibility requirements. The plan requires the purchase of group annuity contracts to provide monthly retirement benefits for participants. Benefits of the plan are vested in the participants upon the completion of 10 years continuous service. The Company's contribution for the year was \$11,723.

Changes have been made to bring the plan into compliance with the requirements of the Employee Retirement Income Security Act of 1974; the amended plan has been submitted to the Internal Revenue Service for approval.

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

OTHER DATA

INDEX

Accountants' Letter

Costs and Expenses for the Year Ended December 31, 1976:

Cost of Processing	SCHEDULE 1
Cost of Goods Sold	SCHEDULE 2
Selling, General and Administrative Expenses	SCHEDULE 3

March 29, 1977

Mr. Jaroslav S. Fryml, President
American Fast Print, Branch of
American Fast Print Limited
Spartanburg, South Carolina

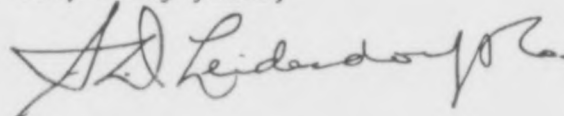
Dear Mr. Fryml:

The current year's basic financial statements of American Fast Print, Branch of American Fast Print Limited, namely, the statement of assets and liabilities as at December 31, 1976, and the related statements of earnings and accumulated earnings and of changes in financial position for the year then ended, and our Accountants' Report on these financial statements are included in the preceding section of this report.

The data in Schedules 1, 2 and 3, which follow this letter, are presented primarily for supplementary analysis purposes and are not considered necessary for a fair presentation of the branch's assets and liabilities at December 31, 1976, and the results of its operations and the changes in its financial position for the year then ended. Our examination, which is set forth in our Accountants' Report, was made primarily for the purpose of formulating an opinion on the basic financial statements, taken as a whole.

Although our examination included tests of costs and expenses, these tests were not extended in such detail as to enable us to express an opinion as to the fair presentation of the individual items of costs and expenses for the year ended December 31, 1976, shown in Schedules 1, 2 and 3.

Very truly yours,

A handwritten signature in dark ink, appearing to read "A. D. Leidenberg". The signature is fluid and cursive, with a long horizontal stroke at the end.

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

C O S T O F P R O C E S S I N G

F O R T H E Y E A R E N D E D D E C E M B E R 3 1 , 1 9 7 6

Inventory at December 31, 1975		\$ 467,014
Purchase of materials:		
Chemicals	\$ 918,490	
Colors	426,089	
Screens and designs	218,553	
Freight	<u>23,694</u>	
	1,586,826	
Less: Discount on purchases	<u>11,913</u>	<u>1,574,913</u>
		2,041,927
Processing expenses:		
Salaries and wages	2,596,577	
Payroll taxes	205,252	
Factory supplies	502,442	
Plant security	22,250	
Outside processing and warehousing	81,232	
Depreciation	418,996	
Utilities	204,120	
Maintenance	25,775	
General insurance	91,247	
Group insurance	84,484	
Waste collection	5,200	
Employee procurement and welfare	20,694	
Equipment rental	2,665	
Licenses and taxes	110,384	
Sundry	<u>15,904</u>	<u>4,387,222</u>
		6,429,149
Less: Scrap and waste sales		<u>333,609</u>
		6,095,540
Less: Inventory at December 31, 1976		<u>626,005</u>
Cost of processing - Exhibit B		<u><u>\$5,469,535</u></u>

Reference is made to the accompanying letter of
S. D. Leidesdorf & Co., dated March 29, 1977.

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

C O S T O F G O O D S S O L D

F O R T H E Y E A R E N D E D D E C E M B E R 3 1 , 1 9 7 6

Inventory at December 31, 1975		\$ 760,163
Purchases of materials:		
Yarn	\$2,317,912	
Freight	<u>37,993</u>	
	2,355,905	
Less: Discount on purchases	<u>20,415</u>	<u>2,335,490</u>
		3,095,653
Manufacturing expenses:		
Salaries and wages	474,615	
Payroll taxes	42,098	
Factory supplies	85,344	
Plant security	22,250	
Outside processing and warehousing	3,842	
Depreciation	133,063	
Utilities	42,906	
Maintenance	2,681	
General insurance	18,718	
Group insurance	17,361	
Employee procurement and welfare	727	
Equipment rental	1,280	
Licenses and taxes	215	
Sundry	<u>4,149</u>	<u>849,249</u>
		3,944,902
Less: Scrap and waste sales		<u>28,052</u>
		3,916,850
Less: Inventory at December 31, 1976		<u>1,274,159</u>
Cost of goods sold - Exhibit B		<u>\$2,642,691</u>

Reference is made to the accompanying letter of
S. D. Leidesdorf & Co., dated March 29, 1977.

AMERICAN FAST PRINT
BRANCH OF AMERICAN FAST PRINT LIMITED

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1976

Executive salaries	\$285,528
Office wages	72,655
Advertising	11,101
Automobile expense	6,542
Professional services	110,340
Commissions to factor	29,279
Commissions to affiliated company	8,405
Home office expense	12,000
Office supplies and expense	25,919
Telephone and telegraph	35,616
Travel	8,849
Depreciation	25,705
Administrative expense paid to affiliated company	45,128
Donations	13,647
Officer's life insurance, net	88,813
Amortization of debt expense	3,097
Dues and subscriptions	1,065
Automated services	7,778
Sundry	<u>347</u>
Selling, general and administrative expenses - Exhibit B	<u><u>\$791,814</u></u>

Reference is made to the accompanying letter of
S. D. Leidesdorf & Co., dated March 29, 1977.

AMERICAN FAST PRINT LIMITED
(Incorporated in England)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1975

*This One has
1974 & 1975 figures.*

J. M. NOVOTNY & CO.

COMPTABLES AGRÉÉS - CHARTERED ACCOUNTANTS

1270 SHERBROOKE STREET WEST
MONTREAL 109, CANADA
TELEPHONE: 514-288-7741

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of American Fast Print Limited as at December 31, 1975 and the consolidated statements of income and retained earnings for the year then ended. Our examination of the financial statements of American Fast Print Limited included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the subsidiaries and of the United States Branch of American Fast Print Limited.

In our opinion, these consolidated financial statements present fairly the financial position of the Companies as at December 31, 1975 and the results of their operation for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J. M. Novotny & Co.

CHARTERED ACCOUNTANTS

Montreal, Canada
June 7, 1976

AMERICAN FA

CONSOLIDATE

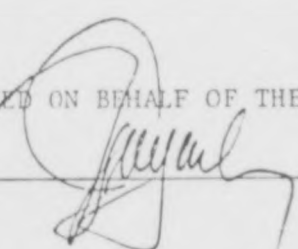
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AS AT DEC

ASSETS

	<u>1975</u> \$	<u>1974</u> \$
CURRENT		
Cash on hand and term deposits	331,437	10,524
Accounts receivable - trade and sundry	3,076,860	1,738,817
Inventory - at the lower of cost or net realizable value	1,831,907	1,669,731
Prepaid expenses	185,085	199,850
Cash surrender value of life insurance policies	150,623	104,082
Refundable income tax	<u>---</u>	<u>411,384</u>
	5,575,912	4,134,388
ADVANCES TO AFFILIATED COMPANIES	206,194	394,209
FIXED ASSETS (note 2)	5,136,780	5,092,050
GOODWILL - arising on consolidation	988,029	983,717
UNAMORTIZED DEBT EXPENSES (note 4)	38,719	41,816

APPROVED ON BEHALF OF THE BOARD:


 _____) Director

_____) Director

11,945,63410,646,180

INT LIMITED

ANCE SHEET

S. Dollars)

31, 1975

LIABILITIES

	<u>1975</u>	<u>1974</u>
	\$	\$
CURRENT		
Bank overdraft	---	292,247
Bank loan (note 3)	727,805	225,000
Accounts payable and accrued liabilities	1,633,163	1,204,765
Income taxes payable	160,280	287,543
Current portion of long term debt	<u>73,851</u>	<u>127,705</u>
	2,595,099	2,137,260
ADVANCE FROM PARENT COMPANY	132,744	132,759
ADVANCE FROM AN AFFILIATED COMPANY	1,941,141	1,763,362
DUE TO SHAREHOLDER	2,692,172	2,199,151
LONG TERM DEBT (note 4)	989,865	1,087,316
DEFERRED INCOME TAXES	94,800	70,800
MINORITY INTERESTS	<u>193,695</u>	<u>177,267</u>
	<u>8,639,516</u>	<u>7,567,915</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized, issued and fully paid		
1,200 8% non cumulative, redeemable, preferred shares of a par value of \$2,500	3,000,000	3,000,000
1,000 common shares of a par value of \$240	<u>240,000</u>	<u>240,000</u>
	3,240,000	3,240,000
RETAINED EARNINGS (DEFICIT)	<u>66,118</u>	<u>(161,735)</u>
	<u>3,306,118</u>	<u>3,078,265</u>
	<u>11,945,634</u>	<u>10,646,180</u>

AMERICAN FAST PRINT LIMITED
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
(Expressed in U.S. Dollars)
FOR THE YEAR ENDED DECEMBER 31, 1975

	1975 \$	1974 \$
RETAINED EARNINGS, beginning of year		284,619
As previously reported	(161,735)	
Adjustments to prior year income	<u>5,654</u>	
As restated	(156,081)	
Net income for the year	822,199	515,505
Government incentive	<u>---</u>	<u>38,141</u>
	666,118	838,265
Dividends paid	<u>600,000</u>	<u>1,000,000</u>
RETAINED EARNINGS, end of year	<u><u>66,118</u></u>	<u><u>(161,735)</u></u>

AMERICAN FAST PRINT LIMITED
CONSOLIDATED STATEMENT OF INCOME
(Expressed in U.S. Dollars)
FOR THE YEAR ENDED DECEMBER 31, 1975

	1975 \$	1974 \$
SALES		
Printing and designs	11,507,872	9,241,272
Greige goods	2,449,402	3,000,622
Rent	625,224	593,731
Other	232,591	112,281
	<u>14,815,089</u>	<u>12,947,906</u>
COST OF SALES	<u>11,576,913</u>	<u>10,076,302</u>
	<u>3,238,176</u>	<u>2,871,604</u>
EXPENSES		
Selling	143,718	120,946
Administration	1,134,725	1,118,249
Financial	318,534	520,625
	<u>1,596,977</u>	<u>1,759,820</u>
	<u>1,641,199</u>	<u>1,111,784</u>
PROVISION FOR INCOME TAXES		
Current	795,000	563,979
Deferred	24,000	32,300
	<u>819,000</u>	<u>596,279</u>
NET INCOME FOR THE YEAR	<u>822,199</u>	<u>515,505</u>

AMERICAN FAST PRINT LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1975

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

The consolidated financial statements include the accounts of the Canadian and U.S. Branches, as well as the following subsidiaries:

	Decorprint Corporation	Globetex Corporation	9500 Building Inc.
Country of Incorporation	U.S.A.	U.S.A.	Canada
Ownership in common shares	100%	100%	53%
preferred shares	n/a	n/a	31%
Cost	\$1,000	\$2,500	\$1,157,312
Year-end	December 31	December 31	November 30

b) Foreign currencies

Canadian Dollars have been treated at par with U.S. Dollars

c) Depreciation of fixed assets

Depreciation is based principally on the diminishing balance method at varying rates to comply with Canadian taxation requirements

2. FIXED ASSETS

	<u>Cost</u>	<u>Accumulated Depreciation</u>	
Autos and trucks	51,951	34,161	17,790
Office equipment	109,190	60,506	48,684
Plant equipment	6,491,684	3,930,311	2,561,373
Leasehold improvements	333,630	249,699	83,931
Paving, landscaping	155,788	40,153	115,635
Buildings	3,147,947	1,161,426	1,986,521
Land	322,846	---	322,846
	<u>10,613,036</u>	<u>5,476,256</u>	<u>5,136,780</u>

AMERICAN FAST PRINT LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1976

3. BANK LOAN

The bank loan is secured by a registered general assignment of the accounts receivable of the Canadian Branch of American Fast Print Limited.

4. LONG TERM DEBT

Industrial Revenue Note - 6.25%, repayable in semi-annual installments of \$50,000 (1976-1979) and \$25,000 (1980-1989) (A)	850,000
Mortgage Note - 8%, repayable in monthly installments of \$627, including capital and interest, to September 1, 1992	69,584
Mortgage Note - 7%, repayable in annual installments of \$20,837, to May 1, 1977 (B)	41,675
Life Insurance Policy Loans - 5% with no specific terms of repayment	100,495
Lease Purchase Agreement - 23%, repayable in monthly installments of \$135 to May 1977	<u>1,962</u>
	1,063,716
LESS CURRENT PORTION	<u>73,851</u>
	<u>\$ 989,865</u>

AMERICAN FAST PRINT LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1975

4. LONG TERM DEBT (continued)

- A) Secured by the Fixed Assets of the Spartanburg branch with net book amount of \$885,054, security title to which rests with Spartanburg County, South Carolina, which issued its 6.25% Industrial Revenue Note, in the amount of \$1,000,000, to finance the construction of the plant.

The Company is obligated to make payments to cover semi-annual payments of interest and scheduled retirement of the principal of the note. Upon complete retirement of the note, Spartanburg County agrees to sell the plant to the Company for a nominal amount.

In connection with the issuance of this note, American Fast Print Limited entered into agreements with Spartanburg County and a bank containing certain financial covenants based on consolidated financial data. The agreements provide, among other matters, for: 1) maintenance of consolidated working capital and consolidated tangible net worth at certain levels; 2) restrictions as to mergers, sale or lease of assets, additional indebtedness or liens; 3) prohibition of certain investments; and 4) restrictions as to payment of cash dividends and capital expenditures.

Prepayment of the note at premium rates is permitted as outlined in the agreement.

- B) Other long term debt is collateralized by land and improvements with net book amount at December 31, 1975 of \$171,919, land with cost of \$115,105 and equipment with net book amount at December 31, 1975, of \$2,370.

5. COMMITMENTS

The company has entered into a contract for the construction at a cost of approximately \$400,000 of a plant addition, to be used primarily as warehouse space.

In 1976, as part of the reorganization of the Canadian branch operations, its assets and liabilities were transferred to Montreal Fast Print (1975) Ltd., a Canadian company.

AMERICAN FAST PRINT
BRANCH OF AMERICAN FAST PRINT LIMITED

REPORT ON FINANCIAL STATEMENTS

AS AT DECEMBER 31, 1974

AND FOR THE YEAR THEN ENDED

(WITH OTHER DATA)

ACCOUNTANTS' REPORT

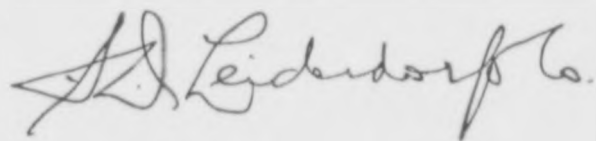
To Mr. Jaroslav S. Fryml, Director
American Fast Print, Branch of
American Fast Print Limited
Spartanburg, South Carolina

We have examined the statement of assets and liabilities of American Fast Print, Branch of American Fast Print Limited as at December 31, 1974, and the related statements of operations and accumulated earnings and of changes in financial position for the year 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.

American Fast Print Limited, in connection with the issuance of an Industrial Revenue Note, entered into agreements as explained in Note E, requiring compliance with certain financial covenants. Since the requirements and restrictions of the financial covenants pertain to corporate actions or consolidated financial data, we are unable to determine at the branch level whether or not such covenants have been complied with.

The branch has made advances of \$184,065 to affiliated companies. Current operations of the affiliated companies do not indicate their present ability to repay the advances, and although Management believes that the advances are collectible, it is not presently able to determine the date of collection of these amounts.

In our opinion, subject to the effect, if any, of the matter discussed in the second paragraph and subject to the ultimate realization of advances to affiliated companies discussed in the third paragraph, the financial statements mentioned above present fairly the assets and liabilities of American Fast Print, Branch of American Fast Print Limited at December 31, 1974, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Spartanburg, S. C.
March 10, 1975

A M E R I C A N
BRANCH OF AMERICAN
STATEMENT OF ASSETS
AS AT DECEMBER

ASSETS

Current Assets:

Cash		\$	200
Accounts receivable:			
Factor	\$	238,744	
Trade		352,896	
Employees		<u>22,154</u>	613,794
Estimated refundable income taxes			408,000
Inventories - Note A(1):			
Finished goods		759,018	
Work in process		196,095	
Raw materials		212,451	
Chemicals		33,746	
Colors		36,451	
Screens		<u>61,394</u>	1,299,155
Prepaid expenses			<u>31,526</u>
Total Current Assets			2,352,675

Other Assets:

Advances to affiliated companies - Note B	184,065	
Cash surrender value of life insurance - Note C	<u>104,083</u>	288,148

Fixed Assets - Notes A(2), D and E:

Cost	6,639,301	
Less: Accumulated depreciation	<u>2,381,643</u>	4,257,658

Unamortized Debt Expense - Note E(1)

<u>41,816</u>
<u>\$6,940,297</u>

The accompanying notes are an

FAST PRINT
FAST PRINT LIMITED

AND LIABILITIES

31, 1974

LIABILITIES AND HOME OFFICE EQUITY

Current Liabilities:

Bank overdraft		\$ 290,268
Current portion of long-term debt -		
Note E		127,705
Accounts payable		129,911
Accrued and sundry liabilities:		
Payroll and other compensation	\$ 46,556	
Amounts withheld from salaries and wages	14,421	
Taxes other than income taxes	7,400	
Interest	38,168	
Other	6,900	113,445
Total Current Liabilities		661,329

Long-Term Debt, Less Current Portion -
Note E

1,087,316

Deferred Income Taxes - Note F

70,800

Total Liabilities

1,819,445

Home Office Equity:

Advances from Home Office	4,157,428	
Accumulated Earnings of Branch -		
Exhibit B	963,424	5,120,852
		<u>\$6,940,297</u>

integral part of this statement.

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

S T A T E M E N T O F O P E R A T I O N S A N D A C C U M U L A T E D E A R N I N G S

F O R T H E Y E A R E N D E D D E C E M B E R 3 1 , 1 9 7 4

Commission printing and designing	\$3,220,607	
Sales of greige cloth	<u>585,258</u>	\$3,805,865
Processing cost:		
Inventory at December 31, 1973	471,913	
Purchase of materials	1,744,903	
Manufacturing expenses	<u>2,785,790</u>	
	5,002,606	
Less: Inventory at December 31, 1974	<u>1,299,155</u>	<u>3,703,451</u>
		102,414
Selling, general and administrative expenses		<u>802,036</u>
		(699,622)
Other income		<u>4,674</u>
		(694,948)
Other charge - interest, net		<u>93,868</u>
(Loss) before income taxes		(788,816)
Federal and state income taxes, (credit)/provision - Notes A(3) and F:		
Current - refundable Federal income tax arising from carryback of operating loss	(408,000)	
Deferred provisions	<u>32,300</u>	<u>(375,700)</u>
Net (loss)		(413,116)
Accumulated Earnings of Branch at December 31, 1973		<u>1,376,540</u>
Accumulated Earnings of Branch at December 31, 1974 - Exhibit A		<u>\$ 963,424</u>

The accompanying notes are an integral part of this statement.

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

S T A T E M E N T O F C H A N G E S I N F I N A N C I A L P O S I T I O N

F O R T H E Y E A R E N D E D D E C E M B E R 3 1 , 1 9 7 4

Financial resources provided from:		
Net loss - Exhibit B		\$ (413,116)
Items not requiring outlay of or (providing)		
working capital in the current year:		
Depreciation	\$575,704	
Amortization of debt expense	1,548	
Increase in cash surrender value of		
life insurance	(45,552)	
Deferred income taxes, non-current	<u>29,600</u>	<u>561,300</u>
Working capital provided from operations		148,184
Proceeds of long-term debt		1,000,000
Obligations incurred for purchase of fixed assets		71,111
Life insurance policy loan		28,800
Reduction in advances from affiliated companies		211,091
Advances from home office, net		<u>308,503</u>
Total resources provided		<u>1,767,689</u>
Financial resources used for:		
Acquisitions of fixed assets		324,052
Payments and current portion of long-term debt		154,913
Debt expense		<u>43,364</u>
Total resources used		<u>522,329</u>
Increase in working capital		<u>\$1,245,360</u>
Changes in working capital by components:		
Increase (decrease) in current assets:		
Mortgage note receivable		\$ (2,716)
Accounts receivable		185,375
Estimated refundable income taxes		4,756
Inventories		827,242
Prepaid expenses		<u>(21,269)</u>
		<u>993,388</u>
(Increase) decrease in current liabilities:		
Bank overdraft		(138,422)
Notes payable to bank		324,000
Current portion of long-term debt		(94,647)
Accounts payable		130,164
Accrued and sundry liabilities		17,659
Federal and state income taxes		<u>13,218</u>
		<u>251,972</u>
Increase in working capital		1,245,360
Working capital at December 31, 1973		<u>445,986</u>
Working capital at December 31, 1974		<u>\$1,691,346</u>

The accompanying notes are an integral part of this statement.

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

N O T E S T O F I N A N C I A L S T A T E M E N T S

A S A T D E C E M B E R 3 1 , 1 9 7 4

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- (1) Inventories - Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out or average cost basis, and market is based on current replacement cost.
- (2) Depreciation - Depreciation is computed principally by the double-declining-balance method over the estimated useful lives of the assets. See Note F regarding use of different lives for income tax reporting.
- (3) Investment Tax Credits - Investment tax credits are accounted for by the flow-through method - see Note F.

NOTE B - ADVANCES TO AFFILIATED COMPANIES:

The branch has made advances of \$184,065 to affiliated companies. Current operations of the affiliated companies do not indicate their present ability to repay the advances, and although Management believes that the advances are collectible, it is not presently able to determine the date of collection of these amounts.

NOTE C - LIFE INSURANCE:

The branch is owner and beneficiary of two insurance policies on the life of one of its directors in the aggregate face amount of \$2,000,000. The branch has obtained loans against the cash surrender value of the policies (Note E).

NOTE D - FIXED ASSETS:

Fixed asset costs consist of:

Land	\$ 274,175
Building and improvements	1,813,961
Paving, landscaping and sewer line	142,506
Machinery and equipment	4,156,537
Office equipment	56,267
Automobiles	29,625
Rental property	166,230
	<u>\$6,639,301</u>

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

N O T E S T O F I N A N C I A L S T A T E M E N T S

A S A T D E C E M B E R 3 1 , 1 9 7 4

NOTE E - LONG-TERM DEBT:

6.25% Industrial Revenue Note payable in semi-annual installments of \$50,000 (1975-1979) and \$25,000 (1980-1989) (1)	\$1,000,000
8% mortgage note payable in monthly installments of \$627 to September 1, 1992 (2)	71,111
7% mortgage note payable in equal annual installments of \$20,837 through May 1, 1977 plus interest (2)	62,512
Amounts payable under lease purchase agreements in monthly installments aggregating \$862, including interest at an effective rate of approximately 11%, with final payments due at various dates through July 1975 (2)	4,934
5% life insurance policy loans, not expected to be repaid in one year - Note C	<u>76,464</u>
	1,215,021
Less current portion	<u>127,705</u>
	<u>\$1,087,316</u>

(1) Fixed assets of the branch include the Fryml Fabrics plant with net book amount of \$845,034, security title to which rests with Spartanburg County, South Carolina, which issued its 6.25% Industrial Revenue Note, in the amount of \$1,000,000, to finance the construction of the plant.

The Company is obligated to pay all costs related to the issuance of the note and to make payments to the mortgagee to cover semi-annual payments of interest and scheduled retirement of the principal of the note. Upon complete retirement of the note, Spartanburg County agrees to sell the plant to the Company for a nominal amount.

In connection with the issuance of this note, American Fast Print Limited, a United Kingdom Corporation, entered into agreements with Spartanburg County and a bank containing certain financial covenants based on consolidated financial data. The agreements provide, among other matters; for: (1) maintenance of consolidated working capital and consolidated tangible net worth at certain levels; (2) restrictions as to mergers, sale or lease of assets, additional indebtedness or liens; (3) prohibition of certain investments; and (4) restrictions as to payment of cash dividends and capital expenditures.

(continued)

AMERICAN FAST PRINT
BRANCH OF AMERICAN FAST PRINT LIMITED

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 1974

NOTE E - LONG-TERM DEBT: (continued)

Prepayment of the note at premium rates is permitted as outlined in the agreement.

- (2) Other long-term debt is collateralized by land and improvements with net book amount at December 31, 1974 of \$157,448, land with cost of \$115,105 and equipment with net book amount at December 31, 1974, of \$12,592.

NOTE F - INCOME TAXES:

United States and South Carolina corporation income tax returns are filed on a separate accounting basis for the branch, whose activities embrace all operations in the United States of American Fast Print Limited. Provisions for income taxes have been made accordingly.

For income tax reporting, the branch elected with respect to 1971 and later additions of machinery, equipment, and fixtures to compute depreciation based upon 20% shorter lives than those used for financial reporting, in accordance with the Asset Depreciation Range provisions of the Revenue Act of 1971. Deferred income taxes in the financial statements result from the foregoing difference in reporting methods.

Investment tax credits of approximately \$14,000 generated in the current year have been utilized to obtain refund of Federal income taxes paid in prior years.

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

OTHER DATA

INDEX

Accountants' Letter

Purchase of Materials and Manufacturing Expenses
for the Year Ended December 31, 1974

SCHEDULE 1

Selling, General and Administrative Expenses
for the Year Ended December 31, 1974

SCHEDULE 2

March 10, 1975

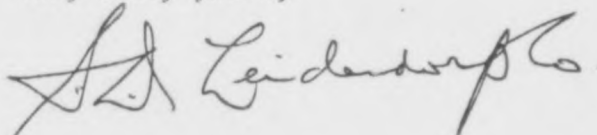
Mr. Jaroslav S. Fryml, Director
American Fast Print, Branch of
American Fast Print Limited
Spartanburg, South Carolina

Dear Mr. Fryml:

The current year's basic financial statements of American Fast Print, Branch of American Fast Print Limited, namely, the statement of assets and liabilities as at December 31, 1974, and the related statements of operations and accumulated earnings and of changes in financial position for the year 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 and 2, which follow this letter, are presented primarily for supplementary analysis purposes and are not considered necessary for a fair presentation of the branch's assets and liabilities at December 31, 1974, and the results of its operations and the changes in its financial position for the year then ended. Our examination, which is set forth in our Accountants' Report, was made primarily for the purpose of formulating an opinion on the basic financial statements, taken as a whole. Although our examination included tests of the data contained in Schedules 1 and 2, 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.

Very truly yours,

A handwritten signature in dark ink, appearing to read "A. A. Leidenberg". The signature is fluid and cursive, with a large initial "A" and a long, sweeping underline.

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

P U R C H A S E O F M A T E R I A L S A N D M A N U F A C T U R I N G E X P E N S E S

F O R T H E Y E A R E N D E D D E C E M B E R 3 1 , 1 9 7 4

PURCHASE OF MATERIALS:

Yarn	\$ 864,454
Greige goods	2,887
Chemicals	350,498
Colors	384,683
Screens and designs	147,739
	1,750,261
Less: Discounts on purchases	16,803
	1,733,458
Add: Freight	11,445
	\$1,744,903

MANUFACTURING EXPENSES:

Salaries and wages	\$1,420,316
Payroll taxes	121,286
Factory supplies	305,154
Plant security	23,276
Outside processing and warehousing	18,338
Depreciation	552,432
Utilities	237,123
Maintenance	26,523
General insurance	42,517
Group insurance	42,029
Waste collection	4,611
Employee procurement and welfare	18,404
Equipment rental	937
Licenses and taxes	78,870
Sundry	9,631
	2,901,447
Less: Scrap and waste sales	107,606
Trainee wages reimbursed by state	8,051
	115,657
Manufacturing expenses - Exhibit B	\$2,785,790

Reference is made to the accompanying letter of
S. D. Leidesdorf & Co., dated March 10, 1975.

AMERICAN FAST PRINT
BRANCH OF AMERICAN FAST PRINT LIMITED

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1974

Executive salaries	\$455,524
Office wages	44,116
Advertising	10,402
Automobile expense	6,527
Professional services	51,255
Commissions - factor	8,127
Commissions - affiliated company	43,288
Home office expense	12,000
Office supplies and expense	18,116
Telephone and telegraph	27,588
Traveling expense	25,168
Depreciation	23,272
Administrative expense - affiliated company	43,909
Donations	1,555
Officer's life insurance - net	20,209
Amortization of debt expense	1,548
Rent	3,101
Dues and subscriptions	1,011
Automated services	3,740
Sundry	<u>1,580</u>
Selling, general and administrative expenses - Exhibit B	<u><u>\$802,036</u></u>

Reference is made to the accompanying letter of
S. D. Leidesdorf & Co., dated March 10, 1975.

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

R E P O R T O N F I N A N C I A L S T A T E M E N T S

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A N D F O R T H E Y E A R T H E N E N D E D

(W I T H O T H E R D A T A)

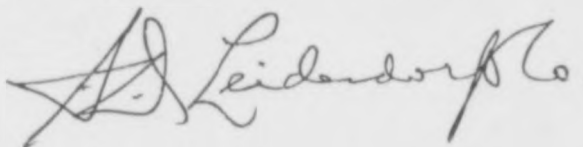
ACCOUNTANTS' REPORT

To Mr. Jaroslav S. Fryml, President
American Fast Print, Branch of
American Fast Print Limited
Spartanburg, South Carolina

We have examined the statement of assets and liabilities of American Fast Print, Branch of American Fast Print Limited as at December 31, 1975, and the related statements of earnings and accumulated earnings and of changes in financial position for the year 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.

American Fast Print Limited, in connection with the issuance of an Industrial Revenue Note, entered into agreements as explained in Note D, requiring compliance with certain financial covenants. Since the requirements and restrictions of the financial covenants pertain to corporate actions or consolidated financial data, we are unable to determine at the branch level whether or not such covenants have been complied with.

In our opinion, subject to the effect, if any, of the matter discussed in the preceding paragraph, the financial statements mentioned above present fairly the assets and liabilities of American Fast Print, Branch of American Fast Print Limited at December 31, 1975, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Spartanburg, S. C.
March 11, 1976

A M E R I C A N
BRANCH OF AMERICAN
STATEMENT OF ASSETS
AS AT DECEMBER

ASSETS

Current Assets:		
Cash		\$ 179,945
Accounts receivable:		
Factor	\$ 520,730	
Trade	1,013,255	
Employees	<u>20,120</u>	1,554,105
Inventories - Note A(1):		
Finished goods	539,054	
Work in process	243,566	
Raw materials	316,941	
Chemicals	70,619	
Colors	40,705	
Screens	<u>16,292</u>	1,227,177
Prepaid expenses		<u>38,148</u>
Total Current Assets		2,999,375
Other Assets:		
Advances to affiliated companies	45,735	
Cash surrender value of life insurance - Note B	<u>150,623</u>	196,358
Fixed Assets - Notes A(2), C and D:		
Cost	7,241,697	
Less: Accumulated depreciation	<u>2,903,366</u>	4,338,331
Unamortized Debt Expense		<u>38,719</u>
		<u>\$7,572,783</u>

The accompanying notes are an

FAST PRINT
FAST PRINT LIMITED

AND LIABILITIES

31, 1975

LIABILITIES AND HOME OFFICE EQUITY

Current Liabilities:

Bank overdraft		\$ 226,160
Current portion of long-term debt - Note D		73,851
Accounts payable		456,349
Advances from affiliated company		159,742
Accrued and sundry liabilities:		
Payroll and other compensation	\$ 52,595	
Amounts withheld from salaries and wages	33,642	
Taxes other than income taxes	21,673	
Interest	4,429	112,339
Federal and state income taxes - Note A(3)		<u>47,124</u> - 18,500
Total Current Liabilities		1,075,565

Long-Term Debt, Less Current Portion -
Note D

989,865

Deferred Income Taxes - Note A(3)

94,800

Total Liabilities

2,160,230

Pension Plan and Commitment - Notes E and F

Home Office Equity:

Advances from Home Office	4,322,854	
Accumulated Earnings of Branch - Exhibit B	<u>1,089,699</u>	<u>5,412,553</u>
		<u>\$7,572,783</u>

integral part of this statement.

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

S T A T E M E N T O F E A R N I N G S A N D A C C U M U L A T E D E A R N I N G S

F O R T H E Y E A R E N D E D D E C E M B E R 3 1 , 1 9 7 5

Commission printing and designing	\$5,529,926	
Less: Cost of processing	<u>4,276,475</u>	\$1,253,451
Sales of greige cloth (including \$460,485 to an affiliate)	1,849,992	
Less: Cost of goods sold	<u>2,030,837</u>	<u>(180,845)</u>
		1,072,606
Selling, general and administrative expenses		<u>833,978</u>
		238,628
Other income		<u>8,823</u>
		247,451
Other charge - interest, net		<u>60,176</u>
Earnings before income taxes		187,275
Provision for Federal and state income taxes - Notes A(3) and B:		
Current	37,000	
Deferred	<u>24,000</u>	<u>61,000</u>
Net earnings		126,275
Accumulated Earnings of Branch at December 31, 1974		<u>963,424</u>
Accumulated Earnings of Branch at December 31, 1975 - Exhibit A		<u>\$1,089,699</u>

The accompanying notes are an integral part of this statement.

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

S T A T E M E N T O F C H A N G E S I N F I N A N C I A L P O S I T I O N

F O R T H E Y E A R E N D E D D E C E M B E R 3 1 , 1 9 7 5

Financial resources provided from:	
Net earnings - Exhibit B	\$ 126,275
Items not requiring outlay of or (providing)	
working capital in the current year:	
Depreciation	544,185
Amortization of debt expense	3,097
Increase in cash surrender value of	
life insurance	(46,540)
Deferred income taxes	<u>24,000</u>
Working capital provided from operations	651,017
Proceeds of long-term debt	26,616
Reduction in advances to affiliated companies	138,330
Advances from home office, net	<u>165,426</u>
Total resources provided	<u>981,389</u>
Financial resources used for:	
Acquisitions of fixed assets	624,858
Payments and current portion of long-term debt	<u>124,067</u>
Total resources used	<u>748,925</u>
Increase in working capital	<u>\$ 232,464</u>
Changes in working capital by components:	
Increase (decrease) in current assets:	
Cash	\$ 179,745
Accounts receivable	940,311
Estimated refundable income taxes	(408,000)
Inventories	(71,978)
Prepaid expenses	<u>6,622</u>
	<u>646,700</u>
(Increase) decrease in current liabilities:	
Bank overdraft	64,108
Current portion of long-term debt	53,854
Accounts payable	(326,438)
Advances from affiliated company	(159,742)
Accrued and sundry liabilities	1,106
Federal and state income taxes	<u>(47,124)</u>
	<u>(414,236)</u>
Increase in working capital	232,464
Working capital at December 31, 1974	<u>1,691,346</u>
Working capital at December 31, 1975	<u>\$1,923,810</u>

The accompanying notes are an integral part of this statement.

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

N O T E S T O F I N A N C I A L S T A T E M E N T S

A S A T D E C E M B E R 3 1 , 1 9 7 5

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- (1) Inventories - Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out or average cost basis, and market is based on current replacement cost.
- (2) Depreciation - Depreciation is computed principally by the double-declining-balance method over the estimated useful lives of the assets. See (3) below regarding use of different lives for income tax reporting.
- (3) Income Taxes - United States and South Carolina corporation income tax returns are filed on a separate accounting basis for the branch, whose activities embrace all operations in the United States of American Fast Print Limited, a United Kingdom Corporation. Provision for income taxes has been made accordingly.

Depreciation of certain fixed assets is computed for income tax reporting based on shorter estimated useful lives than those used for computation of depreciation for financial reporting. Deferred income taxes are provided for the resulting timing difference.

Investment tax credits, approximately \$41,400 in the current year, are accounted for by the flow-through method.

NOTE B - LIFE INSURANCE:

The branch is owner and beneficiary of three insurance policies on the life of its president in the aggregate face amount of \$7,000,000. The branch has obtained loans against the cash surrender value of two of the policies (Note D). Net life insurance expense (which is not deductible for income taxes) was \$35,039 in 1975.

NOTE C - FIXED ASSETS:

Fixed asset costs consist of:

Land	\$ 274,175
Building and improvements	1,840,693
Paving, landscaping and sewer line	150,666
Machinery and equipment	4,625,636
Office equipment	58,902
Automobiles	20,010
Rental property	169,758
Machinery not yet in service	<u>101,857</u>
	<u>\$7,241,697</u>

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

N O T E S T O F I N A N C I A L S T A T E M E N T S

A S A T D E C E M B E R 3 1 , 1 9 7 5

N O T E D - L O N G - T E R M D E B T :

6.25% Industrial Revenue Note payable in semi-annual installments of \$50,000 (1976-1979) and \$25,000 (1980-1989)	\$ 850,000
8% mortgage note payable in monthly installments of \$627 to September 1, 1992	69,584
7% mortgage note payable in equal annual installments of \$20,837 through May 1, 1977 plus interest	41,675
Amount payable under a lease purchase agreement in monthly installments of \$135, including interest at an effective rate of approximately 23% with final payment due May 1977	1,962
5% life insurance policy loans, not expected to be repaid in one year - Note B	<u>100,495</u>
	1,063,716
Less current portion	<u>73,851</u>
	<u>\$ 989,865</u>

The 6.25% Industrial Revenue Note was issued in the original amount of \$1,000,000 by Spartanburg County, South Carolina. The county holds security title to the Fryml Fabrics plant which is included in the branch's fixed assets with net book amount of \$885,054 at December 31, 1975. The Company is obligated to make payments to the county to cover semi-annual payments of interest and scheduled retirement of the principal of the note. Upon complete retirement of the note, Spartanburg County is to sell the plant to the Company for a nominal amount. Prepayment of the note at premium rates is permitted.

In connection with the issuance of this note, American Fast Print Limited, a United Kingdom Corporation, entered into agreements with Spartanburg County and a bank containing certain financial covenants based on consolidated financial data. The agreements provide, among other matters, for: (1) maintenance of consolidated working capital and consolidated tangible net worth at certain levels; (2) restrictions as to mergers, sale or lease of assets, additional indebtedness or liens; (3) prohibition of certain investments; and (4) restrictions as to payment of cash dividends and capital expenditures.

Mortgage notes and the lease purchase agreement are collateralized by land and improvements with net book amount at December 31, 1975 of \$171,919, land with cost of \$115,105 and equipment with net book amount at December 31, 1975, of \$2,370.

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

N O T E S T O F I N A N C I A L S T A T E M E N T S

A S A T D E C E M B E R 3 1 , 1 9 7 5

NOTE E - PENSION PLAN:

The Company has a contributory pension plan for all employees meeting certain eligibility requirements. The plan requires the purchase of group annuity contracts to provide monthly retirement benefits for participants. Benefits of the plan are vested in the participants at age 40, provided they meet minimum service requirements. The Company's contribution for the year was \$4,540.

Changes will be made in 1976 to bring the plan into compliance with the requirements of the Employee Retirement Income Security Act of 1974. The increase, if any, in pension expense is not expected to be material.

NOTE F - COMMITMENTS:

The Company has entered into a contract for the construction at a cost of approximately \$400,000 of a plant addition, to be used primarily as warehouse space.

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

OTHER DATA

INDEX

Accountants' Letter

Costs and Expenses for the Year Ended December 31, 1975:

Cost of Processing

SCHEDULE 1

Cost of Goods Sold

SCHEDULE 2

Selling, General and Administrative Expenses

SCHEDULE 3

March 11, 1976

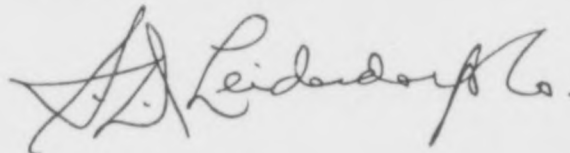
Mr. Jaroslav S. Fryml, President
American Fast Print, Branch of
American Fast Print Limited
Spartanburg, South Carolina

Dear Mr. Fryml:

The current year's basic financial statements of American Fast Print, Branch of American Fast Print Limited, namely, the statement of assets and liabilities as at December 31, 1975, and the related statements of earnings and accumulated earnings and of changes in financial position for the year 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, 2 and 3, which follow this letter, are presented primarily for supplementary analysis purposes and are not considered necessary for a fair presentation of the branch's assets and liabilities at December 31, 1975, and the results of its operations and the changes in its financial position for the year then ended. Our examination, which is set forth in our Accountants' Report, was made primarily for the purpose of formulating an opinion on the basic financial statements, taken as a whole. Although our examination included tests of the data contained in Schedules 1, 2 and 3, 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.

Very truly yours,

A handwritten signature in cursive script, appearing to read "A. Leidenberg".

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

C O S T O F P R O C E S S I N G

F O R T H E Y E A R E N D E D D E C E M B E R 3 1 , 1 9 7 5

Inventory at December 31, 1974		\$ 357,445
Purchase of materials:		
Chemicals	\$ 637,159	
Colors	427,181	
Screens and designs	184,953	
Freight	<u>18,399</u>	
	1,267,692	
Less: Discount on purchases	<u>10,984</u>	<u>1,256,708</u>
		1,614,153
Processing expenses:		
Salaries and wages	1,866,294	
Payroll taxes	141,022	
Factory supplies	363,762	
Plant security	12,154	
Outside processing and warehousing	102,945	
Depreciation	390,153	
Utilities	234,105	
Maintenance	16,185	
General insurance	53,657	
Group insurance	44,987	
Waste collection	4,075	
Employee procurement and welfare	10,595	
Equipment rental	2,289	
Licenses and taxes	84,807	
Sundry	<u>9,116</u>	<u>3,336,146</u>
		4,950,299
Less: Scrap and waste sales		<u>206,810</u>
		4,743,489
Less: Inventory at December 31, 1975		<u>467,014</u>
Cost of processing - Exhibit B		<u>\$4,276,475</u>

Reference is made to the accompanying letter of
S. D. Leidesdorf & Co., dated March 11, 1976.

A M E R I C A N F A S T P R I N T
B R A N C H O F A M E R I C A N F A S T P R I N T L I M I T E D

C O S T O F G O O D S S O L D

F O R T H E Y E A R E N D E D D E C E M B E R 3 1 , 1 9 7 5

Inventory at December 31, 1974		\$ 941,710
Purchases of materials:		
Yarn	\$1,186,123	
Freight	<u>12,088</u>	
	1,198,211	
Less: Discount on purchases	<u>6,216</u>	<u>1,191,995</u>
		2,133,705
Manufacturing expenses:		
Salaries and wages	346,679	
Payroll taxes	28,988	
Factory supplies	43,664	
Plant security	12,164	
Outside processing and warehousing	45,043	
Depreciation	129,921	
Utilities	49,172	
Maintenance	1,499	
General insurance	917	
Group insurance	9,945	
Employee procurement and welfare	2,656	
Equipment rental	692	
Licenses and taxes	95	
Sundry	<u>1,053</u>	<u>672,488</u>
		2,806,193
Less: Scrap and waste sales	13,881	
Trainee wages reimbursed by state	<u>1,312</u>	<u>15,193</u>
		2,791,000
Less: Inventory at December 31, 1975		<u>760,163</u>
Cost of goods sold - Exhibit B		<u>\$2,030,837</u>

Reference is made to the accompanying letter of
S. D. Leidesdorf & Co., dated March 11, 1976.

AMERICAN FAST PRINT
BRANCH OF AMERICAN FAST PRINT LIMITED

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1975

Executive salaries	\$458,144
Office wages	50,773
Advertising	12,270
Automobile expense	5,760
Professional services	23,787
Commissions to factor	31,342
Commissions to affiliated company	55,027
Home office expense	12,000
Office supplies and expense	17,220
Telephone and telegraph	29,090
Travel	20,318
Depreciation	24,111
Administrative expense paid to affiliated company	41,812
Donations	3,460
Officer's life insurance, net	35,039
Amortization of debt expense	3,097
Uncollectible accounts	680
Dues and subscriptions	1,138
Automated services	5,206
Sundry	<u>3,704</u>
Selling, general and administrative expenses - Exhibit B	<u>\$833,978</u>

Reference is made to the accompanying letter of
S. D. Leidesdorf & Co., dated March 11, 1976.

AMERICAN FAST PRINT LTD.

Balance Sheet as at June 30, 1977

	A. F. P. S. C.
ASSETS	
Current	
Cash	188,173
Accounts Receivable	1,206,366
Inventory	1,936,901
Prepaid Expenses	82,973
Employee A/R	26,045
Sundry A/R	3,000
Refundable Income Taxes	
Treasury Bills	
	3,443,458
Investment in a subsidiary Company	
Cash Surrender Value - Life Ins.	219,170
Deferred Bond Acquisition Costs	34,073
Fixed Assets	
Machinery & Equipment	5,636,405
Automobiles & Trucks	107,347
Building and Leasehold Improvements	2,332,768
Office Equipment	74,830
Land & Paving	459,933
	8,611,283
Less: Accumulated Depreciation	(3,797,438)
	4,813,845
Incorporation Cost	
Goodwill	
Due From: Advances	
Montreal Fast Print (1966) Ltd.	
Desprint Corp.	
Chesley Corp.	28,475
Eastern Canadian Printers Ltd.	
Lebanon Printers	
	8,539,021

AMERICAN FAST PRINT LIMITED

BALANCE SHEET AS AT

June 30, 1977

	A. F. P. S. C.
LIABILITIES	
Current	
Bank Loan	
Accounts Payable	337,260
U. S. Exchange	
Bond Issue	700,000
Mortgage	17,556
Life Ins. Policy Loans	126,445
Accrued Wages	52,936
Accrued Taxes (Other Than Income)	32,956
Reserve for Income Tax	40,370
Employee Withholding	38,916
Sundry Liabilities	6,834
Reserve for Returns & Allowances	
Property	
Accrued Taxes (Other Than Income)	135,775
	1,489,048
DUE TO:	
Fryml Corporation	
Decorprint	37,104
S.J.F. Holdings Ltd.	
Printex	535,792
J. S. Fryml	
M. F. P.	290,624
Other Long Term Debts	130,547
Deferred Income Taxes	125,800
Advances from AFP, Ltd.	4,482,786
EQUITY	
Capital Stock	
Retained Earnings & Inter A/C-	1,447,320
Profit for the Period	
	8,539,021

AMERICAN FAST PRINT LTD.

STATEMENTS OF EARNINGS AND RETAINED EARNINGS

FOR THE PERIOD ENDED June 30, 1977

	A. F. P. S. C.
SALES	
<u>Foreign Goods</u>	2,242,726
<u>Less: Cost of Goods Used</u>	
<u>Dyeing and Printing</u>	2,990,190
<u>Screens & Designs</u>	174,395
<u>Total Sales</u>	5,407,311
COST OF SALES	4,676,073
	731,238
SELLING & ADMINISTRATION EXPENSES	
<u>Salary & Benefits</u>	175,743
<u>Stationery & Postage</u>	10,457
<u>Taxes</u>	107,222
<u>Telephone</u>	15,476
<u>Life Insurance</u>	53,291
<u>Bank Charges</u>	37,259
<u>Donations</u>	1,059
<u>Bad Debts</u>	
<u>Miscellaneous Income</u>	
<u>Travel & Entertainment</u>	10,914
<u>Professional Fees</u>	8,191
<u>Interest Income & Misc.</u>	(7,773)
<u>Miscellaneous</u>	9,451
<u>Goodwill Amortization & Goodwill</u>	1,549
	422,839
	308,399
PROVISION FOR INCOME TAXES	100,000
NET PROFIT FOR THE PERIOD	208,399
RETAINED EARNINGS - OPENING	1,238,921
RETAINED EARNINGS - CLOSING	1,447,320

AMERICAN FAST PRINT LIMITED

STATEMENTS OF COST OF GOODS PROCESSED

FOR THE PERIOD ENDED June 30, 1977

	A. F. P. S. C.
MATERIALS	
Opening Inventory	1,899,876
Purchases	2,221,399
	4,121,275
Less: Closing Inventory	(1,936,514)
	2,184,661
LABOUR	1,464,230
OVERHEAD EXPENSES	
Depreciation	316,867
Light, Power & Heat	227,713
Rent	
Sundry	43,854
Taxes	202,057
Insurance	101,705
Maintenance	134,986
	1,027,182
COST OF GOODS PROCESSED	4,676,073
& Manufactured	

HOLCOMBE, BOMAR, WYNN AND GUNN
ATTORNEYS AT LAW
MONTGOMERY BUILDING
SPARTANBURG, S. C.

NEVILLE HOLCOMBE
HORACE L. BOMAR
ROBERT L. WYNN, III
WILLIAM U. GUNN
H. L. BOMAR, III

DAVID G. INGALLS

November 1, 1977.

TELEPHONE (803) 585-4273
MAILING ADDRESS
DRAWER 1897
SPARTANBURG, S. C. 29304

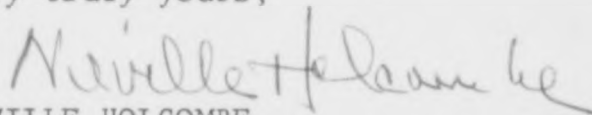
Mr. William McGinnis,
Post Office Box 11333,
Columbia, S. C.

Re: \$1,700,000 Spartanburg County, S.C.
First Mortgage Industrial Revenue Note,
Series 1977 (American Fast Print, Ltd. -
Lessee) - Our File #6023.

Dear Sir:

At the request of Mr. Thomas A. Hutcheson, we enclose herewith audited financial statements of American Fast Print for the years ended December 31, 1974, December 31, 1975, and December 31, 1976; also unaudited interim financial statements, prepared by S.D. Leidesdorf & Co., for the period ending June 30, 1977.

Very truly yours,



NEVILLE HOLCOMBE.

H:d

Enclosures.

cc: Mr. Tom Hutcheson,
P.O. Box 340,
Charleston, S.C. 29402.

Mr. James Wilson,
P. O. Box 5765,
Spartanburg, S.C. 29304.

A RESOLUTION
APPROVING THE FINANCING OF THE ACQUISITION, CONSTRUCTION AND
EQUIPPING OF CERTAIN INDUSTRIAL FACILITIES IN SPARTANBURG
COUNTY (TO BE LEASED TO AMERICAN FAST PRINT LIMITED) THROUGH
THE ISSUANCE OF A ONE MILLION SEVEN HUNDRED THOUSAND DOLLAR
(\$1,700,000) SPARTANBURG COUNTY, SOUTH CAROLINA, FIRST
MORTGAGE INDUSTRIAL REVENUE NOTE, SERIES 1977 (AMERICAN
FAST PRINT LIMITED - LESSEE); AUTHORIZING A PETITION TO THE
STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA FOR ITS
APPROVAL OF SUCH UNDERTAKING PURSUANT TO TITLE 4, CHAPTER
29, CODE OF LAWS OF SOUTH CAROLINA, 1976, AND OTHER MATTERS
RELATING THERETO.

BE IT RESOLVED BY THE COUNTY COUNCIL OF SPARTANBURG
COUNTY IN MEETING DULY ASSEMBLED:

ARTICLE I

FINDINGS OF FACT

SECTION 1.01.

As an incident to the adoption of this Resolution, the
County Council of Spartanburg County (which is the governing
body of the County) (the County Council), has made the
following findings

1. American Fast Print Limited, a United Kingdom
Corporation (the Lessee), has proposed that the County
Council assist in financing the acquisition, construction
and equipping of additional facilities for the knitting of
decorative fabrics at the Lessee's plant in Spartanburg
County, to be leased to the Lessee, and the refunding of
a previously issued Spartanburg County industrial revenue
note (the 1974 Note) at an estimated total cost of \$1,700,000
through the issuance of an Industrial Revenue Note pursuant
to the authorization of Title 4, Chapter 29, Code of Laws of

South Carolina, 1976 (the Act). The Lessee has advised the County Council that its proposed industrial project would be aided by the assistance which the County might render through the sale of a \$1,700,000 Industrial Revenue Note pursuant to the Act. The County Council has agreed so to finance the acquisition, construction and equipping of the said facilities (the tract of land and the building and equipment thereon constituting the said facilities are hereinafter referred to as the Project), and the refunding of the 1974 Note and adopts this Resolution to evidence its approval of the issuance of a \$1,700,000 First Mortgage Industrial Revenue Note, Series 1977 (American Fast Print Limited - Lessee) (the Note) as aforesaid and to authorize a petition to the State Budget and Control Board (the State Board), setting forth the facts required by the Act.

2. The County Council has determined that the Project will subserve the purposes of the Act and neither the Project nor the Note will give rise to any pecuniary liability of Spartanburg County or a charge against its general credit or taxing power.

3. The amount of notes necessary to finance the Project and the refunding of the 1974 Note is One Million Seven Hundred Thousand Dollars (\$1,700,000).

4. The Lessee has submitted to the County Council a draft of the proposed Lease, under which the Lessee will

agree to pay as rent the amount necessary to provide the annual payments of principal and interest on the said Note.

5. The proposed Lease obligates the Lessee unconditionally to pay the amount necessary to provide the annual payments of principal and interest, and prepayment penalty, if any, to become due on the Note and to pay other costs in connection therewith and contains an appropriate provision requiring the Lessee to pay, in lieu of taxes, such amounts as would otherwise be paid if the Lessee owned the Project.

6. Pursuant to a Guaranty Agreement, the Lessee will unconditionally guarantee the payment of principal of, prepayment penalty, if any, and interest on the Note.

7. In view of the well established credit of the Lessee and the successful arrangements to effect a sale of the Note without the establishment of reserve funds for the payment of the principal and interest, no such reserve funds will be established.

8. The Note will be issued as a tax exempt Note by virtue of an election to be made pursuant to the provisions of Section 103 (b) (6) (A) and (D) of the Internal Revenue Code of 1954, as amended.

9. The Lessee has arranged for the sale of the Note to Trust Company Bank.

ARTICLE II

SUBMISSION OF PETITION

SECTION 2.01.

The Petition in form substantially as attached hereto as Exhibit A shall be presented to the State Board to seek the approval required by the Act; said Petition shall be duly executed by the County Administrator.

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

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

P E T I T I O N

The Petition of the County Council of Spartanburg
County (the County Council) respectfully shows:

1. The County Council is the governing body of
Spartanburg County as established by law, and, as such, is
the County Board referred to in Title 4, Chapter 29, Code of
Laws of South Carolina, 1976 (the Act).

2. The Act authorizes and empowers the County Council,
if it shall comply with the provisions set forth in the Act,
to acquire land, buildings, equipment, machinery and other
improvements deemed necessary, suitable and useful by any
industrial enterprise; to lease the same; to finance the
acquisition, construction and equipping of the same through
the issuance of bonds or notes payable from and secured by a
pledge of the revenues to be derived from the leasing of
such land, buildings, equipment and machinery and other
improvements; and to refund outstanding industrial revenue
notes.

3. The County Council agreed with American Fast
Print Limited, a United Kingdom corporation (the Lessee)
that the County Council will undertake to finance the acqui-

sition, construction and equipping of additional facilities for the knitting of decorative fabrics in Spartanburg County, and the refunding of a previously issued industrial revenue note of the County issued for the benefit of Lessee, through the issuance of an Industrial Revenue Note pursuant to the Act. In this connection, the County Council has agreed to issue a One Million Seven Hundred Thousand Dollar (\$1,700,000) Spartanburg County, South Carolina, First Mortgage Industrial Revenue Note, Series 1977 (American Fast Print Limited - Lessee), pursuant to the Act in order to finance the acquisition, construction and equipping of the aforesaid facilities (said facilities being hereinafter referred to as the Project) and the refunding of the aforesaid Note.

4. The County Council is advised by the Lessee that the cost of the Project will be approximately One Million Dollars (\$1,000,000) and the cost of refunding the outstanding note will be approximately Seven Hundred Thousand Dollars (\$700,000), and that, therefore, in order to finance the acquisition, construction and equipping of the Project and the refunding of said note, including the costs and charges incident to the issuance and sale of the note hereinafter described, it will be necessary that the County Council issue a One Million Seven Hundred Thousand Dollars (\$1,700,000) Spartanburg County, South Carolina, First Mortgage Industrial Revenue Note, Series 1977 (American Fast Print Limited - Lessee) (the Note).

5. When completed, the Project will employ approximately 60 additional persons.

6. For the reasons above set forth and hereinafter disclosed the County Council has found:

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

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

(c) The proposed Lease between the County and the Lessee will unconditionally obligate the Lessee to pay rent in an amount adequate to provide for the principal and interest payments on the Note.

(d) The Note will be dated and will mature and bear interest in amounts and at rates set forth in Article II of the draft of the Note Ordinance enclosed herewith.

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

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

(a) The Project to be financed consists of the acquisition, construction and equipping of additional facilities for the knitting of decorative fabrics.

(b) When completed, the Project will provide permanent employment for approximately 60 additional persons. It

is, therefore, believed that the Project will have a beneficial effect upon the economy of the County and areas adjacent thereto.

(c) The cost of the entire Project and the refunding of the outstanding note will amount to approximately \$1,700,000.

8. The proposed Lease, a draft copy of which is presented herewith, will provide, among other things, the following:

(a) To finance the cost of the acquisition, construction and equipping of the Project and the refunding of the outstanding note, the County will issue a \$1,700,000 Spartanburg County, South Carolina, First Mortgage Industrial Revenue Note, Series 1977 (American Fast Print Limited - Lessee). The Note will be secured by a pledge of the rents to be paid by the Lessee and will be further secured by a Mortgage, as authorized by the Act.

(b) The proceeds derived from the sale of the Note, will be paid over to a depository bank under the Note Ordinance and used to pay the costs incident to the acquisition, construction and equipping of the Project, and refunding of the outstanding note, and the issuance of the Note.

(c) The Lease will contain a specific provision by which the Lessee will unconditionally agree to make payments

to Spartanburg County, to any School District in Spartanburg 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 Spartanburg 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.

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

(e) The Lease imposes upon the Lessee the obligation to pay, in addition to the moneys required for the payment of the principal and interest of the Note, all other costs and expenses resulting from the execution and delivery of the Lease and the issuance of the Note pursuant thereto.

9. The payment of the Note will be unconditionally guaranteed by the Lessee pursuant to a Guaranty Agreement between the Lessee and the Mortgagee under the Mortgage and Security Agreement described below.

10. The proposed Mortgage and Security Agreement is in conventional form and constitutes a forecloseable mortgage upon the Project. Included in the granting clause of the Mortgage and Security Agreement will be:

(a) All real and personal property and interests 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.

The Note Ordinance makes provision for the issuance of the One Million Seven Hundred Thousand Dollars (\$1,700,000) Note referred to above. It provides for the payment and prepayment of the Note.

11. The proposed Lease, Mortgage and Security Agreement, Note Ordinance and Guaranty Agreement (draft copies of which are enclosed herewith) will be in the form heretofore used in the issuance of Industrial Revenue Notes pursuant to the Act. While changes will be made in the enclosed forms, it is not expected that there will be any changes which will substantially affect the undertaking as now outlined therein.

Upon the basis of the foregoing, the County 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 Mortgage and Security Agreement, the Note Ordinance and the Guaranty Agreement as it deems advisable,

that the proposed Project will promote the purposes of the Act and that it is reasonably anticipated to effect such result, and on the basis of such finding, that it does approve the Project and the refunding of the outstanding note, including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking, and give published notice of its approval in the manner set forth in the act.

_____, 1977

Respectfully Submitted,

COUNTY COUNCIL OF SPARTANBURG COUNTY

By _____
County Administrator of Spartanburg
County

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

I, the undersigned County Administrator of Spartanburg County hereby certify that the foregoing is a true, correct and verbatim copy of a Resolution duly adopted by the County Council of Spartanburg County having been read at a duly called meeting of said County Council on November 2, 1977.

Witness my hand and seal of the County Council of Spartanburg County this 2nd~~th~~ day of November, 1977.

C. H. Hendrix
County Administrator of Spartanburg
County

(SEAL)

THE STATE OF SOUTH CAROLINA)
) MORTGAGE & SECURITY AGREEMENT
COUNTY OF SPARTANBURG)

TO ALL WHOM THESE PRESENTS MAY CONCERN:

SPARTANBURG COUNTY, a political subdivision of the
State of South Carolina and a body politic and corporate,
SENDS GREETINGS:

WHEREAS, SPARTANBURG COUNTY, (the County) is authorized
and empowered by Title 4, Chapter 29, Code of Laws of South
Carolina, 1976, to acquire, own, lease, dispose of, and
mortgage the properties hereinafter described to promote the
industrial development of South Carolina by inducing industrial
concerns 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 said
Act to issue revenue bonds or notes payable solely from the
lease rentals and revenues from any such project and secured
by a pledge of such lease rentals, revenues and receipts and
by a mortgage on the land, buildings, improvements, machinery
and equipment so acquired; and

WHEREAS, the County has made the necessary arrangements
with American Fast Print Limited (the Lessee), a corporation
organized under the laws of the United Kingdom, for the
acquisition of land, buildings, equipment and machinery

constituting industrial facilities which will be of the character and accomplish the purpose prescribed by the said Act and the County has further entered into a Lease Agreement with the Lessee dated as of December 1, 1977 (the Lease Agreement) specifying the terms and conditions of the acquisition of the said facilities and the leasing of the same to the Lessee; and

WHEREAS, the execution and delivery of this Mortgage and Security Agreement (the Mortgage) have been authorized by an Ordinance duly adopted by the County Council of Spartanburg County and the County, in accordance with the requirements of the said Act, has submitted its Petition to the State Budget and Control Board of South Carolina and the said Board has duly approved the said undertaking and thereby authorized the County Council of Spartanburg County to proceed with the acquisition and financing of the same. Notice of such approval was duly published in a newspaper having general circulation in Spartanburg County and, notwithstanding more than twenty (20) days have elapsed from the date of the publication of such notice, no challenge has been made to the validity of such approval as provided in the said Act; and

WHEREAS, the cost of such facilities is estimated to be \$1,200,000 and the Lessee has agreed to pay all amounts required in excess of the proceeds available from a \$1,700,000 note issue, and therefore to finance the cost of the said

facilities, including the necessary expenses incidental thereto, and the refunding of a previously issued industrial revenue note of the County, will require the initial issuance, sale and delivery of a \$1,700,000 Spartanburg County First Mortgage Industrial Revenue Note, Series 1977 (American Fast Print Limited Lessee), which has been purchased by Trust Company Bank; and

WHEREAS, the said County Council of Spartanburg County, in and by its \$1,700,000 First Mortgage Industrial Revenue Note, Series 1977 (American Fast Print Limited - Lessee) is indebted to Trust Company Bank, in accordance with the terms and conditions of the said Note in the amount of \$1,700,000 and is now minded, pursuant to the authorization of the said Act, to secure payment thereof by this Mortgage and Security Agreement (the Mortgage) upon the said facilities acquired with the proceeds of the said Note and the Lease rentals and revenues hereinafter described;

WHEREAS, under the provisions of the Lease Agreement, Spartanburg County has agreed to issue Additional Notes (as defined in the Lease Agreement) in certain circumstances, and it is intended that this Mortgage shall secure the indebtedness evidenced by the said Additional Notes if and when the Additional Notes shall be issued.

NOW, KNOW ALL MEN, That the said Spartanburg County, in consideration of the said debt and sum of money aforesaid, and for the better securing of the payment thereof to the

said Trust Company Bank, in accordance with the terms of the said Note, Additional Notes, and Substitute Notes; and also in consideration of the further sum of THREE DOLLARS (\$3.00) to it, the said Spartanburg County, in hand well and truly paid by the said Bank 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 TRUST COMPANY BANK, subject always to the Lease Agreement and the rights of the Lease thereunder:

I

The real property situated in Spartanburg County, South Carolina, described in Exhibit A attached hereto, with all buildings, additions, improvements and fixtures now or hereafter located thereon or therein and with the tenements, hereditaments, servitudes, appurtenances, rights, privileges and immunities thereunto belonging or appertaining which may from time to time be owned by the County.

II

The machinery, equipment or other property described in Exhibit B attached hereto, and substitutions

said Trust Company Bank, in accordance with the terms of the said Note, Additional Notes, and Substitute Notes; and also in consideration of the further sum of THREE DOLLARS (\$3.00) to it, the said Spartanburg County, in hand well and truly paid by the said Bank 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 TRUST COMPANY BANK, subject always to the Lease Agreement and the rights of the Lease thereunder:

I

The real property situated in Spartanburg County, South Carolina, described in Exhibit A attached hereto, with all buildings, additions, improvements and fixtures now or hereafter located thereon or therein and with the tenements, hereditaments, servitudes, appurtenances, rights, privileges and immunities thereunto belonging or appertaining which may from time to time be owned by the County.

II

The machinery, equipment or other property described in Exhibit B attached hereto, and substitutions

or replacements therefor; all machinery, equipment or other property acquired by the County with the proceeds from the Notes secured by this Mortgage, 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 Mortgage; 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, and all lease rentals, revenues and receipts received or to be received under the Lease Agreement, except amounts paid by the Lessee thereunder to the County and other local taxing authorities in lieu of taxes pursuant to Section 5.5 thereof and all amounts paid by Lessee to the County pursuant to Sections 6.3, 8.7 or 10.4 thereof.

IV

All lease rentals, revenues and receipts arising out of or in connection with the ownership of the Project (as defined in the Lease Agreement), except amounts paid under Section 5.5 or Sections 6.3, 8.7 or 10.4 of the Lease Agreement.

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 Mortgagee, which is hereby authorized to receive any and all such property at any and all times to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD all and singular the said premises, equipment, machinery, and other property and said revenues unto the said Trust Company Bank, its successors and assigns forever.

IT IS THE EXPRESS CONDITION of this Mortgage and to all obligations of Spartanburg County hereunder and resulting herefrom that neither this Mortgage nor any obligation or covenant of Spartanburg County hereunder shall create any pecuniary liability of Spartanburg County nor any charge against its taxing powers or upon its general credit; but any such obligation for the payment of money shall be payable solely from the lease rentals, revenues and receipts derived from or in connection with the facilities hereinabove described, including moneys received under the Lease Agreement as hereinabove more fully described; and nothing in the notes secured hereby

not in this Mortgage shall be considered as pledging any other funds or assets of Spartanburg County.

AND the said Spartanburg County does hereby bind itself and its Successors to warrant and forever defend all and singular the said premises unto the said Trust Company Bank, its successors, lawfully claiming, or to claim the same, or any part thereof.

IT IS AGREED that the maximum principal amount to be secured by this Mortgage is hereby expressly limited to \$5,000,000.

IT IS AGREED in the Lease Agreement that the Lessee shall keep the mortgaged real and personal property insured, inter alia, against loss and damage from fire and extended coverage hazards for the benefit of the said Mortgagee. In default thereof, the said Mortgagee, its successors or assigns, may effectuate such insurance and reimburse themselves under this Mortgage for the expense thereof, with interest thereon from the date of its payment at the rate of eight per centum (8%) per annum.

IT IS AGREED in the Lease Agreement that the Lessee shall pay (subject to Lessee's right to contest) all lawful taxes, assessments and other charges upon the said premises

when the same shall first become payable. In default thereof the said Mortgagee, its successors or assigns, may cause the same to be paid, together with all penalties and costs incurred thereon, and reimburse themselves under this Mortgage for the sum so paid, with interest thereon from the date of such payment at the rate of eight per centum (8%) per annum.

AND IT IS AGREED by and between the said parties that upon any default by the Lessee under the Lease Agreement, or upon any default made in the payment of the interest on or the principal of the said Note, Additional Notes, or Substitute Notes, when the same shall become payable, then the entire amount of the debt secured or intended to be secured hereby shall become due, at the option of the said Mortgagee, its successors or assigns, although the period for the payment thereof 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 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, who, after deducting all charges and expenses attending 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 debt secured hereby.

AND IT IS FURTHER AGREED, by and between the 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 an attorney at law for collection by suit or otherwise, that all costs and expenses incurred by the Mortgagee, including a reasonable counsel fee, shall thereupon become due and payable as a part of the debt secured hereby, and may be recovered and collected hereunder.

PROVIDED ALWAYS, NEVERTHELESS, and it is the true intent and meaning of the parties to these Presents, that if the said SPARTANBURG COUNTY shall well and truly pay, or cause to be paid unto the said TRUST COMPANY BANK, its successors or assigns, the said debt or sum of money aforesaid, with interest thereon, if any shall be due, according to the true intent and meaning of the said Note, Additional Notes, or Substitute Notes, then this Deed of Bargain and Sale shall cease, determine, and be utterly null and void; otherwise it shall remain in full force and virtue.

AND IT IS AGREED by and between the said parties, that Spartanburg County is to hold and enjoy the said premises until default of payment shall be made.

IN WITNESS WHEREOF, SPARTANBURG COUNTY, SOUTH CAROLINA, has caused these presents to be signed in his name and

behalf by the County Administrator of Spartanburg County, and
its corporate seal to be hereunto affixed, all as of the 1st
day of December, A.D., 1977.

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

By _____
County Administrator of
Spartanburg County

Signed, Sealed and Delivered
in the Presence of:

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

PERSONALLY appeared before me _____
and made oath that he saw the within named SPARTANBURG
COUNTY, SOUTH CAROLINA, by _____, County
Administrator of Spartanburg County, sign, and affix the
corporate Seal, and as the Act and Deed of the said Spart-
anburg County deliver the within written Mortgage and Security
Agreement, and that he with _____ witnessed
the execution thereof.

SWORN to before me this
____ day of _____, 1977.

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

EXHIBIT A

DESCRIPTION OF LEASED LAND
ATTACHED TO MORTGAGE AND SECURITY AGREEMENT
FROM SPARTANBURG COUNTY TO TRUST COMPANY BANK
DATED AS OF DECEMBER 1, 1977

EXHIBIT B

DESCRIPTION OF LEASED EQUIPMENT
ATTACHED TO MORTGAGE AND SECURITY AGREEMENT
FROM SPARTANBURG COUNTY TO TRUST COMPANY BANK
DATED AS OF DECEMBER 1, 1977

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

TO THE STATE BUDGET AND CONTROL BOARD
BOARD OF SOUTH CAROLINA

)
)
) P E T I T I O N
)
)

The Petition of the County Council of Spartanburg
County (the County Council) respectfully shows:

1. The County Council is the governing body of
Spartanburg County as established by law, and, as such, is
the County Board referred to in Title 4, Chapter 29, Code of
Laws of South Carolina, 1976 (the Act).

2. The Act authorizes and empowers the County Council,
if it shall comply with the provisions set forth in the Act,
to acquire land, buildings, equipment, machinery and other
improvements deemed necessary, suitable and useful by any
industrial enterprise; to lease the same; to finance the
acquisition, construction and equipping of the same through
the issuance of bonds or notes payable from and secured by a
pledge of the revenues to be derived from the leasing of
such land, buildings, equipment and machinery and other
improvements; and to refund outstanding industrial revenue
notes.

3. The County Council agreed with American Fast
Print Limited, a United Kingdom corporation (the Lessee)
that the County Council will undertake to finance the acqui-

sition, construction and equipping of additional facilities for the knitting of decorative fabrics in Spartanburg County, and the refunding of a previously issued industrial revenue note of the County issued for the benefit of Lessee, through the issuance of an Industrial Revenue Note pursuant to the Act. In this connection, the County Council has agreed to issue a One Million Seven Hundred Thousand Dollar (\$1,700,000) Spartanburg County, South Carolina, First Mortgage Industrial Revenue Note, Series 1977 (American Fast Print Limited - Lessee), pursuant to the Act in order to finance the acquisition, construction and equipping of the aforesaid facilities (said facilities being hereinafter referred to as the Project) and the refunding of the aforesaid Note.

4. The County Council is advised by the Lessee that the cost of the Project will be approximately One Million Dollars (\$1,000,000) and the cost of refunding the outstanding note will be approximately Seven Hundred Thousand Dollars (\$700,000), and that, therefore, in order to finance the acquisition, construction and equipping of the Project and the refunding of said note, including the costs and charges incident to the issuance and sale of the note hereinafter described, it will be necessary that the County Council issue a One Million Seven Hundred Thousand Dollars (\$1,700,000) Spartanburg County, South Carolina, First Mortgage Industrial Revenue Note, Series 1977 (American Fast Print Limited - Lessee) (the Note).

5. When completed, the Project will employ approximately 60 additional persons.

6. For the reasons above set forth and hereinafter disclosed the County Council has found:

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

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

(c) The proposed Lease between the County and the Lessee will unconditionally obligate the Lessee to pay rent in an amount adequate to provide for the principal and interest payments on the Note.

(d) The Note will be dated and will mature and bear interest in amounts and at rates set forth in Article II of the draft of the Note Ordinance enclosed herewith.

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

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

(a) The Project to be financed consists of the acquisition, construction and equipping of additional facilities for the knitting of decorative fabrics.

(b) When completed, the Project will provide permanent employment for approximately 60 additional persons. It

is, therefore, believed that the Project will have a beneficial effect upon the economy of the County and areas adjacent thereto.

(c) The cost of the entire Project and the refunding of the outstanding note will amount to approximately \$1,700,000.

8. The proposed Lease, a draft copy of which is presented herewith, will provide, among other things, the following:

(a) To finance the cost of the acquisition, construction and equipping of the Project and the refunding of the outstanding note, the County will issue a \$1,700,000 Spartanburg County, South Carolina, First Mortgage Industrial Revenue Note, Series 1977 (American Fast Print Limited - Lessee). The Note will be secured by a pledge of the rents to be paid by the Lessee and will be further secured by a Mortgage, as authorized by the Act.

(b) The proceeds derived from the sale of the Note, will be paid over to a depository bank under the Note Ordinance and used to pay the costs incident to the acquisition, construction and equipping of the Project, and refunding of the outstanding note, and the issuance of the Note.

(c) The Lease will contain a specific provision by which the Lessee will unconditionally agree to make payments

to Spartanburg County, to any School District in Spartanburg 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 Spartanburg 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.

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

(e) The Lease imposes upon the Lessee the obligation to pay, in addition to the moneys required for the payment of the principal and interest of the Note, all other costs and expenses resulting from the execution and delivery of the Lease and the issuance of the Note pursuant thereto.

9. The payment of the Note will be unconditionally guaranteed by the Lessee pursuant to a Guaranty Agreement between the Lessee and the Mortgagee under the Mortgage and Security Agreement described below.

10. The proposed Mortgage and Security Agreement is in conventional form and constitutes a forecloseable mortgage upon the Project. Included in the granting clause of the Mortgage and Security Agreement will be:

(a) All real and personal property and interests 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.

The Note Ordinance makes provision for the issuance of the One Million Seven Hundred Thousand Dollars (\$1,700,000) Note referred to above. It provides for the payment and prepayment of the Note.

11. The proposed Lease, Mortgage and Security Agreement, Note Ordinance and Guaranty Agreement (draft copies of which are enclosed herewith) will be in the form heretofore used in the issuance of Industrial Revenue Notes pursuant to the Act. While changes will be made in the enclosed forms, it is not expected that there will be any changes which will substantially affect the undertaking as now outlined therein.

Upon the basis of the foregoing, the County 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 Mortgage and Security Agreement, the Note Ordinance and the Guaranty Agreement as it deems advisable,

that the proposed Project will promote the purposes of the Act and that it is reasonably anticipated to effect such result, and on the basis of such finding, that it does approve the Project and the refunding of the outstanding note, including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking, and give published notice of its approval in the manner set forth in the act.

November 2, 1977

Respectfully Submitted,

COUNTY COUNCIL OF SPARTANBURG COUNTY

By C. H. Hendrix
County Administrator of Spartanburg
County

SPARTANBURG COUNTY, SOUTH CAROLINA

INDUSTRIAL REVENUE NOTE

SERIES 1977

(AMERICAN FAST PRINT LIMITED - LESSEE)

NOTE ORDINANCE

AN ORDINANCE

AUTHORIZING THE ISSUANCE OF A \$1,700,000 SPARTANBURG COUNTY, SOUTH CAROLINA, FIRST MORTGAGE INDUSTRIAL REVENUE NOTE, SERIES 1977 (AMERICAN FAST PRINT LIMITED - LESSEE), FOR THE PURPOSE OF FINANCING THE COST OF CONSTRUCTION, ACQUISITION AND EQUIPPING OF CERTAIN INDUSTRIAL FACILITIES; AND TO PREPAY A SERIES 1974 INDUSTRIAL REVENUE NOTE ISSUED ON BEHALF OF AMERICAN FAST PRINT LIMITED; THE EXECUTION AND DELIVERY OF A LEASE AGREEMENT BETWEEN AMERICAN FAST PRINT LIMITED AND THE COUNTY (TOGETHER WITH AN ASSIGNMENT OF THE COUNTY'S INTEREST THEREIN); AND PROVIDING FOR THE SECURING OF SAID NOTE; AND OTHER MATTERS RELATING THERETO.

WHEREAS, Spartanburg County (the County) is authorized and empowered by the provisions of Title 4, Chapter 29, Code of Laws of South Carolina, 1976 (the Act), to acquire, own, improve, equip, lease, dispose of and mortgage properties 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 Act to issue revenue bonds or notes payable by the County solely out of Lease Rentals (as hereinafter defined); and

WHEREAS, the County has made arrangements with American Fast Print Limited, a corporation organized and existing under the laws of the United Kingdom and duly qualified to do business in the State of South Carolina (hereinafter sometimes referred to as the Lessee) for the acquisition, construction and equipping of facilities in the County, including the necessary land, building and equipment (the

Project) which will be of the character and accomplish the purposes prescribed by the Act, and the County proposes to enter into a Lease Agreement with the Lessee specifying the terms and conditions of the acquisition of the Project and the leasing thereof; and

WHEREAS, it has been determined that the amount now required to finance the cost of the Project, including the amounts necessary to prepay the now outstanding balance due on a \$1,000,000 First Mortgage Industrial Revenue Note, Series 1974 (American Fastprint Limited - Lessee) (the Series 1974 Note) and including necessary expenses incidental thereto, will require the initial issuance, sale and delivery of a note hereinafter designated as SPARTANBURG COUNTY, SOUTH CAROLINA, FIRST MORTGAGE INDUSTRIAL REVENUE NOTE, SERIES 1977 (AMERICAN FAST PRINT LIMITED - LESSEE) in the aggregate principal amount of \$1,700,000 (the Series 1977 Note); and

WHEREAS, the \$1,700,000 aggregate principal amount of the Series 1977 Note to be issued is to be in substantially the form set forth as Exhibit C to the Lease Agreement (hereinafter defined) with necessary and appropriate variations, omissions and insertions as permitted or required by this Note Ordinance.

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

ARTICLE I

DEFINITIONS

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

"ACT" means Title 4, Chapter 29, Code of Laws of South Carolina, 1976.

"ADDITIONAL NOTES" means any Notes issued pursuant to Section 207 of this Ordinance.

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

"CONSTRUCTION FUND" means the fund created pursuant to Section 4.3 of the Lease.

"COUNTY" means Spartanburg 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 Spartanburg County as the governing body of the County, and any successor body.

"DEPOSITORY" means Trust Company Bank, as Depository of the Construction Fund.

"LEASE AGREEMENT" means the Lease Agreement to be executed by and between the County and the Lessee and to be dated as of December 1, 1977, 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 5.5, 6.3, 8.7 or 10.4 thereof).

"LESSEE" means American Fast Print Limited, a corporation organized and existing under the laws of the United Kingdom and its successors and assigns and any surviving, resulting or transferee corporation as provided in Section 8.3 of the Lease Agreement.

"MORTGAGE" means the Mortgage and Security Agreement relating to the Project dated as of December 1, 1977, from the County to the Mortgagee.

"Mortgagee" means Trust Company Bank as Mortgagee under the Mortgage and Security Agreement relating to the Project dated as of December 1, 1977.

"NOTES" means all Industrial Revenue Notes of the County issued pursuant to this Ordinance.

"ORDINANCE" means this Ordinance of the County Board authorizing, among other things, the issuance of the Series

1977 Note, as the same may be amended or supplemented from time to time in accordance with the terms hereof.

"SERIES 1977 NOTE" means the \$1,700,000 Spartanburg County First Mortgage Industrial Revenue Note, Series 1977 (American Fast Print Limited - Lessee) issued pursuant to this Ordinance.

Certain terms used as defined terms herein but not defined in Article I hereof shall have the meanings set forth in Article I of the Lease Agreement.

ARTICLE II

THE NOTES

SECTION 201. RESTRICTION ON ISSUANCE OF NOTES. No Notes may be issued under the provisions of this Ordinance except in accordance with this Article. The total principal amount of Notes that may be outstanding hereunder is hereby expressly limited to \$5,000,000.

SECTION 202. ISSUANCE OF SERIES 1977 NOTE. The Series 1977 Note in the principal amount of \$1,700,000, dated December 1, 1977 designated Spartanburg County, South Carolina First Mortgage Industrial Revenue Note, Series 1977 (American Fast Print Limited - Lessee) shall be issued. The Series 1977 Note shall bear interest on the unpaid principal balance thereof from the date of delivery thereof at the rate of 6.25% per annum payable on June 1, 1978 and semi-annually thereafter on December 1 and June 1 of each year until payment in full of the principal thereof (or in the event any such date is not a business day then on the next succeeding business day thereafter with interest accrued to such day). The principal of the Series 1977 Note shall mature in sixteen semi-annual principal payments of \$97,500 each, commencing June 1, 1978, and four semi-annual payments of \$35,000 each, with final principal maturity on December 1, 1987.

Payments of interest made in respect of the Series 1977 Note shall be made at the times set forth above to the Mortgagee. The Mortgagee shall keep a record of all such payments.

SECTION 203. EXECUTION; LIMITED OBLIGATION. The Notes shall be executed on behalf of the County by the County Administrator of Spartanburg County and the corporate seal of the County shall be impressed thereon.

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

The Notes, together with interest thereon, shall be limited obligations of the County payable by the County solely from the Lease Rentals. The Notes 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.

SECTION 204. FORM OF NOTES. The Notes shall be substantially in the form set forth in Exhibit C attached to the Lease Agreement with such appropriate variations, omissions and insertions as are permitted or required by the Ordinance.

SECTION 205. DELIVERY OF THE SERIES 1977 NOTE. The County shall execute and deliver to the Mortgagee or a representative of the Mortgagee the Series 1977 Note in the principal amount of \$1,700,000.

SECTION 206. MEDIUM OF PAYMENT. The Notes shall be payable with respect to principal and interest, in Federal or other immediately available funds; provided, that if the currency of the United States of America should be changed by governmental action, the payment of the principal, premium, if any, and interest on the Note shall be in a currency unit equivalent to the United States dollar on the date of issue of the Notes (e.g., should the United States issue "New Dollars" representing four (4) dollars as such now exist, the principal amount of the Series 1977 Note would be deemed to be \$250,000 New Dollars and principal, premium, if any, and interest on the Series 1977 Note would be calculated on this basis).

SECTION 207. ISSUANCE OF ADDITIONAL NOTES. 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 Notes from time to time for the purpose of refunding any Notes previously issued or providing for the acquisition of additional land or interest 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 Series 1977 Note and any Additional Notes theretofore or thereafter issued under this Ordinance. The proceeds of any Additional Notes shall be used solely to refund Notes or pay the costs of improvement to the Project and to pay the costs incident to the issuance of the Additional Notes, in accordance with Section 8.10 of the Lease Agreement.

Such Additional Notes 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 ordinance supplemental hereto authorizing the issuance thereof shall fix and determine.

ARTICLE III

PREPAYMENT OF NOTES

SECTION 301. NOTES PREPAYABLE. The Notes shall be subject to prepayment in the event of (a) exercise by the Lessee of its option to purchase the Project as provided in Section 11.2 of the Lease Agreement, or (b) mandatory purchase of the project by the Lessee pursuant to Section 12.2 of the Lease Agreement. If prepaid in any of such events, the Notes shall be subject to prepayment by the County at any time, whether or not an interest payment date, in whole and not in part, at the principal amount thereof plus accrued interest to the prepayment date and, but only in the event of a prepayment as a result of the mandatory purchase of the Project pursuant to Section 12.2 of the Lease Agreement, a prepayment penalty of 2-7/8% of the principal amount of the Notes at the time outstanding multiplied by the number of six-month periods, or fraction thereof, between the date as of which interest on the Notes is (or is determined as provided in Section 12.2 of the Lease Agreement to be) taxable and the prepayment date. If it shall occur that any principal installment on any of the Notes shall have been paid subsequent to the date as of which interest on the Notes became, or was so determined to have become, taxable but prior to the prepayment of the Notes from the purchase price derived from the mandatory purchase

of the Project by the Lessee pursuant to Section 12.2 of the Lease Agreement, then in such event the holder thereof shall be entitled to receive from the purchase price be paid by the Lessee pursuant to Section 12.2 of the Lease Agreement a prepayment penalty computed on such principal amounts to the date of their payment whether at maturity or by prepayment.

The Series 1977 Note is also subject to optional prepayment at any time, without prepayment penalty, in whole or in part (but if in part in the inverse order of the principal maturities of the Note).

SECTION 302. NOTICE OF PREPAYMENT. In the event any Notes or portions thereof are to be prepaid, the County shall give written notice to the holder or holders thereof at their addresses as shown in the Lease Agreement at least five business days prior to the date of prepayment.

ARTICLE IV

LEASE AGREEMENT, MORTGAGE AND CLOSING DOCUMENTS

SECTION 401. AUTHORIZATION OF LEASE AGREEMENT AND

MORTGAGE. The County Administrator of Spartanburg County is hereby authorized and directed to execute, seal and deliver, on behalf of the County, the Lease Agreement and the Mortgage each in the form heretofore presented to the County Board. The County Administrator, however, is hereby authorized, prior to execution and delivery of the Lease Agreement and the Mortgage to make such changes or modifications in the form of either of such agreements as may be required or deemed appropriate by him in order to accomplish the purposes of the transactions authorized by this Ordinance. The execution and delivery of the Lease Agreement and the Mortgage by the County Administrator shall be conclusive evidence of the due execution in accordance with the Ordinance, on behalf of the County, of each such instrument which shall thereupon become binding and enforceable against the County.

SECTION 402. CLOSING DOCUMENTS. The County Administrator, Chairman and Clerk of the County Board are fully empowered and authorized to take such further action and to execute and deliver such closing documents as may be necessary and proper to effect the delivery of the Notes in accordance with the terms and conditions herein set forth, and the action of such officers

or either of them in executing and delivering any of such documents, in such form as he or they shall approve, is hereby fully authorized.

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

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

SECTION 404. PERFORMANCE OF COVENANTS; AUTHORITY OF COUNTY. The County covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Ordinance, in

the Notes and in all proceedings pertaining thereto. The County represents and warrants that it is duly authorized under the Constitution and laws of the State of South Carolina to issue the Notes authorized hereby, to enter into the Lease Agreement, and to pledge the Lease Rentals in the manner and to the extent herein and in the Mortgage set forth; that all actions on its part for the issuance of the Notes will have been duly and effectively taken on or prior to the date of delivery thereof and that the Notes in the hands of the holders and owners thereof will be valid and binding obligations of the County in accordance with their terms.

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

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

ARTICLE V

CUSTODY AND APPLICATION OF PROCEEDS OF NOTES

SECTION 501. CONSTRUCTION FUND; DISBURSEMENTS. There is hereby created and established with the Depository a trust fund to bear the designation "Spartanburg County (American Fast Print Project) 1977 Industrial Construction Fund". All of the proceeds of the issuance and delivery of the Series 1977 Note remaining after providing for payment of principal of and accrued interest on the 1974 Note, or reimbursement of Lessee for such payment as provided in Section 4.3 of the Lease Agreement shall be deposited in the Construction Fund. Moneys in the Construction Fund shall be expended for the cost of the facilities in accordance with the provisions of the Lease Agreement and particularly Section 4.3 thereof.

The Depository is hereby authorized and directed to make payments out of the Construction Fund in accordance with Article IV of the Lease Agreement.

The Depository shall keep and maintain records pertaining to the investments of moneys in the Construction Fund and all disbursements therefrom and after the Lessee shall have certified that the Project has been completed as provided in Section 4.5 of the Lease Agreement the Depository shall, if required by the Lessee, file copies of such records thereof with the County, with the Mortgagee and with the Lessee.

ARTICLE VI

MISCELLANEOUS

SECTION 601. SEVERABILITY. If any provision of the Ordinance shall be held or deemed to be or shall in fact be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any Constitution or statute or rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

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

SECTION 602. PAYMENTS DUE ON SATURDAYS, SUNDAYS AND HOLIDAYS. If any principal of or interest on the Notes falls due on a Saturday, Sunday or public holiday at the place of payment thereof, then such due date shall be extended to the next succeeding full business day at such place and interest shall be payable in respect of such extension.

SECTION 603. COUNTERPARTS. This Ordinance shall be executed by the County Board in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 604. ORDINANCE CONSTITUTES CONTRACT. In consideration of the purchase and acceptance of the Notes by the purchasers thereof, this Ordinance shall for all purposes be deemed to be and shall constitute a contract between the County and the holders from time to time of the Notes.

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

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

Witness my hand and seal of the County Council of Spartanburg County this _____ day of _____, 1977.

County Administrator of Spartanburg
County

(SEAL)

SPARTANBURG COUNTY, SOUTH CAROLINA

AND

AMERICAN FAST PRINT LIMITED

LEASE AGREEMENT

Dated as of December 1, 1977

THIS LEASE AGREEMENT dated as of December 1, 1977, between Spartanburg County, a body politic and corporate and a political subdivision of the State of South Carolina, acting by and through the County Council of Spartanburg County (the County Board) as the governing body of Spartanburg County, party of the first part, and American Fast Print Limited, a corporation organized and existing under the laws of the United Kingdom, duly qualified to do business in 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 charge upon its general credit or taxing powers but shall be payable solely out of the proceeds derived from this Agreement, the issuance of the Note referred to in Section 1.1 hereof and the insurance proceeds, proceeds from property released in accordance with Sections 6.2 or 11.3 hereof, and condemnation awards as herein provided):

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

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

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

"ACT" means Title 4, Chapter 29, Code of Laws of South Carolina, 1976.

"ADDITIONAL NOTES" means the Additional Notes of the County issued pursuant to Section 207 of the Note Ordinance.

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

"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 Mortgagee containing the specimen signature of such person and signed on behalf of the Lessee by the president or any vice president of the Lessee.

"BUILDING" means those certain buildings and all other facilities forming a part of the Project and not constituting part of the Leased Equipment which are located or are

required by Section 4.1(a) hereof to be constructed on the Leased Land, as they may at any time exist, including any air conditioning and heating systems (and any replacements thereof), all of 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 the Chairman is unable to act.

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

"CONSTRUCTION FUND" means the Construction Fund created in accordance with the provisions of Section 4.3 hereof.

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

"COUNTY" means Spartanburg County, South Carolina, a body politic and corporate, and its successors and assigns.

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

"GUARANTY AGREEMENT" means the agreement between the Lessee and the Mortgagee, dated as of December 1, 1977, by which the Lessee unconditionally guarantees the full and

prompt payment of the principal, prepayment penalty, if any, and interest on the Notes. The Guaranty Agreement is attached hereto as Exhibit "D".

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

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

"LEASED EQUIPMENT" means those items of machinery, equipment and related property required herein to be acquired and installed in the Building or elsewhere on the Leased Land with proceeds from the sale of the Notes or the proceeds of any payment by the Lessee pursuant to Section 4.6 hereof and any item of machinery, equipment and related property acquired and installed therefor and renewals and replacements thereof pursuant to the provisions of Sections 4.1(b), 6.1, 6.2(a), 7.1 and 7.2 hereof and is further defined as all property owned by the County and hereby

leased to the Lessee which is not included in the definition of Leased Land or Building, but not including Lessee's own machinery and equipment installed under the provisions of Section 9.7 hereof. Leased Equipment is more particularly described in Exhibit "B" attached hereto which, by this reference thereto, is incorporated herein.

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

"LESSEE" means (i) 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.

"LICENSED ENGINEER" means an engineer or engineering firm registered and qualified to practice the profession of engineering under the laws of South Carolina.

"MORTGAGE" means the Mortgage and Security Agreement given by the County to Trust Company Bank, as Mortgagee, of even date herewith, pursuant to which the County's interest in this Agreement and the lease rentals, revenues and receipts received by the County from the Project (except payments pursuant to Sections 5.5, 6.3, 8.7 or 10.4 of this Agreement) are pledged and the Project is mortgaged as security for the payment of principal, premium, if any, and interest on the Notes.

"MORTGAGEE" means Trust Company Bank, as holder of the Series 1977 Note and Mortgage of the County, its successors and assigns.

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

"NOTES" means the Industrial Revenue Notes of all series issued by the County pursuant to the Note Ordinance.

"NOTE ORDINANCE" means the Ordinance adopted by the County Board providing for the terms and provisions of the Notes, and any ordinance supplemental thereof and any amendment thereto.

"PENALTY RATE" shall be interest at the rate of eight per cent (8%) per annum.

"PERMITTED ENCUMBRANCES" means, as of any particular time, (i) liens for ad valorem taxes not then delinquent, (ii) this Agreement and the Mortgage, (iii) utility, access and other easements and rights of way, flood rights, encroachments and leases that a Licensed Engineer and the Authorized Lessee Representative certify will not interfere

with or impair the operations being conducted in the Building (or, if no operations are being conducted therein, the operations for which the Building was designed or last modified) (iv) such minor defects, irregularities, encumbrances, easements, rights of way, and clouds on title as normally exist with respect to properties similar in character to the Project and as do not, in the opinion of an Independent Counsel acceptable to the Mortgagee and to the Authorized Lessee Representative, materially impair the property affected thereby for the purpose for which it was acquired or is held by the County, and (v) mechanic's and materialmen's liens not filed or perfected in the manner prescribed by Chapter 5, Title 29, Code of Laws of South Carolina, 1976, as in effect on the date hereof, or otherwise.

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

"SERIES 1977 NOTE" means the \$1,700,000 First Mortgage Industrial Revenue Note, Series 1977 (American Fast Print Limited - Lessee) of the County, secured by the Mortgage. The Series 1977 Note shall be substantially in the form of the attached Exhibit "C".

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

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

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

ARTICLE II

REPRESENTATIONS

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

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

(b) The County owns the Leased Land, and has authorized, and does hereby authorize, the Lessee to construct thereon the Building, to acquire and install the Leased Equipment in the Building or on the Leased Land, to acquire and install 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 the industrial development, developing trade, and utilizing and employing the manpower, agricultural products and natural resources of South Carolina.

(c) Heretofore, the County Board and the Lessee did agree that the County would finance the cost of acquiring, constructing and equipping of additional facilities and the refunding of a previously issued Industrial Revenue Note of the County through the issuance of an industrial revenue note pursuant to the Act. The Lessee estimates that such cost will amount to approximately \$1,200,000, consisting of approximately \$500,000 for the construction of the Building, and approximately \$700,000 for the cost of the Leased Equipment, and Lessee has agreed that it will bear all expenses in excess of the amount of the proceeds derived from the sale of the Notes. On that basis the County now proposes to issue the Series 1977 Note in the form of a single fully registered Note in the aggregate principal amount of \$1,700,000, dated as of December 1, 1977, which will mature and bear interest, and which will be subject to prepayment on the occasions and at such penalties as provided in the Note Ordinance in order to finance the cost of acquiring, constructing and equipping the Project and to refund a previously issued Industrial Revenue Note of the County.

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

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

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

(c) Relying upon the agreement of the County to finance the cost of acquiring, constructing and equipping

SECTION 2.2. Representations by the Lessee. The

Lessee makes the following representations as the basis for the undertaking on its part herein contained:

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

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

(c) Relying upon the agreement of the County to finance the cost of acquiring, constructing and equipping

the Project as aforesaid, the Lessee proceeded with the construction of the Building and the acquisition of the Leased Equipment.

(d) 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 acquisition of the Project and in effecting the payment of the Notes.

(e) In order to provide a further inducement to the purchase of the Series 1977 Note, the Lessee has entered into the Guaranty Agreement with the Mortgagee.

(f) All proceeds derived from the sale of the Series 1977 Note will be used to refund a previously issued Spartanburg County Industrial Revenue Note and to acquire 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 Internal Revenue Code of 1954, as amended, and no part of the proceeds of the Notes will be used to finance inventory or for working capital.

ARTICLE III

DEMISING CLAUSES

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

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

SECTION 3.3. Title Insurance. At the time of the delivery of the Series 1977 Note, the County will provide a Mortgagee Title Insurance Policy (or an appropriate Binder) upon the Leased Land and Building issued by a Company approved by the Mortgagee insuring the lien of the Mortgage upon the Leased Land and Building, when completed, subject to no encumbrances other than Permitted Encumbrances, in the amount of not less than \$_____, which is the estimated value of

the Leased Land and Building. Any Net Proceeds therefrom shall be paid to the Mortgagee to be applied against principal payments on the Notes in inverse order of maturity.

ARTICLE IV

COMPLETION OF THE PROJECT; ISSUANCE
OF THE SERIES 1977 NOTE; CONSTRUCTION FUND

SECTION 4.1. Agreement to Construct and Equip the Building on the Leased Land. The County owns the Leased Land. The Lessee agrees that it will exercise the authorizations given to it by the County as set forth in Section 2.1(b) and:

(a) It will cause the Building to be completed on the Leased Land wholly within the boundary line thereof which will be utilized 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 the Lessee the Leased Equipment, to consist of the machinery, equipment and related property described in the general list thereof in Exhibit "B" attached hereto, and incorporated herein by reference thereto, and such other items of machinery and equipment and any transportation facility and equipment used as an integral part of the Project, which in Lessee's judgment may be necessary for operation of the Project.

The Lessee agrees to complete the construction of the Building and the acquisition and installation of the Leased

Equipment as promptly as practicable after receipt of the proceeds derived from the sale of the Series 1977 Note.

SECTION 4.2. Agreement to Issue Series 1977 Note;
Application of Note Proceeds. In order to provide funds for payment of the costs of the Project, the County agrees that it will by December 31, 1977, execute and deliver the Series 1977 Note and cause it to be delivered to the Mortgagee and it will thereupon deposit in the Construction Fund the proceeds received from said sale.

SECTION 4.3. Establishment of Construction Fund; Dis-
bursements from the Construction Fund. Not later than the occasion of the delivery of the Series 1977 Note, the County will establish the Construction Fund, in a bank approved by the Lessee and the Mortgagee. Upon delivery of the Series 1977 Note, so much of the proceeds thereof as shall be necessary shall be paid to Wachovia Bank & Trust Company to pay and retire the outstanding principal balance (together with interest to the prepayment date) of the originally issued \$1,000,000 Spartanburg County, First Mortgage Industrial Revenue Note, Series 1974 (American Fast Print Limited - Lessee) or shall be paid to the Lessee to reimburse for such payment in the event Lessee shall have paid such principal and accrued interest out of its own funds. The balance of the proceeds shall be deposited in the Construction Fund. Withdrawals from the Construction Fund shall be made only upon the signature of the Authorized Lessee Representative. The moneys in the Construction Fund will be used for the following purposes (but, subject to the provisions of Section 4.9 hereof, for no other purposes):

(a) The fees for recording any release whereby the Leased Land is released from any existing mortgage, this Agreement, the Mortgage and any title curative documents that either the Mortgagee, the Lessee or Independent Counsel may deem desirable to file for record in order to perfect or protect the title of the County to the Leased Land or to perfect or protect the lien and security interest of the mortgage on the Project; and the fees and expenses in connection with any actions or proceedings that either the Mortgagee, the Lessee or the Independent Counsel may deem desirable to bring in order to perfect or protect the title of the County to the Leased Land or to perfect the lien and security interest of the Mortgage on the Project.

(b) Payment to the Lessee and the County, as the case may be, of such amounts, if any, as shall be necessary to reimburse the Lessee and the County in full for advances and payments made by them or either of them prior to or after the delivery of the Notes for expenditures in connection with (i) the release of the Leased Land from any existing mortgage, and the preparation of plans and specifications for the Project (including any preliminary study or planning of the Project or any aspect thereof) and (ii) clearing the Leased Land, the construction of the Building, the acquisition and

installation of the Leased Equipment, and all construction, acquisition and installation expenses required to provide utility services or other facilities, and all real or personal properties deemed necessary in connection with the Project (including architectural, engineering and supervisory services with respect to any of the foregoing).

(c) Payment of the cost of title insurance, legal, financing and accounting fees and expenses and printing and engraving costs, if any, incurred in connection with the authorization, sale and issuance of the Notes, the preparation of this Agreement, the Mortgage and all other documents in connection therewith and in connection with the Clearing of title to the Leased Land and Building.

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

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

(f) To such extent as they shall not be paid by a contractor for construction with respect to any part of the Project, payment of the premium on all insurance required to be taken out and maintained during the Construction Period under this Agreement, or reimbursement thereof if paid by the Lessee.

(g) 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 the Lessee.

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

(i) Payment of any other costs and expenses relating to the Project, including payment of the fees and expenses of the bank acting as custodian of the Construction Fund.

(j) All moneys remaining in the Construction Fund after completion 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 (i), inclusive, of this Section, shall be applied to the payments as they become due on the Notes,

except for amounts retained in the Construction Fund with the approval of the Authorized Lessee Representative for payment of Project costs not then due and payable; any balance remaining of such retained funds after full payment of all such Project costs to be applied to the payments as they become due on the Notes.

It is further agreed that:

(1) On the occasion of each payment from the Construction Fund in accordance with the preceding provisions of this Section, the Authorized Lessee Representative shall file a written certificate with the Bank acting as custodian of the Construction Fund and with the Mortgagee establishing: (i) that none of the items for which the payment is being made has formed the basis for any payment theretofore made from the Construction Fund and (ii) that each item for which the payment is being made is or was necessary in connection with the Project, is in conformance with the plans and specifications therefor, and is authorized by this Agreement to be paid.

(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.

SECTION 4.4. Depository Bank May Rely on Order of Authorized Representative. The bank in which the Construc-

tion Fund shall be deposited may honor withdrawals upon the signature of the Authorized Lessee Representative and shall have no further liability with respect to payments made in accordance with such order.

SECTION 4.5. Establishment of Completion Date. The Completion Date shall be evidenced to the Mortgagee and to the County Board by a certificate prepared by the Lessee and signed by the Authorized Lessee Representative stating that, except for amounts retained in the Construction Fund for Project costs not then due and payable as provided in Section 4.3(j), (i) 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, (ii) all other facilities necessary in connection with the Project have been constructed, acquired and installed in accordance with the specifications therefor and all costs and expenses incurred in connection therewith have been paid, the Leased Equipment has been installed to his satisfaction, the Leased Equipment so installed is suitable and sufficient for the efficient operation of the Project for the purposes specified in Section 4.1(a) hereof and all costs and expenses incurred in the acquisition and installation of the Leased Equipment have been paid. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against

third parties which exist at the date of such certificate or which may subsequently come into being. It shall be the duty of the Lessee to cause the certificate contemplated by this Section 4.5 to be furnished as soon as the Project shall have been completed.

SECTION 4.6. Lessee Required to Pay Project Costs in Event Construction Fund Insufficient. In the event the moneys in the Construction Fund available for payment of the costs of the Project should not be sufficient to pay the costs thereof in full, the Lessee agrees to complete the Project free of all liens and encumbrances (other than Permitted Encumbrances) 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 should 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 Mortgagee, 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, subject to the force majeure provisions of the concluding paragraph of Section 10.1.

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

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

and the installation of machinery and equipment in accordance with any applicable contract pertaining thereto, to insure the peaceable and quiet enjoyment of the Project for the Lease Term, and to insure the performance by the County of all covenants and obligations of the County under this Agreement, with all costs and expenses incurred by the Lessee in connection therewith to be considered as part of the Project costs referred to in Section 4.3(i). Any amounts recovered by way of damage, refunds, adjustments or otherwise in connection with the foregoing prior to the Completion Date, less legal expenses incurred in order to collect the same, shall be paid into the Construction Fund and after the Completion Date shall be applied to the payments as they become due on the Notes.

SECTION 4.9. Investment of Construction Fund Moneys Permitted - Limitation on Investments. Any moneys held as a part of the Construction Fund shall at the written request of the Authorized Lessee Representative be invested or reinvested by the bank acting as custodian of the Construction Fund in (i) obligations of the United States and agencies thereof or unconditionally guaranteed as to principal and interest by the United States or any such agencies; (ii) general obligations of the States of South Carolina or any of its political units; (iii) Savings and Loan Associations to the extent that the same are secured by the Federal Savings and Loan Insurance Corporation; (iv)

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

The Lessee further covenants and agrees:

(a) That it will not direct the investment of any moneys held as a part of the Construction 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 Internal Revenue Code of 1954, as amended, and the applicable regulations issued thereunder and as in effect on the occasion of the delivery of any of the Notes (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.

ARTICLE V

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

SECTION 5.1. Effective Date of this Agreement; Duration of Lease Term. This Agreement shall become effective upon its delivery, and the leasehold estate created in this Agreement shall then begin, and, subject to the provisions of this Agreement (including particularly Articles X and XI and Section 12.2 hereof), shall expire December 1, 1987.

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 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 the Mortgagee 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 June 1, 1978, and on or before each December 1 and June 1 thereafter until the principal of and interest on the Series 1977 Note shall have been fully paid, the Lessee shall pay to the Mortgagee for the account of the County, as rent for the Project, a sum equal to the amount payable on such date as principal and interest upon the Series 1977 Note in any coin or currency of the United States of America which is, at the time, legal tender for the payment of public or private debts.

In the event Additional Notes shall be issued pursuant Article II of the Note Ordinance, thereafter on or before any date on which the principal or interest on any such Notes shall be due, until the principal of, prepayment penalty, if any, and interest on all such Notes shall have been fully paid or provisions for the payment thereof shall have been made in accordance with the Note Ordinance, the Lessee shall pay a sum equal to the amount payable on such date as principal and/or interest upon such Notes, as provided in the Note Ordinance.

In any event each rental payment under this Section shall be sufficient to pay the total amount of interest and principal (whether at maturity or by prepayment as provided in the Notes and Mortgage) payable on each such semi-annual payment date, and if at any payment date the rental payment is insufficient to make required payments of principal (whether at maturity or by prepayment as provided in the Notes and Mortgage) and interest on such date the Lessee will forthwith pay any such deficiency; provided that any amount at any time held for application to the payments as they become due on the Notes in accordance with the provisions hereof shall be credited against the next rental payment to the extent such amount is in excess of the amount required for payments of the Notes theretofore due; and provided further, that if the amount held by the Mortgagee for application as aforesaid should be sufficient to pay at the times required the principal of, prepayment penalty, if

any, and interest on the Notes due or to become due to maturity or to such earlier date on which the Notes are called for prepayment in full in accordance with the terms of the Notes and the Note Ordinance, the Lessee shall not be obligated to make any further rental payments under the foregoing provisions of this Section.

It is understood and agreed by and between the parties hereto, their successors and assigns, that if the currency of the United States of America should be changed by governmental action, the payment of the principal, premium, if any, and interest on the Notes shall be in a currency unit equivalent to the United States dollar on the date of issue of the Note (e.g., should the United States issue "New Dollars" representing four (4) dollars as such now exist, the principal amount of the Series 1977 Note would be deemed to be \$250,000 New Dollars and principal, premium, if any, and interest on the Series 1977 Note would be calculated on this basis).

In the event the Lessee should fail to make any of the payments required in this Section 5.3 the item or installment so in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid, and the Lessee agrees to pay the same with interest thereon at the Penalty Rate until fully paid. The provisions of this Section shall be subject to the provisions of Section 9.6 hereof.

SECTION 5.4. Place of Rental Payments. The rent provided for in Section 5.3 hereof shall be paid directly to the Mortgagee for the account of the County and will be applied against the Notes.

SECTION 5.5. Payments in Lieu of Taxes. It is recognized that under the provisions of the Act when any project is leased by a county pursuant to the Act the lessee thereof shall be required to make payments to the county, the school district or school districts, and other political units wherein the project shall be located in lieu of taxes, in such amounts as would result from taxes levied on the project by such county, school district or school districts, and other political unit or units, if the project were owned by the lessee, but with appropriate reductions similar to the tax exemptions, if any, which would be afforded to the lessee if it were the owner of the project. For the sole purpose of enabling the Lessee to comply with the aforesaid obligation, it is agreed that the County in cooperation with the Lessee (i) shall cause the Project to be valued as if privately owned as aforesaid for purposes of the said taxes by the State Tax Commission of South Carolina or such other appropriate officer 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 or dates of such taxes which the County, school district and other political units having taxing powers would receive if such property were so privately owned; and the Lessee shall file any accounts or tax returns required with the appropriate officer or officers. The Lessee shall pay to the aforesaid taxing authorities when due all such payments in lieu of taxes with respect to the Project required by the Act to be paid to the aforesaid taxing authorities, subject in each case to the Lessee's right to obtain exemptions (and discounts), if any, therefrom which would be afforded to a private owner of the Project and to seek to obtain a refund of any such payments made, and subject further to the Lessee's right to contest or appeal in good faith any such payment in the manner provided by law. The Lessee's obligation to make such additional payments shall continue only so long as and to the extent the Lessee is required by law to pay the aforesaid amounts in lieu of taxes. Once having paid the amounts required by this Section 5.5 to be paid by it in lieu of taxes, the Lessee shall not be required to

pay any such taxes for which a payment in lieu thereof has been made to the State or to any city, county, town, school district or other political unit, any other statute to the contrary notwithstanding. In the event the Lessee shall fail to make any of the payments required by this Section 5.5, the amount or amounts so in default shall continue as an obligation of the Lessee until fully paid and the Lessee agrees to pay the same with interest thereon at the Penalty Rate until paid.

SECTION 5.6. Obligations of Lessee Hereunder Unconditional. Subject to the provisions of Section 9.6 hereof, the obligations of the Lessee to make the payments required in Sections 5.3 and 5.5 hereof and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional and until such time as the principal, prepayment penalty, if any, and interest on the Notes shall have been duly paid or provisions for the payment thereof shall have been made in accordance therewith, the Lessee (i) will not suspend or discontinue any payments provided for in Section 5.3 hereof, (ii) will perform and observe all of its other agreements contained in this Agreement, and (iii) except as provided in Section 11.1 hereof will not terminate the Lease Term for any cause including, without limiting the generality of the foregoing, failure of the Lessee to complete the Project, any acts or circumstances that may constitute failure of consideration,

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 of South Carolina or any political subdivision of either thereof or any failure of the County to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release the County from the performance of any of the agreements on its part herein contained, and in the event the County should fail to perform any such agreement on its part, the Lessee may institute such action against the County as the Lessee may deem necessary to compel performance so long as such action does not abrogate the Lessee's obligations contained in the first sentence of this Section 5.6. The Lessee may, however, at its own cost and expense and in its own name or in the name of the County, prosecute or defend any action or proceeding or take any other action involving third persons which the Lessee deems reasonably necessary in order to secure or protect its right of possession, occupancy and use hereunder, and in such event the County hereby agrees to cooperate fully with the Lessee and to take all action necessary to effect the substitution of the Lessee for the County in any such action or proceeding if the Lessee shall so request.

ARTICLE VI

MAINTENANCE, TAXES AND INSURANCE

SECTION 6.1. Maintenance and Modifications of Project
by Lessee. The Lessee agrees that during the Lease Term it will at its own expense (i) keep the Project in as reasonably safe condition as its operations shall permit and (ii) keep the Building and Leased Equipment and all other improvements forming the Project in good repair and in good operating condition, making from time to time all necessary repairs thereto and renewals and replacements thereof. The Lessee may, also at its own expense, make from time to time any additions, modifications or improvements to the Project it may deem desirable for its business purposes that do not adversely affect the use of the Project for the purpose for which it is intended. Subject to the provisions of Section 9.7 hereof, such additions, modifications and improvements so made by the Lessee shall be on the Leased Land and become a part of the Project. The Lessee will not permit any mechanics' or other liens to be established or remain against the Project for labor or materials furnished in connection with any additions, modifications, improvements, repairs, renewals or replacements so made by it; provided, that if the Lessee shall first notify the Mortgagee of its intention so to do, the Lessee may in good faith contest any mechanics' or other liens filed or established against the Project, and

in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Mortgagee shall notify the Lessee that, in the opinion of an Independent Counsel acceptable to Lessee's Authorized Representative, by nonpayment of any such items, the lien of the Mortgage as to any part of the Project will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture, in which event the Lessee shall promptly pay and cause to be satisfied and discharged all such unpaid items. The County will cooperate fully with the Lessee in any such contest.

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

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

(b) Not make any such substitution and installation, provided (i) that in the case of the sale of any such Leased Equipment to anyone other than itself or in the case of the scrapping thereof, the Lessee shall pay to the Mortgagee, to be applied against the principal last maturing on the Notes, the proceeds from 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 to the Mortgagee, to be applied against the principal last matur-

ing on the Notes, the amount of the credit received by it in 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 to the Mortgagee, to be applied against the last maturing principal installments on the Notes, an amount equal to the original cost thereof less depreciation at rates calculated in accordance with generally accepted accounting practices.

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

The Lessee shall promptly report to the Mortgagee each such removal, substitution, sale and other disposition and shall pay to the Mortgagee such amounts as are required by the provisions of the preceding subsection (b) of this Section to be paid to the Mortgagee 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 so paid 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 13 of the Act, no part of the Project owned by the County will be subject to taxation in South Carolina, (ii) 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, (iii) and that under present law there is no tax imposed upon leasehold estates in South Carolina, and (iv) that these factors, among others, have induced the Lessee to enter into this Agreement.

However, the Lessee will pay, as the same become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project or any machinery, equipment or other property installed or brought by the Lessee therein or thereon (including, without limiting the generality of the foregoing, any taxes levied upon or with respect to the lease rentals, revenues or receipts of the County from the Project which, if not paid, will become a lien on the Project prior to or on a parity with the lien of the Mortgage or a charge on the revenues and receipts therefrom prior to or on a parity with the charge thereon and the pledge or assignment thereof to be created and made in the Mortgage, and including all ad valorem taxes lawfully assessed upon

the leasehold estate hereby granted and conveyed to the Lessee in the Leased Land, Building and Leased Equipment), 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 they become due.

If the Lessee shall first notify the Mortgagee of its intention so to do, the Lessee may, at its expense and in its own name and behalf or in the name and behalf of the County, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Mortgagee shall notify the Lessee that, in the opinion of Independent Counsel, by non-payment of any such items the lien or security interest of the Mortgage will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture, in which event such taxes, assessments or charges shall be paid

promptly. The County will cooperate fully with the Lessee in any such contest. In the event that the Lessee shall fail to pay any of the foregoing items required by this Section to be paid by the Lessee, the County or the Mortgagee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the County or the Mortgagee 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.

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

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

(2) Against war risks when a state of war or national or public emergency exists and such insurance

is obtainable from a department or agency of the United States Government, upon reasonable terms, in the full amount necessary to prevent the application of the co-insurance provisions of the applicable policies but not less than 80% of the then full insurable value, or, if such amounts be not obtainable, then in the highest amount which can be so obtained.

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

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

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

(i) General public liability insurance (including Workmen's Compensation insurance in amounts usually carried by similar operations) against claims for bodily injury or death occurring upon, in or about the Project, with such insurance (other than Workmen's Compensation Insurance) to afford protection to the

limits of not less than \$100,000 in respect to bodily injury or death to any one person and to the limit of not less than \$500,000 in respect of any one accident; and

(ii) Property damage insurance against claims for damage to property occurring upon, in or about the Project with such insurance to afford protection to the limit of not less than \$50,000 in respect of damage to the property of any one owner.

(c) The insurance required by this Section 6.4, except the said war risk insurance, shall be maintained in full force and effect at all times during the Lease Term, except that such insurance required by Section 6.4(a) need not be placed in force and effect until the completion of the construction of the Building, provided that builder's risk insurance is in effect at least to the extent contemplated by Section 6.4(a) and provided further that in no event shall the insurance required by Section 6.4(a) be placed into force and effect later than the expiration of the builder's risk insurance carried pursuant to the provisions of any contracts entered into with contractors, with the end in view of having full insurance coverage at all times.

(d) Copies or certificates of the insurance required by this Section, each bearing notations evidencing payment

of the premiums or other evidence of payment satisfactory to the Mortgagee, shall be delivered by Lessee to the Mortgagee. And, in the case of expiring policies throughout the term, copies or certificates of any new or renewal policies, each bearing notations evidencing payment of the premiums or other evidence of payment satisfactory to the Mortgagee, shall be delivered by Lessee to the Mortgagee.

(e) Policies of insurance provided for in Section 6.4(a) and any builder's risk insurance referred to in Section 6.4(c) shall name the County and the Lessee as insureds as their respective interests may appear, provided, however, that the Mortgagee shall also be named as a party insured pursuant to a standard mortgagee clause as its interests may appear, and provided further that while any amount remains unpaid on the Note, all such insurance proceeds shall be payable as provided in Section 7.1 hereof.

(f) All insurance required by this Section 6.4 shall be effected with responsible insurance companies selected by the Lessee. Lessee shall cause appropriate provisions to be inserted in each insurance policy making each policy non-cancellable without at least ten (10) days prior written notice to the County, Lessee and Mortgagee. Also, it is agreed that no claim shall be made and no suit or action at law or in equity shall be brought by the County or by anyone

claiming by, through or under the County, against Lessee for any damage to the Project covered by the insurance provided for by this Section 6.4, however caused, but nothing in this sub-section (f) shall diminish Lessee's obligation to repair or rebuild as provided in Section 7.1. The Lessee shall have the sole right and responsibility to adjust any loss with the insurer involved and to conduct any negotiations in connection therewith, provided that so long as any amount remains outstanding and unpaid on the Notes, no settlement of any claim shall be effected without the written consent of the Mortgagee.

SECTION 6.5. Application of Net Proceeds of Insurance.

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

SECTION 6.6. Advances by the County or the Mortgagee.

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

and the Leased Equipment in good repair and good operating condition, the County or the Mortgagee may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same or make the required repairs, renewals and replacements; and all amounts so advanced therefor by the County or the Mortgagee 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, the Lessee agrees to pay.

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

SECTION 7.1. Damage and Destruction. (a) Unless the Building or the Leased Equipment shall be damaged to the extent prescribed by, and the Lessee shall elect to exercise its option to purchase pursuant to, the provisions of Section 11.2(a) hereof, if prior to full payment of the Notes the Project is damaged by fire or other casualty to such extent that the claim for loss under the insurance policies required to be carried pursuant to Section 6.4(a) hereof resulting from such destruction or damage is not greater than \$25,000 the Lessee (i) will promptly repair, rebuild or restore the property damaged or destroyed 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 adversely affect the use of the Project for the purpose for which it is intended, and (ii) shall 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 \$25,000 shall be paid to the Lessee, subject to provisions of Section 7.1(3) hereof.

(b) Unless the Building or the Leased Equipment shall be destroyed or damaged to the extent prescribed by, and the

Lessee shall elect to exercise its option to purchase pursuant to, the provisions of Section 11.2(a) hereof, if prior to full payment of the Notes the Project is destroyed or is damaged (in whole or in part) by fire or other casualty to such extent that the claim for loss under the insurance policies required to be carried pursuant to Section 6.4(a) hereof resulting from such destruction or damage is in excess of \$25,000, the Lessee shall promptly give written notice thereof to the Mortgagee. All Net Proceeds of insurance received by the Lessee resulting from such claims for losses in excess of \$25,000 shall be paid to and held by the Mortgagee in a separate trust account, whereupon (i) the Lessee will proceed promptly to repair, rebuild or restore the property damaged or destroyed 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 adversely affect the use of the Project for the purpose for which it is intended, and (ii) the Mortgagee will 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 said Net Proceeds are not sufficient to pay in full the costs of such repair, rebuilding or

restoration, the Lessee will nonetheless complete said work and will 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 (whether by direct payment thereof or advances to the County or Mortgagee therefor), be entitled to any reimbursement from the County, or the holder of any of the Notes, or any abatement or diminution of the rents payable under Section 5.3 hereof.

(e) Any balance of such Net Proceeds remaining after payment of all the costs of such repair, rebuilding or restoration shall be paid to the Mortgagee to be applied against the principal payments on the Notes in inverse order of their maturity. If the Notes have been fully paid all Net Proceeds will be paid to the Lessee.

SECTION 7.2. Condemnation. Unless title to, or temporary use of, all or substantially all of the Project shall have been taken by condemnation and the Lessee shall elect to exercise its option to purchase pursuant to the provisions of Section 11.2(b) hereof, in the event that title to, or the temporary use of, the Project or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the

Lessee shall be obligated to continue to make the rental payments specified in Section 5.3 hereof. The County, the Lessee and the Mortgagee 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 Mortgagee in a separate trust account, to be applied in one or more of the following ways as shall be directed in writing by the Lessee:

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

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

(c) To payment of the principal of the Notes in inverse order of the maturity of installments thereof, provided that the Lessee shall furnish to the County and the Mortgagee a certificate of an Independent Engineer acceptable to the County and the Mortgagee stating (i) that the property forming a part of the Project that was taken by such condemnation proceedings is not essential to the Lessee's use or occupancy of the Project, or (ii) that the Project has been restored to a condition substantially equivalent to its condition prior to the taking by such condemnation proceedings or (iii) that improvements have been acquired which are suitable for the Lessee's operations at the Project as contemplated by the foregoing subsection (b) of this Section.

Unless the Lessee shall have elected to exercise its option to purchase pursuant to the provisions of Section 11.2(b) hereof within ninety days from the date of entry of a final order in any eminent domain proceedings granting condemnation, the Lessee shall direct the County and the Mortgagee 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 to the Mortgagee to be applied against the principal payments on the Notes in inverse order of their maturity. If the Notes have been

fully paid 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.

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 for damage to or taking of its own property not included in the Project (except for damages for the value of its leasehold estate under this Agreement which shall be disposed of pursuant to Section 7.2 hereof).

ARTICLE VIII

SPECIAL COVENANTS

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

SECTION 8.2. County's and Mortgagee's Right of Access to the Project. The Lessee agrees that the County, the Mortgagee 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. The Lessee further agrees that the County, the Mortgagee and their or either of their duly authorized agents shall have such rights of access to the Project as may be reasonably necessary for the proper maintenance of the Project in the event of failure by the Lessee to perform its obligations under Section 6.1 hereof.

SECTION 8.3. Lessee to Maintain its Corporate Existence; Conditions under Which Exceptions Permitted. The Lessee agrees that during the Lease Term it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it, provided, that the Lessee may, without violating the agreement contained in this Section, consolidate with or

merge into a domestic corporation (i.e., a corporation organized under the laws of one of the states of the United States of America), or permit one or more domestic corporations to consolidate with or merge into it, or sell or otherwise transfer to a domestic corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided that the surviving, resulting or transferee corporation, as the case may be, expressly assumes in writing all of the obligations of the Lessee herein and qualifies to do business in South Carolina.

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

SECTION 8.5. Release of Certain Land. In addition to the rights granted by Section 11.3 hereof, the parties hereto reserve the right at any time and from time to time to amend this Agreement for the purpose of effecting the release of and removal from this Agreement and the leasehold estate created hereby (i) of any unimproved part of the Leased Land (on which neither the Building nor any Leased Equipment is situated) on which the County then proposes to construct improvements for lease to the Lessee or any subsidiary or affiliated corporation thereof under another and different lease agreement or (ii) any part (or interest in

such part) of the Leased Land with respect to which the County proposes to grant an easement or convey fee title to a railroad, public utility or public body in order that railroad, utility services or roads may be provided for the Project; provided, that if at the time any such amendment is made any amount is outstanding and unpaid upon the Notes there shall be deposited with the Mortgagee the following:

(a) A copy of 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 Mortgage 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 stating that the Lessee is not in default under any of the provisions of this Agreement.

(d) A copy of any agreement wherein the County agrees to construct improvements on the portion of the Lease 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 Mortgagee, dated not more than sixty days prior to the date of the release and stating that, in the opinion of the person signing such certificate, (i) the portion of the Leased Land so proposed to be released is necessary or desirable in order to obtain railroad, utility services or roads to benefit the Project or is not otherwise needed for the operation of the Project for the purposes for which it is intended, and (ii) the release so proposed to be made will not impair the usefulness of the Project for the purpose for which it is intended and will not destroy the means of ingress thereto and egress therefrom.

If all of the conditions of this Section 8.5 are met the Mortgagee shall release any such property from the lien of the Mortgage.

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

SECTION 8.6. Granting of Easements. If no event of default under this Agreement shall have happened and be continuing, the Lessee may at any time or times grant easements, licenses, rights of way including the dedication of

public highways) and other rights or privileges in the nature of easements with respect to any property included in the Project, free from the lien of the Mortgage, 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 Mortgagee to execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right of way or other right or privilege upon receipt of: (i) a copy of the instrument of grant or release (ii) a written application signed by the president or a vice president of the Lessee requesting such instrument; and (iii) a certificate executed by the president or a vice president 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 Mortgage. No grant or release effected under the provisions of this Section shall entitle the Lessee to any abatement or diminution of the rents payable under Section 5.3 hereof.

SECTION 8.7. Indemnification Covenants. (a) Lessee shall and agrees to indemnify and save the County and the

Mortgagee harmless against and from all claims by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done on, the Project during the Lease Term and against and from all claims arising during the Lease Term from (i) any condition of the Project, (ii) any breach or default on the part of Lessee in the performance of any of its obligations under this Agreement, (iii) any act or negligence of Lessee or of any of its agents, contractors, servants, employees or licensees, or (iv) any act or 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 Mortgagee harmless from any and 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 Mortgagee, 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 Notes, by reason of the execution of the Mortgage, by reason of the performance of any act required

of it by this Agreement, or by reason of the performance of any act requested of it by the Lessee, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing, nevertheless, if the County should incur any such pecuniary liability, then in such event the Lessee shall indemnify and hold harmless the County against all claims by or on behalf of any person, firm or corporation, arising out of the same, and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the County, the Lessee shall defend the County in any such action or proceeding.

SECTION 8.8. Covenants of Lessee with Respect to Tax Exemption of Notes. The Authority is issuing the Notes pursuant to an election made under Section 103(b)(6)(D) of the Code. In order to insure that interest on the Notes will not become subject to Federal Income Taxes as a result of failure of the Notes to qualify as an exempt small issue under Section 103(b)(6)(A) and (D) of the Code or as a result of a violation of the capital expenditures limitation prescribed in said Section 103(b)(6)(D), the Lessee covenants with the County, the Mortgagee, and with each of the future holders of any Notes as follows:

(1) That all rights and privileges granted to the Lessee hereunder shall be exercised in such manner that the covenants made by this Section 8.8 shall be observed, and if any conflict between Section 8.8 and any other provisions in the Lease shall arise, then in such case, Section 8.8 shall control;

(2) That the Lessee will not (a) commit nor permit the commission of any act which (i) would cause the Notes not to qualify as, or not to continue to be qualified as, an exempt small issue under the provisions of Section 103(b)(6)(A) and (D) of the Code, and (ii) would cause interest on the Notes to become subject to Federal Income Taxes by virtue of the provisions of Section 103(b)(1) of the Code; nor will Lessee (b) fail to take any action necessary to be taken in order that (i) the Notes shall qualify as, and continue to be, an exempt small issue under the provisions of said Section 103(b)(6)(A) and (D) of the Code, and (ii) interest on the Notes will continue to be exempt from Federal Income Taxes by virtue of the provisions of Section 103(a)(1) of the Code, as amended;

(3) That annually, concurrent with its filing thereof with the Internal Revenue Service, the Lessee will furnish to the Trustee a true and correct copy of statements filed by the Lessee pursuant to Section

1.103-10(b)(2)(vi)(C) of the Income Tax Regulations applicable to Section 103 of the Code, together with a certificate of its chief financial officer or treasurer to the effect that cumulative Section 103(b)(6)(D) capital expenditures together with the outstanding principal amount of the Notes and the principal amount outstanding of any other similar obligations which are includible in the capital expenditures limitation prescribed by said Section 103(b)(6)(D) have not exceeded said prescribed limitation; and

(4) That it will comply with the governing regulations applicable to Section 103 of the Internal Revenue Code of 1954 to the extent that compliance therewith is necessary in order that interest on the Notes shall remain exempt from Federal Income Taxes.

Nothing herein contained shall create any obligation upon the Lessee or the County as a result of interest on any Notes becoming taxable by virtue of the provisions of Section 103(b)(7) of the Code, or as a result of the enactment hereafter of legislation which subjects such interest to Federal Income Taxes.

SECTION 8.9. Additional Notes. The County and the Lessee may hereafter negotiate one or more amendments to this Lease pertaining to an increase in the obligations of the County and the Lessee upon an undertaking of the County

to refund Notes previously issued pursuant to the Note Ordinance or to provide additions or alterations for the Project through the issuance of Additional Notes pursuant to the Note Ordinance. In such instance the Lease Term provided in Section 5.1 may be extended until the maturity date of the last maturing Additional Notes; provided that no obligation is imposed on the County by this Section to enter into any such amendment and no such amendment is permitted hereunder which would result either in the breach of the County's obligations pursuant to the Note Ordinance or in the reduction of Lessee's obligations pursuant to this Lease.

SECTION 8.10. Financial Covenants.

ARTICLE IX

ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING;
REDEMPTION; RENT PREPAYMENT AND ABATEMENT

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 Mortgagee, subject, however, to each of the following conditions:

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

(b) The assignee or sublessee shall assume 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 Mortgagee a true and complete copy of each such assignment or sublease, as the case may be.

SECTION 9.2. Mortgage of Project by County. The County shall mortgage the Project by the Mortgagee, and assign its interest in and pledge any moneys receivable under this Agreement pursuant to the Mortgage, to the Mortgagee as security for payment of the Notes, but each such conveyance, assignment or pledge shall be subject and subordinate to this Agreement.

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

SECTION 9.4. Prepayment of Notes. The County, at the prior written request at any time of the Lessee and if the same are then subject to prepayment, shall forthwith take all steps that may be necessary under the applicable prepayment provisions of the Notes to effect prepayment of all or part of the Notes, as may be specified by the Lessee, on the earliest prepayment date on which such prepayment 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 Mortgagee may accept such prepayment of rents when the same are tendered by the Lessee. All rents so prepaid shall be credited on the rental payments specified in Section 5.3 hereof, in the inverse order of their due dates.

SECTION 9.6. Lessee Entitled to Certain Rent Abatements If Notes Paid Prior to Maturity. If at any time the aggregate rental payments held by the Mortgagee shall be sufficient to retire the Notes in accordance with the provisions of the Notes, and to pay all fees and charges of the Mortgagee due or to become due through the date on which the Notes are 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 Mortgagee to and including December 1, 1987 with no obligation to make the rental payments specified in Section 5.3 hereof during that interval (but otherwise on the terms and conditions hereof).

SECTION 9.7. Installation of Lessee's Own Machinery and Equipment. The Lessee may from time to time, in its sole discretion and at its own expense, install machinery, equipment and other personal property in the Building or on the Leased Land and which may be attached or affixed to the Building or the Leased Land. All such machinery, equipment

and other personal property shall remain the sole property of the Lessee and the Lessee may remove the same from the Building or the Leased Land at any time, in its sole discretion and at its own expense; provided, that any damage to the Project resulting from any such removal shall be repaired by the Lessee at the expense of the Lessee. The Lessee may create any mortgage, encumbrance, lien or charge on any such machinery, equipment and other personal property provided that the same will not diminish or impair the security intended to be given by or under the Mortgage. Neither the County nor the Mortgagee 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 Notes Ineffective After Notes Paid. Upon payment in full of the Notes and all fees and charges of the Mortgagee, all references in this Agreement to the Notes and the Mortgagee shall be ineffective and the Mortgagee shall thereafter have no rights hereunder, saving and excepting those provided in Section 12.2 and those that shall have theretofore vested.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

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

(a) Failure by the Lessee to pay the rents required to be paid under Section 5.3 of this Agreement at the times specified therein.

(b) Failure of the Lessee to fulfill its obligation to purchase the Project as provided in Section 12.2 hereof, as a consequence of the violation by the Lessee of any of the covenants set forth in Section 8.8 hereof.

(c) Failure by the Lessee to observe and perform any covenant, condition or agreement (other than as referred to in subsections (a) and (b) of this Section) in this Agreement on the part of the Lessee to be observed or performed, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, given to the Lessee by the County or the Mortgagee, unless the County and the Mortgagee shall agree in writing to an extension of such time prior to its expiration; provided in the case of a

default specified in this subsection (c) of Section 10.1, if such default be such that it can be corrected, but it cannot be corrected within the said 30-day period, it shall not constitute an event of default if corrective action is instituted by the Lessee within said 30-day period and diligently pursued until the default is corrected.

(d) 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 cor-

porate existence of the Lessee resulting either from a merger or consolidation of the Lessee into or with another corporation or a dissolution or liquidation of the Lessee following a transfer of all or substantially all of its assets as an entirety, provided, that the conditions permitting such actions contained in Section 8.3 hereof shall have been met.

The foregoing provisions of subsection (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 Section 6.3, 6.4, 8.7 and 8.8 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; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government

and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Lessee, it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Lessee, and the Lessee shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course 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 shall have happened and be subsisting, the County may take any one or more of the following remedial steps:

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

(b) The County, with the prior written consent of the Mortgagee, may re-enter and take possession of the Project without terminating this Agreement, and sub-lease the Project for the account of the Lessee, holding the Lessee liable for the difference in the rent

and other amounts payable by such sublessee in such subleasing and the rents and other amounts payable by the Lessee hereunder.

(c) The County, with the prior written consent of the Mortgagee, may terminate the Lease Term, exclude the Lessee from possession of the Project and use its best efforts to lease the Project to another for the account of the Lessee, holding the Lessee liable for all rent and other amounts payable by the Lessee hereunder.

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

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

Any amounts collected pursuant to action taken under this Section shall be paid to the Mortgagee and applied to payments on the Notes as they come due or, if the Note has been fully paid, 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 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, including the Lessee's obligation to purchase the Project under Section 12.2 hereof.

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 Mortgagee and the Mortgagee shall be deemed a third party beneficiary 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 Mortgagee 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 Mortgagee the reasonable fee of such attorneys and such other expenses so incurred by the County or the Mortgagee.

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

ARTICLE XI

OPTIONS IN FAVOR OF LESSEE

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

(a) At any time prior to full payment of the Notes, the Lessee may terminate this Agreement by paying to the Mortgagee an amount which will be sufficient to pay and retire the Notes in accordance with their provisions (including, without limiting the generality of the foregoing, principal, prepayment premium, if any, interest to prepayment date and fees and expenses, if any, of the Mortgagee).

(b) At any time after full payment of the Notes and of any and all sums then due to the County under this Agreement, the Lessee may terminate the Lease Term by giving the County notice in writing of such termination and such termination shall forthwith become effective.

SECTION 11.2. Option to Purchase Project Prior to Payment of the Notes. The Lessee shall have, and is hereby granted the option to purchase the Project prior to the full payment of the Notes if any of the following 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 four 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 four months, or (iii) to such extent that the cost of restoration thereof would exceed by \$175,000 the Net Proceeds of insurance carried thereon pursuant to the requirements of Section 6.4(a) hereof, plus the deductible amounts for which the Lessee is self-insured with respect to the Building.

(b) Title to, or the temporary use of, all or substantially all the Project 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 operation of the Project for a period of four 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 administra-

tive body (whether state or federal) entered after the contest thereof by the Lessee in good faith, (i) this Agreement shall have become void or unenforceable or impossible or performance in accordance with the intent and purposes of the parties as expressed in this Agreement, or (ii) 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.

(d) The Lessee shall choose not to provide the financial statements required by Section 8.10 hereof. 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 Mortgagee, if the Notes shall then be unpaid, and shall specify therein the date of closing such purchase, which date shall be not less than forty-five days nor more than ninety days from the date such notice is mailed. 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 held by the Mortgagee, will be sufficient to pay and retire the Notes, including without limitation, principal and all interest to accrue to the date of payment; plus

(2) An amount of money equal to the Mortgagee's fees and expenses under the Mortgage accrued and to accrue until such final payment of the Notes, plus

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

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

SECTION 11.3. Option to Purchase Unimproved Land. If no event of default under this Agreement shall have happened and be continuing, the Lessee shall have, and is hereby granted, the option to purchase any part of the Leased Land on which neither the Building nor any Leased Equipment is located, but upon which transportation or utility facilities may be located, at any time and from time to time at and for a

purchase price equal to \$10,000 per acre provided that it furnishes the County with the following:

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

(b) A certificate of an Independent Engineer who is acceptable to the Mortgagee, 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 Building for the purpose for which it is intended, and will not destroy the means of ingress thereto and egress therefrom.

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

The County agrees that upon receipt of the notice, certificate and money required in this Section to be furnished to it by the Lessee the County will promptly deliver such money to the Mortgagee to be applied against the principal last maturing on the Notes, and secure from the Mortgagee a release from the lien of the Mortgage of such portion of the Leased Land with respect to which the Lessee shall have exercised the option granted to it in this Section. 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 hereof, 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 the purchase pursuant to the exercise of any option to purchase granted herein, the County will upon receipt of the purchase price deliver to the Lessee the following:

(a) If necessary, a release from the Mortgagee of the property with respect to which the option was exercised from all security instruments.

(b) Documents conveying to the Lessee a 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 Mortgage 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 Mortgage.

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 Mortgage and may be exercised whether or not the Lessee is in default hereunder, provided that such default will not result in nonfullfillment of any condition to the exercise of any such option.

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 the payment of the Notes. At the closing of the foregoing purchase, the County will deliver to the Lessee the documents referred to in Section 11.4 hereof. The right to purchase granted in this Section shall be and remain prior and superior to the Mortgage and may be exercised whether or not the Lessee is in default hereunder provided that no such default will result in nonfulfillment of any condition to this right.

SECTION 12.2. Lessee's Obligation to Purchase Project Under Certain Circumstances. Should, subject to the proviso in the next succeeding paragraph of this Section 12.2, by reason of any actual or claimed violation of any covenant set forth in Section 8.8(2) or Section 8.8(4) (whether through act of the Lessee or circumstances not under Lessee's control or otherwise) interest on the Notes be determined by:

- (i) the National Office of the Internal Revenue Service of the United States Treasury Department, or

(ii) the District Director of Internal Revenue for the District in which the lessee files the statements required by the governing regulations referred to in Section 8.8(4) hereof, or

(iii) any court of competent jurisdiction (such determination by (i), (ii), or (iii) being hereafter referred to in this Section 12.2 as the "official determination") to be subject to Federal Income Tax as a result of the failure of the Notes to qualify or maintain their qualification as an exempt small issue under 103(b)(6)(A) and (D) of the Code, or by reason of a violation (actual or claimed) of the capital expenditure limitation prescribed in Section 103(b)(6)(D) of the Code, then in either of such events, the Lessee agrees to purchase, in full discharge of all liability hereunder, the Project within thirty days after such official determination at a purchase price equal to the principal amount of all Notes then outstanding, plus accrued interest to the prepayment date and a prepayment penalty computed in the manner prescribed in Section 12.4, plus any expenses of prepayment. The obligation of the Lessee under this Section 12.2 shall survive any termination of the Lease Term.

Provided, that the Lessee may in good faith to the extent permitted by law, contest, at Lessee's expense, any such official determination, in which event, at Lessee's

option) the performance of its obligation to purchase pursuant to the foregoing provisions of this Section 12.2 as a result of such official determination may be postponed for two years from the date of Lessee's receipt of written notice regarding such official determination, but in no event shall the performance of Lessee's obligation to purchase be postponed beyond the expiration of such two year period, even though any such litigation or contest shall not then be completed or terminated. If such official determination is reversed or withdrawn by competent authority within such two year period, Lessee shall be relieved of such obligation to purchase.

At the closing of any such purchase of the Project pursuant to this Section, the County shall deliver to the Lessee the documents referred to in Section 11.4. The purchase price shall be applied to the prepayment of the Notes on the earliest possible date whether or not such date is an interest payment date, and to the payment of any prepayment penalty required by Section 12.4 on account of previously paid installments of principal of the Notes.

SECTION 12.3. Obligation of Lessee Further Defined.

The parties recognize that the Notes are being issued as tax free obligations by virtue of an election made under Section 103(b)(6)(D) of the Code, and that circumstances (not now contemplated or anticipated) may hereafter result in a

determination as provided in Section 12.2 (which may be disputed) that interest on the Notes is subject to Federal Income Tax by reason of any circumstance described in Section 12.2. It is the intention of the parties hereto that, subject to the proviso in the second paragraph of Section 12.2, the Lessee, in the event of such a determination, shall provide each person who is a holder of a Note on the occasion as of which interest on the Notes becomes (or is determined as provided in Section 12.2 to be) taxable, by reason of any circumstance described in Section 12.2, with the relief prescribed in Section 12.2 and Section 12.4 hereof, without regard to the final outcome of any dispute, and such determination as prescribed in Section 12.2 shall be conclusive even though it might be thereafter determined by Court order, ruling or otherwise that interest on the Notes was, in fact, not subject to Federal Income Taxes.

SECTION 12.4. Computation of Additional Prepayment Penalty. In the event the Lessee is required to purchase the Project by virtue of the provisions of Section 12.2 hereof, the prepayment penalty payable shall be computed on the principal amount of Notes outstanding on the date as of which interest on the Notes becomes taxable (or is determined in accordance with Section 12.2 hereof, to be taxable) such date being hereafter referred to in this Section 12.4 as the

"Taxable Date". The prepayment penalty shall be a sum equal to $2\frac{7}{8}\%$ of the principal amount of Notes outstanding on the Taxable Date for each six months period or fraction of such six months' period between the Taxable Date and the date of prepayment or the earlier payment date of any installment of principal which shall have been paid (whether at maturity or by prepayment) subsequent to the Taxable Date and prior to the prepayment date. On the occasion of the purchase of the Project pursuant to the requirements of Section 12.2 the purchase price paid by Lessee shall include the aggregate of all penalties above prescribed so that each person who may be, or may have been the holder of any Note on the occasion when any installment thereof was paid (whether at maturity or by prepayment) prior to the redemption date but subsequent to the Taxable Date, shall receive a prepayment penalty on each such principal installment computed according to the provisions of this Section 12.4.

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 expressly 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, loss by fire or other casualty covered by insurance and 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 a telegram when telegraphic notice is permitted by express provisions of this Agreement, addressed as follows: if to the County, to the County Council of Spartanburg County, Spartanburg County Courthouse, Spartanburg, South Carolina 29301; if to the

Lessee, at Post Office Box 5765, Spartanburg, South Carolina 29304, Attention President; if to the Mortgagee, at Trust Company Bank, Atlanta, Georgia 30302, Attention: Senior Loan Officer. The County, the Lessee and the Mortgagee may, by notice given to all parties to this Agreement and the Mortgage, 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 Mortgage. It shall be recorded and indexed as a miscellaneous conveyance and as a security agreement in the office of the Register of Mesne Conveyances for Spartanburg County, South Carolina, or in such other office as may at the time be provided by law as the proper place for the recordation thereof. The security interest of the County created herein as to the personal property, equipment and fixtures and the assignment of such security interest to the Mortgagee shall be perfected by the filing of financing statements which fully comply with the South Carolina Uniform Commercial Code--Secured Transactions in the office of the Secretary of State of South Carolina, in the City of Columbia, South Carolina and in the office of the Register of Mesne Conveyances for Spartanburg County.

The parties further agree that all necessary continuation statements shall be filed within the time prescribed by the South Carolina Uniform Commercial Code--Secured Transactions in order to continue the security interest created by this Agreement, to the end that the rights of the Mortgagee in the Project (and in the assignment to the Mortgagee of the rents payable under this Lease Agreement) shall be fully preserved as against creditors of, or purchasers for value from, the County or the Lessee.

(b) The release of the Leased Land from prior existing mortgages, this Agreement, its assignment to the Mortgagee, and the Mortgage may be recorded prior to the delivery of the Series 1977 Note. If subsequent to such recording the Series 1977 Note shall not be delivered on or before December 31, 1977, or such later date as the Lessee may agree upon in writing, then the said release, this Agreement, its Assignment to the Mortgagee, and the Mortgage 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 Series 1977 Note. And the County shall transfer and reconvey to the Lessee or its designee all properties conveyed to the County by the Lessee and for the same consideration paid to the County by the Lessee.

Both parties shall execute such further instruments as may be necessary to fully implement the provisions of this

subsection (b) of Section 13.4.

SECTION 13.5. Other Instruments. (a) The Lessee covenants to deliver to the County and the Mortgagee within sixty days after the close of each fiscal year of the Lessee, a description of the Leased Equipment and Building, if any, constituting a part of the Project, as of the close of such fiscal year, and not adequately described in the granting clauses of the Mortgage as then supplemented, and in the demising clauses of this Agreement as then amended. Such description shall be sufficiently detailed so as to enable counsel to render the opinion referred to in clause (4) of the next succeeding sentence. Within 30 days after delivery of such description, the Lessee covenants that it will:

(1) Prepare a supplement to the Mortgage and an amendment to this Agreement, each containing a description of the Leased Equipment and Building not adequately described in the granting clauses of the Mortgage, as then supplemented, and in the demising clauses of this Agreement, as then amended;

(2) Deliver the supplement to the Mortgage to the Mortgagee and the County and the supplement to this Agreement to the County, for execution;

(3) Deliver the fully executed supplement to the Mortgage and the fully executed supplement to this

Agreement to the Mortgagee for recording and filing or re-recording or re-filing in all places required by the opinion of Counsel referred to in sub-section (a) (4) of this Section 13.5; and

(4) Deliver to the Mortgagee a written opinion of counsel (who may be counsel for the County or the Lessee) addressed to the Mortgagee that the description of the Mortgaged Property (being the property described under paragraphs I, II, III, IV and V of the Mortgage) contained in the granting clauses of the Mortgage, 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 Mortgage, as supplemented, constitutes a valid first mortgage lien on, and security interest in, the interest of the County in the said Mortgaged Property, subject only to Permitted Encumbrances other than the Mortgage; that the Mortgage, 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 to fully preserve and protect the rights of the Mortgagee in the Project (and in the assignment to the Mortgagee of the rents payable under this Agreement) as against creditors of, or purchasers for value from, the County or the Lessee.

(b) The Lessee, the County and the Mortgagee 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 Mortgagee 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 Note 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 limitation contained in Sections 8.3, 9.1, 9.2 and 9.3 hereof.

SECTION 13.7. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 13.8. Amounts Held by the Mortgagee. It is agreed by the parties hereto that any amounts held by the Mortgagee upon expiration or sooner termination of the Lease Term, as provided in this Agreement, after payment in full of the Note and the fees, charges and expenses of the County and of the Mortgagee in accordance with the Mortgage and the provisions of this Agreement shall belong to and be paid to the Lessee by the Mortgagee 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 Mortgagee.

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, diminutions 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 law of the State of South Carolina shall govern its construction.

IN WITNESS WHEREOF, Spartanburg County, South Carolina,
has executed this Lease Agreement by causing its name to be
hereunto subscribed by the County Administrator of Spartan-
burg County and the official seal of said County to be
impressed hereon; and American Fast Print Limited has exe-
cuted this Lease Agreement by causing its corporate name to
be hereunto subscribed by its Director and its corporate
seal to be impressed hereon and attested by its Director,
all being done as of the day and year first above written.

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

By _____
County Administrator of Spartan-
burg County

Signed, Sealed and Delivered
in the presence of:

AMERICAN FAST PRINT LIMITED

(SEAL)

By _____
Its Director

Attest:

Its Director

Signed, Sealed and Delivered
in the presence of:

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

PERSONALLY appeared before me _____
who being duly sworn says that he saw the seal of Spartanburg
County affixed to the foregoing Lease Agreement, and that he
also saw _____, as County Admini-
strator of Spartanburg County, sign and attest the same, and
that he with _____ witnessed the
execution and delivery thereof as the act and deed of the
said Spartanburg County.

SWORN to before me this

____ day of _____, 1977.

_____(L.S.)

Notary Public for South Carolina

My Commission Expires: _____

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

PERSONALLY appeared before me _____
who being duly sworn says that he saw the corporate seal of
American Fast Print Limited affixed to the foregoing Lease
Agreement, and that he also saw _____,
as _____ and _____, as
_____ of American Fast Print Limited sign
and attest the same, and that he with _____
_____ witnessed the execution and delivery thereof
as the act and deed of the said American Fast Print Limited,
a corporation organized under the laws of the United Kingdom.

SWORN to before me this

___ day of _____, 1977.

_____(L.S.)
Notary Public for _____.
My Commission expires: _____.

EXHIBIT "A"

DESCRIPTION OF LEASED LAND

(Attached to Lease Agreement between Spartanburg County,
South Carolina, and American Fast Print Limited, dated as
of December 1, 1977.)

EXHIBIT "B"

DESCRIPTION OF LEASED EQUIPMENT

(Attached to Lease Agreement between Spartanburg County,
South Carolina, and American Fast Print Limited, dated as
of December 1, 1977.)

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
SPARTANBURG COUNTY
FIRST MORTGAGE INDUSTRIAL REVENUE NOTE, SERIES 1977,
(AMERICAN FAST PRINT LIMITED - LESSEE)

NO. R-1

\$ 1,700,000

KNOW ALL MEN BY THESE PRESENTS that Spartanburg 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 the order of Trust Company Bank, at its principal office in the City of Atlanta, State of Georgia, the sum of One Million Seven Hundred Thousand Dollars (\$1,700,000) in installments as follows: \$97,500 on June 1 and December 1 in each of the years 1978 to 1985, inclusive; and \$35,000 on June 1 and December 1 in each of the years 1986 and 1987, inclusive; together with interest at the rate of Six and twenty-five hundredths per centum (6.25%) per annum computable and payable semi-annually on the principal balance from time to time outstanding on each June 1 and December 1 hereafter, commencing June 1, 1978. Principal of, prepayment penalty, if any, and interest on this Note are payable in any coin or currency of the United States of America which is at the time legal tender for the payment of public or private debts; provided, however that, notwithstanding anything to the contrary, if the currency of the United States should be changed by government action, this Note shall be repaid in a currency unit equivalent to the United States dollar on the date of

issue hereof as provided in Section 5.3 of the Lease Agreement hereinafter mentioned.

This Note is issued for the purpose of refunding a previously issued industrial development note of the County and acquiring industrial facilities and leasing the same to American Fast Print Limited, a corporation organized under the laws of the United Kingdom (hereinafter referred to as the "Lessee") (the land, buildings, equipment and machinery comprising such facilities being hereinafter called the "Project") and paying necessary expenses incidental thereto so as to thereby promote industry and develop trade in South Carolina. This Note is secured by a Mortgage and Security Agreement (hereinafter called the "Mortgage"), dated as of December 1, 1977, duly executed and delivered by the County to Trust Company Bank, Atlanta, Georgia, as Mortgagee (hereinafter called "the Bank" and sometimes referred to as "Holder") leased to the Lessee under and pursuant to a Lease Agreement between the County and the Lessee dated as of December 1, 1977 (herein referred to as the "Lease Agreement"). Under the Lease Agreement, the Lessee must pay to the County such rentals as will be fully sufficient to pay the principal of, prepayment penalty, if any, and interest on the Note as the same 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, interest and prepayment penalty, if any, on this Note has been unconditionally guaranteed by the Lessee pursuant to a Guaranty Agreement dated as of

December 1, 1977 (the "Guaranty Agreement") between the Lessee and the Bank. Copies of the Mortgage, the Lease Agreement and the Guaranty Agreement are recorded in the office of the Register of Mesne Conveyances for Spartanburg County, South Carolina, and reference is made to the Mortgage, 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 holder of this Note, the rights, duties and obligations of the County, the Lessee, and the Bank, and the terms upon which this Note is issued and secured.

Additional Notes ranking equally with this Note may be issued as provided and permitted in the Lease Agreement.

This Note is subject to prepayment in the event of (a) exercise by the Lessee of its option to purchase the project as provided in Section 11.2 of the Lease Agreement, or (b) mandatory purchase of the project by the Lessee pursuant to Section 12.2 of the Lease Agreement. If prepaid in any of such events, the Note shall be subject to prepayment by the County at any time, whether or not an interest payment date, in whole and not in part, at the principal amount thereof plus accrued interest to the prepayment date and, but only in the event of a prepayment as a result of the mandatory purchase of the Project pursuant to Section 12.2 of the

Lease Agreement, a prepayment penalty of 2-7/8% of the principal amount of the Note at the time outstanding multiplied by the number of six month periods, or fraction thereof, between the date as of which interest on the Note is (or is determined as provided in Section 12.2 of the Lease Agreement to be) taxable and the prepayment date. If it shall occur that any principal installment on the Note shall have been paid subsequent to the date as of which interest on the Note became, or was so determined to have become, taxable but prior to the prepayment of the Note from the purchase price derived from the mandatory purchase of the Project by the Lessee pursuant to Section 12.2 of the Lease Agreement, then in such event the holder hereof shall be entitled to receive from the purchase price be paid by the Lessee pursuant to Section 12.2 of the Lease Agreement a prepayment penalty computed on such principal amounts to the date of their payment whether at maturity or by prepayment.

In the event Spartanburg County shall default in the payment of the principal or interest when the same becomes due hereunder, the holder of this Note may, at its option, declare the entire unpaid balance hereunder immediately due and payable.

This Note is issued pursuant to the authorization of and for the purposes prescribed by Title 4, Chapter 29, Code of Laws of South Carolina, 1976, and pursuant to ordinances

duly adopted by the County Council of Spartanburg County and with the approval of the State Budget and Control Board of South Carolina. This Note, both principal and interest, is a limited obligation of the County and is payable solely out of the lease rentals, revenues and receipts (excluding amounts paid by the Lessee pursuant to Sections 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 Note and leased to the Lessee.

This Note and the principal, interest, and premium, if any, payable hereunder are not and shall never constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

Pursuant to the Lease Agreement, rental payments sufficient for the prompt payment when due of the principal of, premium, if any, and interest on the Note are to be paid to the Mortgagee for the account of the County and have been pledged for that purpose, and in addition the Project has been subjected to the lien of the Mortgage to secure payment of such principal, interest and premium.

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 Mortgage and the issuance of this Note do exist, have happened and have been performed in due time, form and manner as required by law; and that the issuance of this Note, together with all other obligations of the County, does not exceed or violate any constitutional or statutory limitation.

IN WITNESS WHEREOF, Spartanburg County, South Carolina,
has caused this Note to be executed by the County Admini-
strator of Spartanburg County, by his manual signature, and
its corporate seal to be impressed hereon, all as of the
____ day of December, 1977.

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

BY _____
County Administrator of Spartanburg
County

Exhibit "D"

GUARANTY AGREEMENT

between

AMERICAN FAST PRINT, LIMITED

and

TRUST COMPANY BANK

Dated as of December 1, 1977

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (the "Agreement") made and entered into as of the 1st day of December, 1977, by and between AMERICAN FAST PRINT, LIMITED, a corporation duly organized and existing under the laws of the United Kingdom and duly qualified to do business in the State of South Carolina, being sometimes hereinafter referred to as the "Guarantor", and TRUST COMPANY BANK, Atlanta, Georgia, a banking corporation duly organized and existing under the laws of the State of Georgia, its successors and assigns, hereinafter referred to as "the Bank";

W I T N E S S E T H:

WHEREAS, Spartanburg County, a public body corporate and politic duly organized and existing under the laws of the State of South Carolina (the "County"), intends to issue its Spartanburg County, South Carolina First Mortgage Industrial Revenue Note, Series 1977 (American Fast Print, Limited - Lessee) in an aggregate principal amount of \$1,700,000 (the "Series 1977 Note"); and

WHEREAS, the proceeds derived from the issuance of the Note are to be applied to the acquisition, construction and equipping of an industrial facility in Spartanburg County, South Carolina (the "Project") for the use and benefit of the Guarantor; and

WHEREAS, the Note is to be secured by (i) a first mortgage of the Project to the Bank as Mortgagee (the "Mortgage") and (ii) the assignment to the Bank of the Lease of the Project by the County to the Guarantor (the "Lease"); and

WHEREAS, the Guarantor is desirous that the County issue the Note and apply the proceeds as aforesaid and is willing to enter into this Guaranty Agreement in order to induce the Bank to purchase the Note and thereby achieve interest cost savings and other savings to the Guarantor, and as an inducement to the purchase of the Note by all who shall at any time become holders of the Note; and

WHEREAS, the County may issue and sell in the future additional revenue notes of the County for the purpose of defraying the cost of providing enlargements, improvements, expansions, replacements or renewals of the Project, or for the purpose of refunding Notes issued under the Indenture (the Series 1977 Note and such additional notes being herein called the "Notes");

NOW, THEREFORE, in consideration of the premises and in order to induce the Bank to purchase the Series 1977 Note and thereby achieve interest cost savings and other savings to the Guarantor and as an inducement to the purchase of the Notes by all who shall at any time become holders of the

Notes, the Guarantor does hereby subject to the terms hereof, covenant and agree with the Bank as follows:

ARTICLE I

REPRESENTATIONS AND WARRANTIES OF THE GUARANTOR

SECTION 1.1. The Guarantor does hereby represent and warrant that:

(a) It is a corporation duly organized, existing and in good standing under the laws of the United Kingdom and is duly qualified to do business in the State of South Carolina; it is not in default under its Articles of Incorporation; it has corporate power under its Articles of Incorporation and under the laws of the United Kingdom and South Carolina to enter into and perform all agreements on its part herein contained; it has been authorized to enter into this Guaranty Agreement by all necessary and proper corporate action; and the execution and delivery by it of this Guaranty Agreement and the agreements herein contained do not contravene or constitute a default under any agreement, indenture, commitment, provision of its Articles of Incorporation or By-Laws, or other requirement of law to which it is a party or by which it is or may be bound; and

(b) This Guaranty Agreement is made in furtherance of the purposes for which the Guarantor was incorporated and is necessary to promote and further the business of the

Guarantor, and the assumption by the Guarantor of its obligations hereunder will result in direct financial benefits to the Guarantor.

ARTICLE II

COVENANTS AND AGREEMENTS

SECTION 2.1. The Guarantor hereby unconditionally guarantees to the Bank and any other holder(s) at any time and from time to time of the Notes (a) the full and prompt payment of the principal of and any prepayment penalty on the Notes when and as the same shall become due, whether at the stated maturity thereof, or any accelerated maturity under the terms of the Notes and Mortgage and (b) the full and prompt payment of any interest on the Notes when and as the same shall have become finally due in accordance with the provisions thereof and of the Mortgage, and agrees to pay all expenses and charges (including court costs and attorneys' fees) paid or incurred by Wachovia in realizing upon any of the payments hereby guaranteed or in enforcing this Guaranty Agreement. All payments by the Guarantor shall be paid in lawful money of the United States of America (subject to the proviso contained in Section 5.3 of the Lease). Unless the Notes shall have become due by acceleration or call for redemption, each and every default in payment of the principal of, prepayment penalty (if any) or interest on the Notes shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises.

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, prepayment penalty (if any) and interest on the Notes shall have been paid or provided for in accordance with the Notes and Mortgage and, until such payment or provision for payment 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 with notice to or the consent of the Guarantor:

(a) the compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the County under the Notes and Mortgage;

(b) the failure to give notice to the Guarantor of the occurrence of a default under the terms and provisions of this Guaranty Agreement or the Mortgage, except as specifically provided in this Guaranty Agreement or the Mortgage;

(c) the assignment or mortgaging or the purported assignment or mortgaging of all or any part of the interest of the County in the Project;

(d) the waiver of the payment, performance or observance by the County or the Guarantor of any of the obligations, covenants or agreements of either of them contained in the Notes and Mortgage or this Guaranty Agreement;

(e) the extension of the time for payment of the principal of or interest or prepayment penalty on the Notes or any part thereof owing or payable on the Notes or under

this Guaranty Agreement or of the time for performance of any other obligations, covenants or agreements under or arising out of the Mortgage or this Guaranty Agreement or the extension or the renewal of either thereof;

(f) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Mortgage;

(g) the taking or the omission of any of the actions referred to in the Mortgage and any actions under this Guaranty Agreement;

(h) any failure, omission, delay or lack of diligence on the part of the County or the Bank to enforce, assert, or exercise any right, power or remedy conferred on the County or the Bank in this Guaranty Agreement or the Mortgage, or any other act or acts on the part of the County or the Bank;

SECTION 2.3. The Guarantor hereby expressly waives notice in writing, or otherwise, from the Bank of its acceptance and reliance on this Guaranty Agreement. The Guarantor agrees to pay all costs, expenses and fees, including all reasonable attorneys' fees, which may be incurred by the Bank in enforcing or attempting to enforce this Guaranty hereunder, whether the same shall be enforced by suit or otherwise.

SECTION 2.4. The Guarantor agrees that it will maintain its corporate existence, will not dissolve or otherwise

dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; provided, that the Guarantor may, without violating the agreement contained in this Section, consolidate with or merge into a domestic corporation (i.e., a corporation organized under the laws of one of the states of the United States of America), or permit one or more domestic corporations to consolidate with or merge into it, or sell or otherwise transfer to a domestic corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided that the surviving, resulting or transferee corporation, as the case may be, expressly assumes in writing all of the obligations of the obligations of the Guarantor herein and qualifies to do business in South Carolina.

SECTION 2.5. This Guaranty Agreement is entered into by the Guarantor with the Bank for the benefit of the Bank, its successors and assigns, all of whom shall be entitled, in accordance with Section 2.4 hereof, to enforce performance and observance of this Agreement and of the guarantees and other provisions herein contained to the same extent as if they were parties signatory hereto.

SECTION 2.6. The terms of this Guaranty Agreement may be enforced as to any one or more breaches either separately or cumulatively.

ARTICLE III

NOTICE AND SERVICE OF PROCESS, PLEADINGS
AND OTHER PAPERS

SECTION 3.1. For such time as any of the Notes shall be outstanding, the Guarantor shall maintain in the State of South Carolina an agent to accept and acknowledge on its behalf, service of any and all process in any suit, action or other legal proceeding brought in any such court, and agrees and consents that in any such suit, action or other legal proceeding service of process upon such agent shall be taken and held to be valid personal service upon the Guarantor and that any such service of process shall be of the same force and validity as if service were made upon it according to the laws governing the validity and the requirements of such service in such state and waives all claim of error by reason of any such service. The Guarantor may from time to time change such agent for acceptance of service provided that prior to any such change the Guarantor shall notify the Bank of the name and address of such new agent and the effective date of such change of agent. The Guarantor agrees that in the event Guarantor shall fail to maintain an agent for service of process within the State of South Carolina during the term of the Notes, the Secretary of State of South Carolina shall act as such agent for the Guarantor for the service of process in any such suit or

legal proceeding. The Bank agrees that in the event service of process is made on the agent designated by the Guarantor or upon the Secretary of State pursuant to this Guaranty Agreement, a copy of such process will be mailed by registered mail, postage prepaid, return receipt requested, to the Guarantor at his address shown in the Lease Agreement, provided, however, that failure by the Bank to forward a copy of any such process to the Guarantor as herein provided shall not relieve the Guarantor of the performance of any of its obligations in the manner and at the times provided for herein and in the Lease Agreement.

ARTICLE IV

MISCELLANEOUS

SECTION 4.1. No amendment, change, modification, alteration or termination of the Notes and Mortgage shall be made which would in any way increase the Guarantor's obligations under this Guaranty Agreement without obtaining the prior written consent of the Guarantor.

SECTION 4.2. The obligations of the Guarantor hereunder shall arise absolutely and unconditionally when any of the Notes shall have been issued, sold and delivered by the County.

SECTION 4.3. No remedy herein conferred upon or reserved to Trust Company Bank hereunder 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 or by statute. No delay or 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 and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Trust Company Bank to exercise any remedy reserved to it in this Guaranty Agreement, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. In the event any provision contained in this Guaranty Agreement should be breached by any party and thereafter duly waived by the other party so empowered to act, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification of this Guaranty Agreement shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by the parties thereunto duly authorized by this Guaranty Agreement.

SECTION 4.4. This Guaranty Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties

with respect to the subject matter hereof and may be executed simultaneously in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 4.5. The invalidity or unenforceability of any one or more phrases, sentences, clauses, or sections in this Guaranty Agreement contained, shall not affect the validity or enforceability of the remaining portions of this Guaranty Agreement, or any part thereof.

SECTION 4.6. This Guaranty Agreement may be amended by a written agreement signed by the parties hereto, provided that in no event shall any amendment be made without the consent of the Guarantor.

IN WITNESS WHEREOF, the Guarantor, pursuant to proper resolution duly passed, 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 as of the date first above written.

AMERICAN FAST PRINT LIMITED

(SEAL)

By _____
Its Director

Attest:

Its Director

Accepted this _____ day of
_____, 1977, by Trust
Company Bank.

By _____

(Corporate Seal)

Attest:

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS that Spartanburg County, a body politic and corporate and a political subdivision of the State of South Carolina, acting by and through the County Council of Spartanburg County, in consideration of the sum of One Dollar (\$1.00) to it in hand paid at and before the sealing of these presents, the receipt of which is hereby acknowledged, has assigned, transferred and set over unto TRUST COMPANY BANK, its successors and assigns, as security for the payment of \$1,700,000 Spartanburg County First Mortgage Industrial Revenue Note, Series 1977 (American Fast Print Limited - Lessee), dated as of December 1, 1977:

ALL of the right, title and interest of said Spartanburg County in and to the foregoing Lease Agreement, dated as of December 1, 1977, between said Spartanburg County, as Lessor and American Fast Print Limited, as Lessee.

This Assignment is made pursuant to and subject to all the terms and conditions of a certain Mortgage of Spartanburg County to the said Trust Company Bank, dated as of December 1, 1977, the terms of which are incorporated by this reference as fully as if the same were set forth at length herein, said Mortgage being intended to be duly recorded immediately subsequent to the recording of said Lease Agreement, and this Assignment.

IN WITNESS WHEREOF, Spartanburg County, South Carolina,
has executed this Assignment by causing its name to be here-
unto subscribed by the County Administrator of Spartanburg
County and the official seal of said County to be impressed
hereon, all being done as of the 1st day of December, A. D.,
1977.

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

By _____
County Administrator of
Spartanburg County

Signed, Sealed and Delivered
in the presence of:

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

PERSONALLY appeared before me _____
who being duly sworn says that he saw the corporate seal of
SPARTANBURG COUNTY affixed to the foregoing Assignment of
Lease, and that he also saw _____, as
County Administrator of Spartanburg County sign and attest
the same, and that she with _____
witnessed the execution thereof as the act and deed of said
Spartanburg County, South Carolina.

SWORN to before me this

___ day of _____, 1977.

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

My Commission Expires: _____

The State of South Carolina

EXHIBIT II

12/21/77



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

December 16, 1977

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

Re: Not exceeding \$2,000,000 Anderson County, South
Carolina, First Mortgage Industrial Revenue
Bonds, Series A (Schmid Laboratories, Inc. -
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, reading "Karen LeCraft Henderson".

Karen LeCraft Henderson
Assistant Attorney General

KLH:bbb

Wachovia

Wachovia Bank & Trust Company, N.A.
International Department
P. O. Box 2667
Charlotte, NC 28285/U.S.A.

January 9, 1978

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

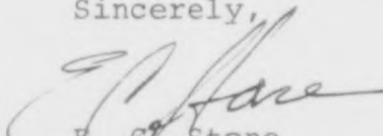
Dear Mr. Putnam:

I have been asked to write you regarding Wachovia Bank's interest in purchasing the proposed Industrial Revenue Bonds being offered by Anderson County on behalf of Schmid Laboratories, Incorporated. We have conducted an investigation of this company, its management, and the prospects for the future.

Given satisfactory review of the loan documents by ourselves and our counsel, it will be our intention to purchase these bonds for the bank's investment account and not for any presently contemplated resale. In addition, in considering this purchase we have not relied upon the approval of the bonds by the State of South Carolina or any of its agencies, except insofar as such approval may be required to render interest on the bonds exempt from Federal and South Carolina income taxation.

If I can provide you or the Board with any additional information relevant to this transaction, please advise.

Sincerely,


E. C. Stone
Vice President

ECS/gem

cc: Mr. Brenton D. Jeffcoat, Mr. Carl B. Watson, Jr.,
Mr. John B. Rutzel, Mr. Donald A. Donadio.

RECEIVED

JAN 12 1978

THE MCHARR FIRM

A RESOLUTION APPROVING THE ISSUANCE BY ANDERSON COUNTY, SOUTH CAROLINA OF NOT EXCEEDING \$2,000,000 PRINCIPAL AMOUNT FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, 1978 SERIES (SCHMID LABORATORIES, INC., PROJECT) PURSUANT TO THE PROVISIONS OF SOUTH CAROLINA CODE ANNOTATED, TITLE 4, CHAPTER 29 (1976)

WHEREAS, the County Council of Anderson County, South Carolina (the "County Board") has heretofore, by submitting a petition (the "Petition"), under and pursuant to the provisions of Section 4-29-140 of South Carolina Code Annotated, Title 4, Chapter 29 (1976) (the "Act"), requested the approval by the State Budget and Control Board of the issuance by Anderson County (the "County") pursuant to the Act of its First Mortgage Industrial Revenue Bonds (as defined in the Act), 1978 Series (Schmid Laboratories, Inc., the Project), in the aggregate principal amount of not exceeding \$2,000,000 (the "Bonds"); and

WHEREAS, the County proposes to issue the Bonds for the purpose of defraying the costs of acquiring by construction and purchase, certain land and buildings and improvements thereon, and thereon of a building or certain other machinery, apparatus, equipment, office facilities and furnishings (the "Project") to be used as an industrial facility in the manufacture, process and distribution of over the counter drugs, toiletries and health and beauty aids.

WHEREAS, the Project is to be leased to Schmid Laboratories, Inc., a New Jersey corporation, (the "Corporation"), at a rental sufficient to pay the principal of and premium (if any)

and interest on the Bonds and the costs and expenses related to the issuance of the Bonds; and

WHEREAS, it is proposed that the Bonds will be secured by a pledge of the revenues to be derived from the leasing of the Project, and in addition by a pledge of the Lease of the Project and a first mortgage on the Project; and

WHEREAS, the County has submitted with the Petition (i) drafts of the documents to be entered into by the County in connection with the issuance of the Bonds, for review by the State Budget and Control Board, (ii) An Assistance Agreement by and between the Corporation and the County executed by the Corporation on May 23, 1977, and executed by the County Board, on May 16, 1977, and (iii) A certified copy of a resolution adopted by the County Board on December 6, 1977, and this Board has reviewed and considered each of said documents in its consideration of said Petition by the County;

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

Section 1. The Board has made an independent investigation of the matters set forth in the Petition, and on the basis of such investigation it is hereby found, determined and declared:

(a) The facts set forth in the Petition, and in the preamble hereto, are in all respects true and correct;

(b) The Petition filed by the County Board contains all matters required by law and the rules of this Board to be set

forth therein, and that in consequence thereof the jurisdiction of this Board has been properly invoked under and pursuant to Section 4-29-140 of the Act; and

(c) The Project subject of the Petition of the County Board is intended to promote the purposes of the Act and is reasonably anticipated to effect such result.

Section 2. In consequence of the foregoing, the proposal of the County to acquire and construct the Project, to lease the Project to the Corporation, and to finance the cost thereof and expenses incidental thereto by the issuance of Bonds, as defined in the Act, secured by a pledge of the revenues to be derived from the leasing of the Project, and in addition by a pledge of the Lease of the Project and a first mortgage on the Project, be and the same is hereby in all respects approved.

Section 3. Notice of the action taken by this Board in approving the above described undertaking of the County shall be published in ANDERSON INDEPENDENT which is a newspaper having general circulation in Anderson County.

Section 4. The Notice, required in Section 3 above to be published, shall be in substantially the form set forth in Exhibit "A" of this Resolution.

Section 5. This Resolution shall take effect immediately.

*Added to
8x II 12/21/77*

MCNAIR, KONDUROS, CORLEY, SINGLETARY & DIBBLE

ATTORNEYS AND COUNSELORS AT LAW

ROBERT E. MCNAIR
JAMES S. KONDUROS
D. WAYNE CORLEY
E. MCLEOD SINGLETARY
ROBERT W. DIBBLE, JR.

DANIEL R. MCLEOD, JR.
M. CRAIG GARNER, JR.
BRENTON D. JEFFCOAT
THEODORE J. HOPKINS, JR.
M. JOHN BOWEN, JR.
ELIZABETH H. VAN DOREN

SUITE 1820, BANKERS TRUST TOWER

POST OFFICE BOX 11895

CAPITOL STATION

COLUMBIA, SOUTH CAROLINA 29211

803-799-9800

HILTON HEAD OFFICE

108 SAPELO BUILDING

ISLAND OFFICE PARK

POST OFFICE BOX 5914

HILTON HEAD ISLAND, S.C.

29928

803-785-5169

RICHARD S. WOODS

January 13, 1978

Mr. William A. McInnis
Room 205, Wade Hampton Office Building
Post Office Box 11333
Columbia, South Carolina 29211

RE: Schmid Laboratories Industrial Development
Bond Issue, Anderson County, South Carolina

Dear Bill:

Enclosed is a copy of the letter we received from Wachovia Bank & Trust in satisfaction of the condition placed on the approval of the Schmid Laboratories bond issue. I would appreciate it if, upon the approval of this letter as meeting such conditions, you would advise me and transmit the budget and control board approvals of the Anderson County petition. I look forward to hearing from you.

Very truly yours,

Brenton D. Jeffcoat
Brenton D. Jeffcoat

BDJ/dpj

Enclosure

CC: Mr. John Rutzel
Schmid Laboratories, Inc.
Route 46 West
Little Falls, New Jersey 07424

Mr. Carl Watson
Interstate Securities Corporation
221 South Tryon Street
Charlotte, North Carolina 28202

Mr. Don Donadio
Womble, Carlyle, Sandridge & Rice
Drawer 84
Winston-Salem, North Carolina 27102

STATE OF SOUTH CAROLINA)
)
COUNTY OF ANDERSON)

I, William T. Putnam, Auditor of the State of South Carolina, and Secretary of the State Budget and Control Board (the "Board"), DO HEREBY CERTIFY:

1. The Board is composed of the following:

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

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

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

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

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

2. Due notice of a meeting of the Board, called to be held at the office of the Governor, in the State House, at Columbia, South Carolina, at _____ .M., December 21, 1977, was given to all members at the last scheduled meeting of the Board.

The following members were

PRESENT:

ABSENT:

3. At the meeting, a Resolution, of which the attached is a true, correct and verbatim copy, was introduced by Mr.

_____, who moved its adoption; said motion was seconded by Mr. _____, 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

December __, 1977.

EXHIBIT "A"

NOTICE PURSUANT TO THE PROVISIONS
OF SOUTH CAROLINA CODE ANNOTATED,
TITLE 4, CHAPTER 29 (1976)

Notice is hereby given pursuant to the provisions and requirements of Section 4-29-140 of South Carolina Code Annotated, Title 4, Chapter 29 (1976) (the "Act"), that the State Budget and Control Board of South Carolina, pursuant to a Petition filed by the County Council of Anderson County, South Carolina, has given its approval to the following undertaking by Allendale County, South Carolina:

The issuance by Anderson County of its First Mortgage Industrial Revenue Bonds (as defined in the Act), 1978 Series (Schmid Laboratories, Inc., Project), in the aggregate principal amount of not exceeding \$2,000,000 (the "Bonds"), to defray the costs of acquiring, by construction and purchase, certain land and buildings and improvements thereon, and certain other machinery, apparatus, equipment, office facilities and furnishings (the "Project") to be used as an industrial facility in the manufacture, process and distribution of over the counter drugs, toiletries and health and beauty aids to be located within Anderson County. The Project will be leased to Schmid Laboratories, Inc., a New Jersey corporation, which will unconditionally covenant to pay rentals sufficient to pay the principal of, premium (if any) and interest on the Bonds. The Bonds will be payable solely and exclusively out of revenues to be derived from the leasing or

sale of the Project to Schmid Laboratories, Inc., and are to be additionally secured by a pledge of the Lease of the Project and a first mortgage on the Project.

In addition Schmid Laboratories, Inc., has agreed to pay, as additional rentals, to Anderson County, the school district or school districts, 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, said school district or school districts and other political units wherein the Project is now located, as if the Project were owned by Schmid Laboratories, Inc., but with appropriate reductions similar to the tax exemptions, if any, which would be afforded to Schmid Laboratories, Inc., as it were the owner of the Project.

Notice is further given that any interested party may, within twenty (20) days after the date of the publication of this notice, but not afterwards, challenge the validity of the State Budget and Control Board's approval of the Project and the issuance of the Bonds by Anderson County to finance the same, by action de novo instituted in the Circuit Court for Anderson County, South Carolina.

STATE BUDGET AND CONTROL BOARD

By: William T. Putnam, Secretary

Dated: December ___, 1977

ORDINANCE

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF \$2,000,000 PRINCIPAL AMOUNT FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, 1978 SERIES (SCHMID LABORATORIES, INC., PROJECT) OF ANDERSON COUNTY, SOUTH CAROLINA; THE APPLICATION OF THE PROCEEDS OF THE BONDS TO PAY THE COSTS OF ACQUIRING, BY CONSTRUCTION AND PURCHASE, AN INDUSTRIAL FACILITY; THE ENTERING INTO OF CERTAIN COVENANTS AND AGREEMENTS AND THE EXECUTION AND DELIVERY OF CERTAIN INSTRUMENTS RELATING TO THE ISSUANCE OF THE AFORESAID BONDS INCLUDING: (i) AN INDENTURE OF MORTGAGE AND DEED OF TRUST DATED AS OF JANUARY 1, 1978, BETWEEN ANDERSON COUNTY AND WACHOVIA BANK & TRUST COMPANY, N.A., AS TRUSTEE, SECURING THE BONDS AND PRESCRIBING MATTERS RELATED THERETO; (ii) A LEASE DATED AS OF JANUARY 1, 1978, BETWEEN ANDERSON COUNTY, AS LESSOR, AND SCHMID LABORATORIES, INC., AS LESSEE, PURSUANT TO WHICH THE PROJECT WILL BE LEASED BY ANDERSON COUNTY, SOUTH CAROLINA; AND (iii) A BOND PURCHASE AGREEMENT; AND OTHER MATTERS RELATING THERETO.

WHEREAS, Anderson County, South Carolina (hereinafter referred to as the "County") acting by and through its County Council is empowered under and pursuant to the provisions of South Carolina Code Annotated, Title 4, Chapter 29 (1976) (hereinafter referred to as the "Act"), to acquire, own, lease and dispose of properties through which the industrial development of the State of South Carolina will be promoted and trade developed by inducing manufacturing and commercial enterprises to locate in and remain in the State of South Carolina, and thus utilize and employ the manpower, agricultural products and natural resources of the State of South Carolina; and

WHEREAS, the County, subject to the approval of the State Budget and Control Board of South Carolina, is authorized by the Act to issue its revenue bonds for the purpose of defraying the cost of acquiring, by construction and purchase, a Project (as defined in the Act), such revenue bonds to be payable solely from the lease rentals, revenues and receipts from such Project and to be further secured by a pledge of said lease rentals, revenues and receipts and by a mortgage on the land, building, equipment and improvements so acquired; and

WHEREAS, Schmid Laboratories, Inc., a New Jersey corporation (the "Corporation"), in accordance with the provisions of an Assistance Agreement by and between the Corporation and the County executed by the Corporation on May 23, 1977, and executed by the County Council of Anderson County, South Carolina, on May 16, 1977, has determined that it desires to locate an industrial facility in Anderson County, South Carolina; and

WHEREAS, in order to implement the public purposes enumerated in the Act and in furtherance thereof to assist the Corporation in locating an industrial facility within the State of South Carolina, the County has agreed to issue and sell \$2,000,000 aggregate principal amount First Mortgage Industrial Revenue Bonds, 1978 Series (Schmid Laboratories, Inc., Project) under and pursuant to the Act to defray the costs of acquiring certain land, buildings and improvements, machinery, apparatus, equipment, office facilities and furnishings constituting an

industrial facility (the "Project") and in connection therewith to lease the Project to the Corporation under and pursuant to the terms of a lease to be entered into between the County and the Corporation; and

WHEREAS, the County Council, having determined that the Project will provide permanent employment for approximately eighty persons from the County and areas adjacent thereto with a resulting alleviation of unemployment, and a substantial increase in payrolls and other public benefits incident to the conducting of industrial operations, proposes to issue and sell \$2,000,000 aggregate principal amount of its revenue bonds, to be designated "Anderson County, South Carolina, First Mortgage Industrial Revenue Bonds, 1978 Series (Schmid Laboratories, Inc., Project)" (herein referred to as the "1978 Series Bonds"), to defray the costs of acquiring the Project; and

WHEREAS, the County Council, having determined as aforesaid that it will be of substantial public benefit to do so, proposes to lease the Project to the Corporation under and pursuant to the provisions of a Lease Agreement dated as of January 1, 1978 (the "Lease Agreement"); and

WHEREAS, the acquisition of the Project, the issuance of the 1978 Series Bonds by the County, and the execution of the Lease Agreement as herein recited and provided have been duly approved by the State Budget and Control Board of South Carolina, by resolution duly adopted on _____, 197_, and will serve

the intended purposes and in all respects conform to the provisions and requirements of the Act; and

WHEREAS, it has been determined that the estimated amount necessary to defray the cost of acquiring the Project, including expenses incidental thereto and to the 1978 Series Bonds, requires that 1978 Series Bonds of the County in the principal amount of \$2,000,000 be authorized as hereinafter provided; and

WHEREAS, the County Council has caused to be prepared and presented to this meeting the following documents which the County proposes to execute and deliver:

1. The form of Lease Agreement;
2. The form of the Indenture of Mortgage and Deed of Trust dated as of January 1, 1978, by and between the County and Wachovia Bank & Trust Company, N. A., as Trustee; and

WHEREAS, it appears that each of the instruments above referred to, which are now before this meeting, is in appropriate form and is an appropriate instrument to be executed and delivered by the County for the purposes intended.

NOW, THEREFORE, BE IT ORDAINED by the County Council of Anderson County, South Carolina, as follows:

Section 1. In order to promote industry, develop trade and utilize and employ the manpower, agricultural products and natural resources of the State of South Carolina by assisting the Corporation to locate an industrial facility in the State of South

Carolina, the acquisition of certain land and construction thereon of a building and construction of the Project is hereby authorized, ratified and approved.

Section 2. Pursuant to the authority of the Act, and for the purpose of defraying the cost of acquiring the Project, including necessary expenses incidental thereto, there is hereby authorized to be issued, and shall be issued, revenue bonds of the County in the aggregate principal amount of Two Million Dollars (\$2,000,000), to be designated "Anderson County, South Carolina, First Mortgage Industrial Revenue Bonds, 1978 Series (Schmid Laboratories, Inc., Project)." The 1978 Series Bonds shall be issuable solely in fully registered form without coupons. The 1978 Series Bonds shall be payable as to principal, interest and premium (if any) in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, at the office of Wachovia Bank & Trust Company, N. A., as Trustee, or its successor in trust under the provisions of the Indenture.

The fully registered 1978 Series Bonds initially issued shall be dated as of January 1, 1978, and shall bear interest from such date payable on the first days of January and July of each year with the first interest payment being made on July 1, 1978. All other Bonds shall be dated as of and bear interest from the next preceeding interest payment date to which interest has been paid (unless issued prior to July 1,

1978, in which case they shall be dated as of and bear interest from January 1, 1978, or unless issued on an interest payment date, in which case they shall be dated as of and bear interest from said payment date). The 1978 Series Bonds shall bear interest from the date thereof at the respective rates per annum set forth in the schedule below and shall mature on January 1 in each of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1979	\$160,000	6.50%	1987	\$120,000	6.75%
1980	160,000	6.50	1988	120,000	6.75
1981	160,000	6.50	1989	120,000	6.75
1982	160,000	6.50	1990	120,000	6.75
1983	160,000	6.50	1991	120,000	6.75
1984	120,000	6.75	1992	120,000	6.75
1985	120,000	6.75	1993	120,000	6.75
1986	120,000	6.75			

Section 3. The 1978 Series Bonds shall be limited obligations of the County, the principal of and interest and premium (if any) on which shall be payable solely out of the revenues derived from the Project. The 1978 Series Bonds and interest thereon 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. Such limitation shall be plainly stated on the face of each 1978 Series Bond.

Nothing in this ordinance, the Lease Agreement or Indenture shall be construed as an obligation or commitment

by the County to expend any of its funds other than (i) the proceeds of the sale of the 1978 Series Bonds, (ii) the rents and revenues derived from the Project, (iii) any proceeds accruing to the County on account of insurance on the Project, (iv) any moneys accruing to the County on account of any taking or condemnation of title to all or part of the Project, and (v) any moneys arising out of the investment or reinvestment of said proceeds, rents, revenues or moneys.

Section 4. Each of the 1978 Series Bonds shall be executed in the name of the County with the manual or facsimile signature of the County Supervisor as Chairman of the County Council, shall be attested by the manual signature of the Clerk of the County Council, shall have the seal of the County Council impressed or imprinted thereon and shall be authenticated by the endorsement of Wachovia Bank & Trust Company, N. A., as Trustee, under the Indenture.

Section 5. The 1978 Series Bonds and the endorsement to appear on the reverse side of each bond shall be in substantially the forms set forth in the Indenture, with necessary or appropriate variations, omissions and insertions as permitted or required by the Indenture.

Section 6. The 1978 Series Bonds shall be issued in compliance with and under authority of the provisions of the Act, this ordinance and the Indenture.

Section 7. While any of the 1978 Series Bonds shall remain outstanding and unpaid, the County hereby covenants and agrees with the holders from time to time of such bonds that it will not issue any additional bonds or incur any obligations of any sort secured by a lien prior to the lien of such bonds.

Section 8. It is hereby found, determined and declared by this County Council, as follows:

(a) The Project will constitute a "project" as said term is referred to and defined in Section 4-29-10 of the Act, and that the issuance of the 1978 Series Bonds in the aggregate principal amount of \$2,000,000 to defray the cost of the Project will subserve the purposes and in all respects conform to the provisions and requirements of the Act;

(b) Neither the Project, the 1978 Series Bonds proposed to be issued by the County to finance the costs thereof, nor any documents or agreements entered into by the County in connection therewith will constitute or give rise to any pecuniary liability of the County or a charge against its general credit or taxing power;

(c) The issuance of 1978 Series Bonds by the County in the aggregate principal amount of \$2,000,000 will be required to defray the cost of the Project;

(d) Inasmuch as the Corporation is a corporation with established credit the establishment of reserve funds

in connection with retirement of the 1978 Series Bonds and the maintenance of the Project is deemed unnecessary;

(e) The Project will be leased by the County to the Corporation upon terms which require the Corporation, at its own expense, to maintain the Project in good repair and to carry all proper insurance with respect thereto, and requires the Corporation to make the payments in lieu of taxes referred to in Section 4-29-60 of the Act; and

(f) The amount necessary in each year to pay the principal of and interest on the 1978 Series Bonds is as set forth on Schedule A hereto.

Section 9. The form, terms and provisions of the Lease Agreement presented to this meeting and filed with the Clerk of the County Council be and they are hereby approved and all of the terms, provisions and conditions thereof are hereby incorporated herein by reference as if the Lease Agreement were set out in this ordinance in its entirety. The County Supervisor as Chairman and the Clerk of this County Council be and they are hereby authorized, empowered and directed to execute, acknowledge and deliver the Lease Agreement in the name and on behalf of the County, and thereupon to cause the Lease Agreement to be delivered to the Corporation and cause the said Lease Agreement to be recorded in the Office of the Register of Mesne Conveyances of Anderson County. The Lease Agreement is to be in substantially the form now before this

meeting and hereby approved, or with such minor changes therein as shall be approved by the officials of the County executing the same, their execution thereof to constitute conclusive evidence of their approval of any and all changes or revisions therein from the form of Lease Agreement now before this meeting.

Section 10. To provide for the authorization of and to secure the 1978 Series Bonds under the Act, and to prescribe the terms and conditions upon which the 1978 Series Bonds are to be issued, secured, executed, authenticated, accepted and held, and for the purpose of making effective a first mortgage lien upon the Project, the form, terms and provisions of the Indenture which is before this meeting and filed with the Clerk of the County Council be and they are hereby approved and all of the terms, provisions and conditions thereof are hereby incorporated herein by reference as if the Indenture were set out in this ordinance in its entirety. The County Supervisor as Chairman and the Clerk of the County Council be and they are hereby authorized, empowered and directed to execute, acknowledge and deliver the said Indenture to the Trustee therein named and cause the said Indenture to be recorded in the office of the Register of Mesne Conveyances of Anderson County. The Indenture is to be in substantially the form now before this meeting and hereby approved, or with such minor changes therein as shall

be approved by the officials of the County executing the same, their execution thereof to constitute conclusive evidence of their approval of any and all changes or revisions therein from the form of Indenture now before this meeting.

Section 11. There is hereby authorized the sale of the 1978 Series Bonds to Wachovia Bank & Trust Company, N. A., at a price of \$2,000,000 and accrued interest to the date of delivery which is determined to be most advantageous to the interests of the County. The form, terms and provisions of the Bond Purchase Agreement which is before this meeting and filed with the Clerk of the County Council be and they are hereby approved and all of the terms, provisions and conditions thereof are hereby incorporated herein by reference as if the Bond Purchase Agreement were set out in this ordinance in its entirety. The County Supervisor as Chairman and the Clerk of the County Council be and they are hereby authorized, empowered and directed to execute, acknowledge and deliver the said Bond Purchase Agreement to Wachovia Bank & Trust Company, N. A. The Bond Purchase Agreement is to be in substantially the form now before this meeting and hereby approved, or with such minor changes therein as shall be approved by the officials of the County executing the same, their execution thereof to constitute conclusive evidence of their approval of any and all changes or revisions therein from the form of Bond Purchase Agreement before this meeting.

Section 12. The County Supervisor as Chairman of this County Council and the Clerk, for and on behalf of the County, are hereby each authorized and directed to do any and all things necessary to effect the execution and delivery of the Lease Agreement, the Indenture and the Bond Purchase Agreement and the performance of all obligations of the County under and pursuant to the Lease Agreement, the Indenture and the Bond Purchase Agreement and the execution and delivery of the 1978 Series Bonds; and Wachovia Bank & Trust Company, N. A., as Trustee, is hereby authorized to receive and receipt for the proceeds of the 1978 Series Bonds on behalf of the County and to hold, invest and disburse said proceeds in accordance with the provisions of the Indenture.

Section 13. The provisions of this ordinance are hereby declared to be separable and if any section, phrase or provision shall for any reason be declared by a court of competent jurisdiction to be invalid or unenforceable, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereunder.

Section 14. All orders, resolutions, ordinances and parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed and this ordinance shall take effect and be in full force from and after its passage and approval.

Passed and approved this _____ day of January,
1978.

COUNTY COUNCIL OF ANDERSON COUNTY,
SOUTH CAROLINA

C. Edward Poore, County Supervisor
and Chairman of the County Council

(SEAL)

ATTEST:

Clerk, County Council of
Anderson County,
South Carolina

SCHEDULE A

PAYMENTS OF PRINCIPAL AND INTEREST for ANDERSON COUNTY, SOUTH CAROLINA, FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, 1978 SERIES (SCHMID LABORATORIES, INC., PROJECT)

<u>Date</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Annual Totals</u>
7/1/78	-0-	\$66,500	\$ 66,500
1/1/79	\$160,000	66,500	
7/1/79	-0-	63,300	289,800
1/1/80	160,000	63,300	
7/1/80	-0-	56,100	279,400
1/1/81	160,000	56,100	
7/1/81	-0-	50,900	267,000
1/1/82	160,000	50,900	
7/1/82	-0-	45,700	256,600
1/1/83	160,000	45,700	
7/1/83	-0-	40,500	246,200
1/1/84	120,000	40,500	
7/1/84	-0-	36,450	196,950
1/1/85	120,000	36,450	
7/1/85	-0-	32,400	188,850
1/1/86	120,000	32,400	
7/1/86	-0-	28,350	180,750
1/1/87	120,000	28,350	
7/1/87	-0-	24,300	172,650
1/1/88	120,000	24,300	
7/1/88	-0-	20,250	164,550
1/1/89	120,000	20,250	
7/1/89	-0-	16,200	156,450
1/1/90	120,000	16,200	
7/1/90	-0-	12,150	148,350
1/1/91	120,000	12,150	
7/1/91	-0-	8,100	140,250
1/1/92	120,000	8,100	
7/1/92	-0-	4,050	132,150
1/1/93	120,000	4,050	124,050

RESOLUTION

A RESOLUTION MAKING APPLICATION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA FOR APPROVAL OF THE ISSUANCE BY ANDERSON COUNTY, SOUTH CAROLINA, OF ITS FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, 1978 SERIES (SCHMID LABORATORIES, INC., PROJECT) AS DEFINED IN AND PURSUANT TO THE PROVISIONS OF SOUTH CAROLINA CODE ANNOTATED, TITLE 4, CHAPTER 29 (1976) IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT EXCEEDING \$2,000,000.

WHEREAS, Anderson County, South Carolina (the "County") acting by and through its County Council is authorized and empowered under and pursuant to the provisions of South Carolina Code Annotated, Title 4, Chapter 29 (1976) (the "Act") to acquire and lease properties through which the industrial development of the State of South Carolina will be promoted and trade developed by inducing industrial enterprises to locate in and remain in the State of South Carolina and thus utilize and employ the manpower, agricultural products and natural resources of the State; and

WHEREAS, the County is further authorized by the Act 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, buildings, improvements, machinery and equipment acquired from the proceeds thereof; and

WHEREAS, the County and Schmid Laboratories, Inc., a New Jersey corporation (the "Corporation"), entered into an Assistance Agreement (the "Assistance Agreement") executed

by the Corporation on May 23, 1977, and executed by the County Council on May 16, 1977, pursuant to which and in order to implement the public purposes enumerated in the Act and in furtherance thereof to comply with the undertakings of the County pursuant to the Assitance Agreement, the County proposes to issue not exceeding \$2,000,000 aggregate principal amount First Mortgage Industrial Revenue Bonds, 1978 Series (Schmid Laboratories, Inc., Project) (the "1978 Series Bonds") under and pursuant to the Act to defray the costs of acquiring by construction and purchase certain land, buildings and improvements thereon, and other machinery, apparatus, equipment, office facilities and furnishings (the "Project") to be located in Anderson County, and, subject to the approval of the State Budget and Control Board of South Carolina, to lease the Project to the Corporation under and pursuant to the terms of a Lease Agreement to be entered into between the County and the Corporation; and

WHEREAS, it is now deemed advisable by the County Board to file with the State Budget and Control Board of South Carolina, in compliance with Section 4-29-140 of the Act, the Petition of the County requesting approval of the proposed financing by the State Budget and Control Board;

NOW, THEREFORE, BE IT RESOLVED by the County Council of Anderson County, South Carolina, as follows:

Section 1. That it is hereby found, determined and declared by this County Board as follows:

(a) The Project will constitute a "project" as said term is referred to and defined in Section 4-29-10 of the Act, and that the issuance of the 1978 Series Bonds in the aggregate principal amount of not exceeding \$2,000,000 to finance the Project will subserve the purposes and in all respects conform to the provisions and requirements of the Act.

(b) Neither the Project, the 1978 Series Bonds proposed to be issued by the County to finance the Project, nor any documents or agreements entered into by the County in connection therewith will constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing power.

(c) The issuance of the 1978 Series Bonds by the County in the aggregate principal amount of \$2,000,000 will be required to defray the cost of the Project.

(d) Inasmuch as the Corporation is a corporation with established credit, the establishment of reserve funds in connection with the retirement of the 1978 Series Bonds and the maintenance of the Project is deemed unnecessary.

(e) The Project will be leased by the County to the Corporation upon terms which will require the Corporation, at

its own expense, to maintain the Project in good repair and to carry all proper insurance with respect thereto, and will require the Corporation to make the payments in lieu of taxes referred to in Section 4-29-60 of the Act.

(g) The Project will consist of the items described on Exhibit A to the Lease Agreement and Indenture submitted with the Petition.

(h) A reasonable estimate of the cost of the Project including necessary expenses incident thereto is \$2,000,000.

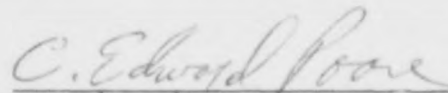
(i) In addition to the employment provided for those engaged in the construction of the Project, it is anticipated that after the Project has been completed and the industrial facility placed in operation, the industrial facility will provide permanent employment for approximately eighty (80) persons from the County and areas adjacent thereto with a resulting alleviation of unemployment, and a substantial increase in payrolls and other public benefits incident to the conducting of industrial operations.

Section 2. There be and is hereby authorized and directed the submission on behalf of Anderson County, of a Petition by this County Council requesting the approval of the proposed financing by the State Budget and Control Board of South Carolina pursuant to the provisions of Section 4-29-140 of the Act, said Petition, which constitutes and is hereby made a part of this authorizing resolution, to be in substantially the form attached hereto as Exhibit A.

Section 3. That the County Supervisor as Chairman of the County Council of Anderson County be and is hereby authorized and directed to execute said Petition in the name and on behalf of Anderson County; and that the Clerk be and is hereby authorized and directed to affix the seal of the County to said Petition and to attest the same and thereafter to submit an executed copy of this resolution, to the State Budget and Control Board, in Columbia, South Carolina.

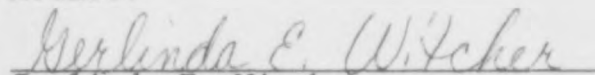
Section 4. That all orders and resolutions and parts thereof in conflict herewith are to the extent of such conflict hereby repealed, and this resolution shall take effect and be in full force from and after its passage and approval.

Passed and approved December 6, 1977.



C. Edward Poore
County Supervisor and
Chairman of the Anderson County Council
Anderson, South Carolina

ATTEST:



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

STATE OF SOUTH CAROLINA)
)
 COUNTY OF ANDERSON)

TO THE STATE BUDGET AND CONTROL
 BOARD OF SOUTH CAROLINA

P E T I T I O N

This Petition of Anderson County, South Carolina (the "County"), pursuant to South Carolina Code Annotated, Title 4, Chapter 29 (1976) (the "Act"), and specifically Section 4-29-140 thereof, respectfully shows:

1. The County Council of Anderson County (the "County Council") is the governing body of the County and as such is the "County Board" of the County referred to in the Act.

2. The Act, among other things, empowers the County, subject to obtaining the approval of the State Budget and Control Board, pursuant to Section 4-29-140 of the Act: (i) To acquire, and, in connection with such acquisition, to enlarge, improve and expand, whether by construction, purchase, gift or lease, one or more projects which shall be located within the county; (ii) to lease to others any or all of its projects for such rentals and upon such terms and conditions as the county board may deem advisable and as shall not conflict with the provisions of this chapter; and (iii) to issue revenue bonds for the purpose of defraying the cost of acquiring, by construction and purchase, and in connection with any such acquisition, to enlarge, improve and expand any project, and to secure the payment of such bonds all as in the Act provided.

3. The County has agreed to assist Schmid Laboratories, Inc., a New Jersey corporation, qualified to do business as a foreign corporation in South Carolina (the "Corporation") by issuing its revenue bonds for the purpose of defraying the cost of acquiring certain facilities more fully described in Exhibit A to the Lease Agreement and Indenture of Mortgage and Deed of Trust attached hereto, located in the County (the "Project").

4. The County has been advised by the Corporation that the estimated cost of the Project will be \$2,000,000 and it has requested the County to issue and sell not exceeding \$2,000,000 First Mortgage Industrial Revenue Bonds, 1978 Series (Schmid Laboratories, Inc., Project) (the "Bonds") to defray such costs.

5. Pursuant to Section 4-29-60 of the Act, the County Council has made the requisite findings that: (i) the Project will subserve the purposes of the Act; (ii) the Project will give rise to no pecuniary liability of the County or a charge against its general credit or taxing power; (iii) the amount of Bonds required to finance the Project is \$2,000,000; (iv) the amount necessary in each year to pay the principal of and the interest on the Bonds proposed to be issued to finance the Project is as set forth Schedule A attached hereto; (v) the County does not deem it necessary to establish any reserve funds in connection with the retirement of the proposed bonds and the maintenance of the Project; and (vi) the terms under which the Project is to be leased provide that the Corporation shall maintain the Project and carry all proper insurance with respect thereto.

6. Pursuant to Section 4-29-140 of the Act, the County sets forth the following information:

(a) The Project, described in detail on Exhibit A to the Lease Agreement and Indenture of Mortgage and Deed of Trust submitted herewith, consists of land, buildings, improvements thereon, and certain other machinery, apparatus, equipment, office facilities and furnishings to be used in the manufacture, process and distribution of over the counter drugs, toiletries and health and beauty aids. It is anticipated that, upon completion, the Project will provide directly eighty additional full time jobs in the County and that the Project will provide stimulation to the economy of the County and areas adjacent thereto by increased payrolls, capital investment and tax revenues.

(b) It is estimated that the cost of the Project, including the items of cost authorized in the Act, will be \$2,000,000.

(c) Copies of the Lease Agreement and the Indenture of Mortgage and Deed of Trust are being submitted herewith. The following summary of terms and the basis for payments in lieu of interest is in no wise intended to affect or alter the actual terms of the documents themselves:

(i) The proposed Lease Agreement between the Corporation and the County provides in general:

(A) Proceeds derived from the sale of the Bonds, except accrued interest paid by the purchasers thereof, will be used and applied by the County upon request of the

Corporation solely for the payment of the costs (as that term is defined in the Act) incident to the acquisition, by construction and purchase, of the Project.

(B) Under the terms of the Lease Agreement, the Corporation obligates itself: to effect the completion of the Project if the proceeds derived from the sale of the Bonds prove insufficient therefor without diminution of any payments to the County required by the Lease Agreement; to pay rental in the amount necessary to meet the payments of principal of, interest and premium, if any, on the Bonds as the same become due; to pay the cost of maintaining and insuring the Project to the extent and in the manner provided in the Lease Agreement; and to make payments to the County, school district or districts, and other political subdivisions in lieu of taxes as more fully described below.

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

(ii) The proposed Indenture of Mortgage and Deed of Trust between the County and Wachovia Bank & Trust Company, N.A., as Trustee (the "Trustee"), provides in general:

(A) An irrevocable pledge and assignment for the benefit of the holders of the Bonds of the County's right, title and interest in and to the Project, the Lease Agreement and all payments, receipts and revenues which the County has

a right to receive under the Lease Agreement or any other lease or the sale of the Project (except payments and rights to payments of certain indemnification payments and administration expenses), and all the moneys and securities in funds created under the Indenture.

(B) The terms of the Bonds, the provisions for exchange and transfer of the Bonds, the redemption provisions, the means of disbursement and investment of the Bond proceeds, provisions for issuance of additional parity bonds, default provisions and remedies therefor and various other matters relating to the Bonds.

(C) That the execution of the Indenture imposes no pecuniary liability on the County and does not create a charge upon the general credit or taxing power of the County.

(D) That the Bonds shall mature and bear interest in the respective amounts and rates set forth below:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
1979	160,000	6.50	1986	120,000	6.75
1980	160,000	6.50	1987	120,000	6.75
1981	160,000	6.50	1988	120,000	6.75
1982	160,000	6.50	1989	120,000	6.75
1983	160,000	6.50	1990	120,000	6.75
1984	120,000	6.75	1991	120,000	6.75
1985	120,000	6.75	1992	120,000	6.75
			1993	120,000	6.75

The Bonds are also subject to redemption prior to maturity at the prices and under the conditions specified in the Indenture.

(iii) In the Lease Agreement, the Corporation has agreed to make payments in lieu of taxes as required by the Act. The Lease Agreement specifies that the Corporation and the County shall cooperate in having the Project appraised for such purposes and in making payments to the taxing authorities of the County and any school district or districts and other political units wherein the Project is located.

Upon the basis of the foregoing, the County respectfully prays that the State Budget and Control Board (i) accept the filing of this Petition and the documents submitted herewith, (ii) make such investigation as it deems advisable, (iii) if it finds that the Project is intended to promote the purposes of the Act and may be reasonably anticipated to effect such result, that it approve the Project and the proposed financing of the cost thereof by the County through the issuance of the Bonds pursuant to the Act (including changes in any details of the said financing as finally consummated which do not materially affect the undertaking of the County), and (iv) give published notice of its approval in the manner set forth in Section 4-29-140 of the Act.

Respectfully submitted,

ANDERSON COUNTY, SOUTH CAROLINA

Dated: December 6, 1977

By

C. Edward Poore

C. Edward Poore
County Supervisor and
Chairman of the Anderson
County Council

(SEAL)

ATTEST:

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

SCHEDULE A

PAYMENTS OF PRINCIPAL AND INTEREST for ANDERSON COUNTY, SOUTH CAROLINA, FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, 1978 SERIES (SCHMID LABORATORIES, INC., PROJECT)

<u>Date</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Annual Totals</u>
7/1/78	-0-	\$66,500	\$ 66,500
1/1/79	\$160,000	66,500	
7/1/79	-0-	63,300	289,800
1/1/80	160,000	63,300	
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7/1/92	-0-	4,050	132,150
1/1/93	120,000	4,050	124,050

McNAIR, KONDUROS, CORLEY, SINGLETARY & DIBBLE

ATTORNEYS AND COUNSELORS AT LAW

ROBERT E. McNAIR
JAMES S. KONDUROS
D. WAYNE CORLEY
E. McLEOD SINGLETARY
ROBERT W. DIBBLE, JR.

DANIEL R. McLEOD, JR.
M. CRAIG GARNER, JR.
BRENTON D. JEFFCOAT
THEODORE J. HOPKINS, JR.
M. JOHN BOWEN, JR.

SUITE 1820, BANKERS TRUST TOWER
POST OFFICE BOX 11895
CAPITOL STATION
COLUMBIA, SOUTH CAROLINA 29211
803-799-9800

HILTON HEAD OFFICE
108 SAPELO BUILDING
ISLAND OFFICE PARK
POST OFFICE BOX 5914
HILTON HEAD ISLAND, S.C.
29928
803-785-5189
RICHARD S. WOODS

December 15, 1977

Mr. William A. McInnis
Wade Hampton Office Building
Columbia, South Carolina 29211

Dear Mr. McInnis:

Listed below are the items being hand delivered
to you today regarding the Anderson County Industrial
Development Bond Issue for Schmid Laboratories, Inc.

- (1) Letter to Mr. William T. Putnam; to EAV
- (2) Drafts of Lease Agreement, Indenture of Mortgage and Deed of Trust; to Karen H
- (3) Form of County Petition;
- (4) Form of Resolution Authorizing Petition;
- (5) Form of Ordinance;
- (6) Schmid Laboratories, Inc., financials) to EAV
year ending March 31, 1976 and 1977.

Sincerely,

Brenton D. Jeffcoat

BDJ/dpj

MCNAIR, KONDUROS, CORLEY, SINGLETARY & DIBBLE

ATTORNEYS AND COUNSELORS AT LAW

ROBERT E. MCNAIR
JAMES S. KONDUROS
G. WAYNE CORLEY
E. MCLEOD SINGLETARY
ROBERT W. DIBBLE, JR.

DANIEL R. MCLEOD, JR.
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ISLAND OFFICE PARK
POST OFFICE BOX 5914
HILTON HEAD ISLAND, S.C.
29928
803-785-5169
RICHARD S. WOODS

December 14, 1977

Mr. William T. Putnam
State Auditor's Office
Box 1133
Columbia, South Carolina 29211

Dear Mr. Putnam:

Please place on the agenda of the State Budget and Control Board meeting of Wednesday, December 21, 1977, at 2:30 p.m., consideration of approval of Anderson County Industrial Development Bond Issue (Schmid Laboratories, Inc., Project).

A copy of the Lease Agreement, Indenture and Bond Purchase Agreement will be hand delivered to you tomorrow. A draft copy of the Petition is enclosed, and the executed Petition should be hand delivered to you tomorrow.

Very truly yours,

Brenton D. Jeffcoat
Brenton D. Jeffcoat

BDJ/dj

Enclosure

STATE OF SOUTH CAROLINA)
)
COUNTY OF ANDERSON)

_____))
TO THE STATE BUDGET AND CONTROL))
))
BOARD OF SOUTH CAROLINA))
_____)

P E T I T I O N

This Petition of Anderson County, South Carolina (the "County"), pursuant to South Carolina Code Annotated, Title 4, Chapter 29 (1976) (the "Act"), and specifically Section 4-29-140 thereof, respectfully shows:

1. The County Council of Anderson County (the "County Council") is the governing body of the County and as such is the "County Board" of the County referred to in the Act.

2. The Act, among other things, empowers the County, subject to obtaining the approval of the State Budget and Control Board, pursuant to Section 4-29-140 of the Act: (i) To acquire, and, in connection with such acquisition, to enlarge, improve and expand, whether by construction, purchase, gift or lease, one or more projects which shall be located within the county; (ii) to lease to others any or all of its projects for such rentals and upon such terms and conditions as the county board may deem advisable and as shall not conflict with the provisions of this chapter; and (iii) to issue revenue bonds for the purpose of defraying the cost of acquiring, by construction and purchase, and in connection with any such acquisition, to enlarge, improve and expand any project, and to secure the payment of such bonds all as in the Act provided.

3. The County has agreed to assist Schmid Laboratories, Inc., a New Jersey corporation, qualified to do business as a foreign corporation in South Carolina (the "Corporation") by issuing its revenue bonds for the purpose of defraying the cost of acquiring certain facilities more fully described in Exhibit A to the Lease Agreement and Indenture of Mortgage and Deed of Trust attached hereto, located in the County (the "Project").

4. The County has been advised by the Corporation that the estimated cost of the Project will be \$2,000,000 and it has requested the County to issue and sell not exceeding \$2,000,000 First Mortgage Industrial Revenue Bonds, 1978 Series (Schmid Laboratories, Inc., Project) (the "Bonds") to defray such costs.

5. Pursuant to Section 4-29-60 of the Act, the County Council has made the requisite findings that: (i) the Project will subserve the purposes of the Act; (ii) the Project will give rise to no pecuniary liability of the County or a charge against its general credit or taxing power; (iii) the amount of Bonds required to finance the Project is \$2,000,000; (iv) the amount necessary in each year to pay the principal of and the interest on the Bonds proposed to be issued to finance the Project is as set forth Schedule A attached hereto; (v) the County does not deem it necessary to establish any reserve funds in connection with the retirement of the proposed bonds and the maintenance of the Project; and (vi) the terms under which the Project is to be leased provide that the Corporation shall maintain the Project and carry all proper insurance with respect thereto.

6. Pursuant to Section 4-29-140 of the Act, the County sets forth the following information:

(a) The Project, described in detail on Exhibit A to the Lease Agreement and Indenture of Mortgage and Deed of Trust submitted herewith, consists of land, buildings, improvements thereon, and certain other machinery, apparatus, equipment, office facilities and furnishings to be used in the manufacture, process and distribution of over the counter drugs, toiletries and health and beauty aids. It is anticipated that, upon completion, the Project will provide directly eighty additional full time jobs in the County and that the Project will provide stimulation to the economy of the County and areas adjacent thereto by increased payrolls, capital investment and tax revenues.

(b) It is estimated that the cost of the Project, including the items of cost authorized in the Act, will be \$2,000,000.

(c) Copies of the Lease Agreement and the Indenture of Mortgage and Deed of Trust are being submitted herewith. The following summary of terms and the basis for payments in lieu of interest is in no wise intended to affect or alter the actual terms of the documents themselves:

(i) The proposed Lease Agreement between the Corporation and the County provides in general:

(A) Proceeds derived from the sale of the Bonds, except accrued interest paid by the purchasers thereof, will be used and applied by the County upon request of the

Corporation solely for the payment of the costs (as that term is defined in the Act) incident to the acquisition, by construction and purchase, of the Project.

(B) Under the terms of the Lease Agreement, the Corporation obligates itself: to effect the completion of the Project if the proceeds derived from the sale of the Bonds prove insufficient therefor without diminution of any payments to the County required by the Lease Agreement; to pay rental in the amount necessary to meet the payments of principal of, interest and premium, if any, on the Bonds as the same become due; to pay the cost of maintaining and insuring the Project to the extent and in the manner provided in the Lease Agreement; and to make payments to the County, school district or districts, and other political subdivisions in lieu of taxes as more fully described below.

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

(ii) The proposed Indenture of Mortgage and Deed of Trust between the County and Wachovia Bank & Trust Company, N.A., as Trustee (the "Trustee"), provides in general:

(A) An irrevocable pledge and assignment for the benefit of the holders of the Bonds of the County's right, title and interest in and to the Project, the Lease Agreement and all payments, receipts and revenues which the County has

a right to receive under the Lease Agreement or any other lease or the sale of the Project (except payments and rights to payments of certain indemnification payments and administration expenses), and all the moneys and securities in funds created under the Indenture.

(B) The terms of the Bonds, the provisions for exchange and transfer of the Bonds, the redemption provisions, the means of disbursement and investment of the Bond proceeds, provisions for issuance of additional parity bonds, default provisions and remedies therefor and various other matters relating to the Bonds.

(C) That the execution of the Indenture imposes no pecuniary liability on the County and does not create a charge upon the general credit or taxing power of the County.

(D) That the Bonds shall mature and bear interest in the respective amounts and rates set forth below:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
1979	160,000	6.50	1986	120,000	6.75
1980	160,000	6.50	1987	120,000	6.75
1981	160,000	6.50	1988	120,000	6.75
1982	160,000	6.50	1989	120,000	6.75
1983	160,000	6.50	1990	120,000	6.75
1984	120,000	6.75	1991	120,000	6.75
1985	120,000	6.75	1992	120,000	6.75
			1993	120,000	6.75

The Bonds are also subject to redemption prior to maturity at the prices and under the conditions specified in the Indenture.

(iii) In the Lease Agreement, the Corporation has agreed to make payments in lieu of taxes as required by the Act. The Lease Agreement specifies that the Corporation and the County shall cooperate in having the Project appraised for such purposes and in making payments to the taxing authorities of the County and any school district or districts and other political units wherein the Project is located.

Upon the basis of the foregoing, the County respectfully prays that the State Budget and Control Board (i) accept the filing of this Petition and the documents submitted herewith, (ii) make such investigation as it deems advisable, (iii) if it finds that the Project is intended to promote the purposes of the Act and may be reasonably anticipated to effect such result, that it approve the Project and the proposed financing of the cost thereof by the County through the issuance of the Bonds pursuant to the Act (including changes in any details of the said financing as finally consummated which do not materially affect the undertaking of the County), and (iv) give published notice of its approval in the manner set forth in Section 4-29-140 of the Act.

Respectfully submitted,

ANDERSON COUNTY, SOUTH CAROLINA

Dated: December __, 1977

By _____
C. Edward Poore
County Supervisor and
Chairman of the Anderson
County Council

(SEAL)

ATTEST:

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

SCHEDULE A

PAYMENTS OF PRINCIPAL AND INTEREST for ANDERSON COUNTY, SOUTH CAROLINA, FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, 1978 SERIES (SCHMID LABORATORIES, INC., PROJECT)

<u>Date</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Annual Totals</u>
7/1/78	-0-	\$66,500	\$ 66,500
1/1/79	\$160,000	66,500	
7/1/79	-0-	63,300	289,800
1/1/80	160,000	63,300	
7/1/80	-0-	56,100	279,400
1/1/81	160,000	56,100	
7/1/81	-0-	50,900	267,000
1/1/82	160,000	50,900	
7/1/82	-0-	45,700	256,600
1/1/83	160,000	45,700	
7/1/83	-0-	40,500	246,200
1/1/84	120,000	40,500	
7/1/84	-0-	36,450	196,950
1/1/85	120,000	36,450	
7/1/85	-0-	32,400	188,850
1/1/86	120,000	32,400	
7/1/86	-0-	28,350	180,750
1/1/87	120,000	28,350	
7/1/87	-0-	24,300	172,650
1/1/88	120,000	24,300	
7/1/88	-0-	20,250	164,550
1/1/89	120,000	20,250	
7/1/89	-0-	16,200	156,450
1/1/90	120,000	16,200	
7/1/90	-0-	12,150	148,350
1/1/91	120,000	12,150	
7/1/91	-0-	8,100	140,250
1/1/92	120,000	8,100	
7/1/92	-0-	4,050	132,150
1/1/93	120,000	4,050	124,050

RESOLUTION

A RESOLUTION MAKING APPLICATION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA FOR APPROVAL OF THE ISSUANCE BY ANDERSON COUNTY, SOUTH CAROLINA, OF ITS FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, 1978 SERIES (SCHMID LABORATORIES, INC., PROJECT) AS DEFINED IN AND PURSUANT TO THE PROVISIONS OF SOUTH CAROLINA CODE ANNOTATED, TITLE 4, CHAPTER 29 (1976) IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT EXCEEDING \$2,000,000.

WHEREAS, Anderson County, South Carolina (the "County") acting by and through its County Council is authorized and empowered under and pursuant to the provisions of South Carolina Code Annotated, Title 4, Chapter 29 (1976) (the "Act") to acquire and lease properties through which the industrial development of the State of South Carolina will be promoted and trade developed by inducing industrial enterprises to locate in and remain in the State of South Carolina and thus utilize and employ the manpower, agricultural products and natural resources of the State; and

WHEREAS, the County is further authorized by the Act 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, buildings, improvements, machinery and equipment acquired from the proceeds thereof; and

WHEREAS, the County and Schmid Laboratories, Inc., a New Jersey corporation (the "Corporation"), entered into an Assistance Agreement (the "Assistance Agreement") executed

by the Corporation on May 23, 1977, and executed by the County Council on May 16, 1977, pursuant to which and in order to implement the public purposes enumerated in the Act and in furtherance thereof to comply with the undertakings of the County pursuant to the Assitance Agreement, the County proposes to issue not exceeding \$2,000,000 aggregate principal amount First Mortgage Industrial Revenue Bonds, 1978 Series (Schmid Laboratories, Inc., Project) (the "1978 Series Bonds") under and pursuant to the Act to defray the costs of acquiring by construction and purchase certain land, buildings and improvements thereon, and other machinery, apparatus, equipment, office facilities and furnishings (the "Project") to be located in Anderson County, and, subject to the approval of the State Budget and Control Board of South Carolina, to lease the Project to the Corporation under and pursuant to the terms of a Lease Agreement to be entered into between the County and the Corporation; and

WHEREAS, it is now deemed advisable by the County Board to file with the State Budget and Control Board of South Carolina, in compliance with Section 4-29-140 of the Act, the Petition of the County requesting approval of the proposed financing by the State Budget and Control Board;

NOW, THEREFORE, BE IT RESOLVED by the County Council of Anderson County, South Carolina, as follows:

Section 1. That it is hereby found, determined and declared by this County Board as follows:

(a) The Project will constitute a "project" as said term is referred to and defined in Section 4-29-10 of the Act, and that the issuance of the 1978 Series Bonds in the aggregate principal amount of not exceeding \$2,000,000 to finance the Project will subserve the purposes and in all respects conform to the provisions and requirements of the Act.

(b) Neither the Project, the 1978 Series Bonds proposed to be issued by the County to finance the Project, nor any documents or agreements entered into by the County in connection therewith will constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing power.

(c) The issuance of the 1978 Series Bonds by the County in the aggregate principal amount of \$2,000,000 will be required to defray the cost of the Project.

(d) Inasmuch as the Corporation is a corporation with established credit, the establishment of reserve funds in connection with the retirement of the 1978 Series Bonds and the maintenance of the Project is deemed unnecessary.

(e) The Project will be leased by the County to the Corporation upon terms which will require the Corporation, at

its own expense, to maintain the Project in good repair and to carry all proper insurance with respect thereto, and will require the Corporation to make the payments in lieu of taxes referred to in Section 4-29-60 of the Act.

(g) The Project will consist of the items described on Exhibit A to the Lease Agreement and Indenture submitted with the Petition.

(h) A reasonable estimate of the cost of the Project including necessary expenses incident thereto is \$2,000,000.

(i) In addition to the employment provided for those engaged in the construction of the Project, it is anticipated that after the Project has been completed and the industrial facility placed in operation, the industrial facility will provide permanent employment for approximately eighty (80) persons from the County and areas adjacent thereto with a resulting alleviation of unemployment, and a substantial increase in payrolls and other public benefits incident to the conducting of industrial operations.

Section 2. There be and is hereby authorized and directed the submission on behalf of Anderson County, of a Petition by this County Council requesting the approval of the proposed financing by the State Budget and Control Board of South Carolina pursuant to the provisions of Section 4-29-140 of the Act, said Petition, which constitutes and is hereby made a part of this authorizing resolution, to be in substantially the form attached hereto as Exhibit A.

Section 3. That the County Supervisor as Chairman of the County Council of Anderson County be and is hereby authorized and directed to execute said Petition in the name and on behalf of Anderson County; and that the Clerk be and is hereby authorized and directed to affix the seal of the County to said Petition and to attest the same and thereafter to submit an executed copy of this resolution, to the State Budget and Control Board, in Columbia, South Carolina.

Section 4. That all orders and resolutions and parts thereof in conflict herewith are to the extent of such conflict hereby repealed, and this resolution shall take effect and be in full force from and after its passage and approval.

Passed and approved December 6, 1977.

C. Edward Poore
County Supervisor and
Chairman of the Anderson County Council
Anderson, South Carolina

ATTEST:

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

Ed - For your review,
please.
Bill
12/15

December 14, 1977

Mr. William T. Putnam
State Auditor's Office
Box 1133
Columbia, South Carolina 29211

Dear Mr. Putnam:

Please place on the agenda of the State Budget and Control Board meeting of Wednesday, December 21, 1977, at 2:30 p.m., consideration of approval of Anderson County Industrial Development Bond Issue (Schmid Laboratories, Inc., Project).

A copy of the Lease Agreement, Indenture and Bond Purchase Agreement will be hand delivered to you tomorrow. A draft copy of the Petition is enclosed, and the executed Petition should be hand delivered to you tomorrow.

Very truly yours,

Brenton D. Jeffcoat

BDJ/dj

Enclosure

FINANCIAL STATEMENTS AND AUDITORS' REPORT

SCHMID LABORATORIES, INC. AND SUBSIDIARIES
(A WHOLLY-OWNED SUBSIDIARY OF LRC INTERNATIONAL LIMITED)

March 31, 1976 and 1975

Alexander Grant
& COMPANY

FINANCIAL STATEMENTS AND AUDITORS' REPORT

SCHMID LABORATORIES, INC. AND SUBSIDIARIES
(A WHOLLY-OWNED SUBSIDIARY OF LRC INTERNATIONAL LIMITED)

March 31, 1976 and 1975

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Alexander Grant

& COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INTERNATIONAL FIRM
ALEXANDER GRANT TANSLEY WITT

Board of Directors
Schmid Laboratories, Inc.

We have examined the consolidated balance sheet of Schmid Laboratories, Inc. and Subsidiaries (a New Jersey corporation and a wholly-owned subsidiary of LRC International Limited) as of March 31, 1976 and 1975, and the related consolidated statements of operations, retained earnings and changes in financial position for the two years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described further in Note N, the Company has been named as defendant in a legal action seeking damages in connection with a distribution agreement. The action is at an early stage and the ultimate liability, if any, cannot now be determined.

In our opinion, subject to the effect, if any, of the matter referred to in the preceding paragraph, the financial statements referred to above present fairly the consolidated financial position of Schmid Laboratories, Inc. and Subsidiaries at March 31, 1976 and 1975, and the results of their operations and changes in their financial position for the two years then ended, in conformity with generally accepted accounting principles consistently applied, except for the change, with which we concur, in the method of accounting for certain foreign exchange gains and losses as described in Note K to the financial statements.

Alexander Grant & Company

New York, New York
May 18, 1976

Schmid Laboratories, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEET

March 31, 1976 and 1975

ASSETS	1976	1975
CURRENT ASSETS		
Cash	\$ 361,439	\$ 413,653
Accounts receivable		
Customers (less allowance for doubtful accounts of \$150,000 in 1976 and \$238,000 in 1975)	1,835,890	1,690,193
Affiliates	300,600	498,052
Other	183,139	201,197
	2,319,629	2,389,442
Income tax refunds receivable	18,334	507,000
Inventories (Notes A-2 and B)	3,004,781	3,580,843
Prepayments and other current assets	791,832	539,353
Total current assets	6,496,015	7,430,291
PROPERTY, PLANT AND EQUIPMENT (Note D)	5,474,885	5,687,556
INTANGIBLE AND OTHER ASSETS (Note C)	2,585,974	2,653,245
	<u>\$14,556,874</u>	<u>\$15,771,092</u>
LIABILITIES		
CURRENT LIABILITIES		
Current maturities of long-term debt (Note G)	\$ 413,391	\$ 412,303
Notes payable to banks (Note E)	814,444	2,550,574
Loan payable - parent company (Note F)	1,500,000	
Accounts payable	370,162	722,467
Due to affiliates	366,064	673,662
Accrued liabilities	562,066	633,414
Total current liabilities	4,026,127	4,992,420
LONG-TERM DEBT, net of current maturities (Note G)	5,527,752	6,157,470
COMMITMENTS AND CONTINGENCIES (Notes M and N)		
STOCKHOLDER'S EQUITY		
Capital stock - par value \$1, authorized, 20,000 shares; issued and outstanding, 4,500 shares	4,500	4,500
Additional contributed capital	4,495,500	4,495,500
Retained earnings	502,995	121,202
	<u>5,002,995</u>	<u>4,621,202</u>
	<u>\$14,556,874</u>	<u>\$15,771,092</u>

The accompanying notes are an integral part of this statement.

Schmid Laboratories, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEET

March 31, 1976 and 1975

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CURRENT ASSETS		
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The accompanying notes are an integral part of this statement.

Schmid Laboratories, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31

	1976	1975
Net sales (Note I)	\$13,705,462	\$11,982,659
Cost of goods sold (Note I)	<u>7,895,673</u>	<u>7,657,023</u>
Gross profit	5,809,789	4,325,636
Operating expenses		
Selling, advertising and sales promotion	3,962,068	5,218,128
General and administrative	1,450,177	1,549,266
Research and development	<u>218,156</u>	<u>450,548</u>
	<u>5,630,401</u>	<u>7,217,942</u>
Operating profit (loss)	<u>179,388</u>	<u>(2,892,306)</u>
Other income (expenses)		
Interest	(352,637)	(428,422)
Gain on foreign exchange (Note L)	404,684	36,176
Royalties, net	110,583	188,231
Amortization of goodwill - "Pearson" (Note A-6)	(54,228)	(54,228)
Miscellaneous	<u>129,119</u>	<u>141,141</u>
	<u>237,521</u>	<u>(117,102)</u>
Earnings (loss) before income taxes and extraordinary credit	416,909	(3,009,408)
Income taxes (Notes A-4 and H)		
Federal		
Current	196,000	(493,598)
Refundable		25,140
Deferred	<u>35,116</u>	<u>163</u>
State	<u>231,116</u>	<u>(468,295)</u>
Earnings (loss) before extraordinary credit	185,793	(2,541,113)
Extraordinary credit		
Tax benefit arising from carryforward of prior year's operating loss	<u>196,000</u>	<u> </u>
NET EARNINGS (LOSS)	<u>\$ 381,793</u>	<u>\$(2,541,113)</u>

The accompanying notes are an integral part of this statement.

Schmid Laboratories, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
Year ended March 31

	<u>1976</u>	<u>1975</u>
Retained earnings at beginning of year	\$121,202	\$2,662,315
Net earnings (loss) for the year	<u>381,793</u>	<u>(2,541,113)</u>
Retained earnings at end of year	<u>\$502,995</u>	<u>\$ 121,202</u>

The accompanying notes are an integral part of this statement.

Schmid Laboratories, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Year ended March 31

	1976	1975
Sources of working capital		
From operations		
Earnings (loss) before extraordinary credit	\$ 185,793	\$(2,541,113)
Charges (credits) to earnings not using (providing) working capital		
Depreciation	426,660	477,918
Amortization of intangible assets	83,421	84,279
Foreign exchange gain relating to long-term debt	(155,100)	
Other		13,643
Working capital provided from (used by) operations before extraordinary credit	540,774	(1,965,273)
Extraordinary credit	196,000	
Working capital provided from (used by) operations	736,774	(1,965,273)
Refinancing of bank loan		650,000
Other		54,688
	736,774	(1,260,585)
Applications of working capital		
Current maturities of long-term debt	413,391	400,000
Additions to fixed assets, net	209,769	298,645
Other	81,597	51,818
	704,757	750,463
INCREASE (DECREASE) IN WORKING CAPITAL	32,017	(2,011,048)
Working capital at beginning of year	2,437,871	4,448,919
Working capital at end of year	\$2,469,888	\$ 2,437,871
Changes in components of working capital		
Increase (decrease) in current assets		
Cash	\$ (52,214)	\$ 126,464
Accounts receivable	(69,813)	(2,837,530)
Inventories	(576,062)	902,599
Prepayments and other current assets	(236,187)	380,995
	(934,276)	(1,427,472)
(Increase) decrease in current liabilities		
Current maturities of long-term debt	(1,088)	49,086
Notes payable to banks	1,736,130	(850,000)
Loans payable - parent company	(1,500,000)	32,134
Accounts payable	659,903	250,028
Accrued liabilities	71,348	(135,324)
Federal income taxes		70,500
	966,293	(583,576)
INCREASE (DECREASE) IN WORKING CAPITAL	\$ 32,017	\$(2,011,048)

The accompanying notes are an integral part of this statement.

Schmid Laboratories, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1976 and 1975

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

1. Principles of Consolidation

The consolidated financial statements include the accounts of Schmid Laboratories, Inc. and its wholly-owned subsidiaries. Significant intercompany transactions have been eliminated in consolidation.

2. Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally by the first-in, first-out method.

3. Depreciation

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on a straight-line basis.

4. Income Taxes

The Company accounts for investment tax credits under the "flow-through" method. Under this method, the credits are recognized in the year the related assets are placed in service and affect net earnings in the year in which they reduce income taxes payable.

5. Translation of Foreign Operations

Current assets, except inventories, and liabilities are translated into United States dollars at fiscal year-end rates of exchange. Inventories and property, plant and equipment and related accumulated depreciation are translated at rates existing at acquisition dates. Operating accounts, except for depreciation, are translated at average rates of exchange during the year. Gains and losses resulting from translations and exchange realignments are credited or charged to income.

Schmid Laboratories, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 1976 and 1975

NOTE A (continued)

Gains and losses resulting from translation of long-term debt payable in Pounds Sterling, which had previously been deferred, are recognized and included in net income. See Note K concerning the Company's change in accounting policy.

6. Intangible Assets (Note C)

Goodwill and trademarks acquired prior to November 1970 are not being amortized since, in the opinion of management, there has been no decrease in value.

Certain costs of patents and trademarks are capitalized and are amortized ratably over their estimated useful lives or statutory lives, whichever is shorter.

Cost in excess of net assets of "Pearson" business acquired is being amortized ratably over a period of forty years.

NOTE B - INVENTORIES

Inventories at March 31, 1976 and 1975 consist of:

	<u>1976</u>	<u>1975</u>
Raw materials and supplies	\$ 716,713	\$1,233,955
Work in process	1,515,725	1,238,244
Finished goods	<u>772,343</u>	<u>1,108,644</u>
	<u>\$3,004,781</u>	<u>\$3,580,843</u>

NOTE C - INTANGIBLE AND OTHER ASSETS

Intangible and other assets consist of:

Schmid Laboratories, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 1976 and 1975

NOTE C (continued)

	<u>1976</u>	<u>1975</u>
Nonamortizable goodwill and trademarks - at cost	\$ 401,134	\$ 401,134
Amortizable patents, licenses and trademarks - at cost, net of accumulated amortization of \$215,012 in 1976 and \$185,819 in 1975	218,329	239,871
Cost in excess of net assets of "Pearson" business acquired, net of accumulated amortization of \$225,950 in 1976 and \$171,722 in 1975	1,943,060	1,997,288
Other	<u>23,451</u>	<u>14,952</u>
	<u>\$2,585,974</u>	<u>\$2,653,245</u>

NOTE D - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at March 31, 1976 and 1975 consist of:

	<u>1976</u>	<u>1975</u>
Buildings and improvements	\$ 4,066,252	\$ 4,059,111
Machinery and equipment	5,927,474	5,748,089
Other	400,358	375,836
	<u>10,394,084</u>	<u>10,183,036</u>
Less accumulated depreciation	<u>5,245,179</u>	<u>4,821,460</u>
	5,148,905	5,361,576
Land	<u>325,980</u>	<u>325,980</u>
	<u>\$ 5,474,885</u>	<u>\$ 5,687,556</u>

Schmid Laboratories, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 1976 and 1975

NOTE E - NOTES PAYABLE TO BANKS

The Company has a bank overdraft agreement for its New Zealand Division for NZ\$750,000 (U.S.\$764,000 at March 31, 1976 and U.S.\$1,012,500 at March 31, 1975). The overdraft was NZ\$800,043 at March 31, 1976 and NZ\$741,166 at March 31, 1975 (U.S.\$814,444 and U.S.\$1,000,574 at March 31, 1976 and 1975, respectively) and is collateralized by a bank letter of credit for NZ\$250,000 and liens in the amount of NZ\$500,000 against the New Zealand land, building and equipment.

In addition, the Company has a \$1,650,000 unsecured revolving credit line with a bank. Interest is 1/4% above the bank's prime rate. At March 31, 1976 no amounts were outstanding; at March 31, 1975, \$1,550,000 was outstanding. Borrowings under this line are guaranteed by LRC International Limited. The Company has agreed to maintain compensating balances of 10% of outstanding borrowings.

NOTE F - LOANS PAYABLE - PARENT COMPANY

Loans payable - parent company bear interest at 1% over the Eurodollar rate in London. The interest rates at March 31, 1976 and 1975, respectively, were 7-11/16% and 6-9/16%.

NOTE G - LONG-TERM DEBT

Long-term debt consists of the following at March 31, 1976 and 1975:

	1976	1975
Demand notes - parent	\$2,526,900	\$2,660,000
4% note - parent	1,250,000	1,250,000
Note payable to bank	1,600,000	2,000,000
8-1/2% mortgage note	534,598	546,903
Other	29,645	112,870
	5,941,143	6,569,773
Less current maturities	413,391	412,303
	<u>\$5,527,752</u>	<u>\$6,157,470</u>

Schmid Laboratories, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 1976 and 1975

NOTE G (continued)

Demand notes - parent are noninterest bearing and consist of a £275,000 note payable in Pounds Sterling (\$526,900 at March 31, 1976) and a \$2,000,000 note payable in U. S. dollars. LRC International Limited has indefinitely postponed repayment of these notes.

4% note - parent is payable on November 1, 1983. LRC International Limited has waived its right to collect interest for years ended April 30, 1972 through 1977.

Note payable to bank is unsecured and payable in semiannual installments of \$200,000, final maturity April 15, 1980. Interest is payable monthly at 1/2% over the bank's prime rate (7.25% effective rate at March 31, 1976). The Company has agreed to maintain compensating balances of 12% of outstanding borrowings.

The mortgage note is payable in monthly installments of \$4,860, including interest, final installment payable February 1, 1994. The mortgage is collateralized by the Company's office building and the land on which it is located in Little Falls, New Jersey.

NOTE H - INCOME TAXES

The Company has a net operating loss carryforward for Federal income tax purposes of approximately \$1,390,000, expiring in 1980. The Company also has an investment tax credit carryforward of approximately \$55,000 expiring from 1980 to 1983.

NOTE I - TRANSACTIONS WITH AFFILIATES

The Company is a wholly-owned subsidiary of LRC International Limited, and as such has numerous dealings with its parent and other companies in the LRC group. During the two years ended March 31, 1976, the major transactions were:

	1976	1975
Sales to affiliates	\$673,936	\$1,346,016
Purchases from affiliates	460,263	905,690

Schmid Laboratories, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 1976 and 1975

NOTE J - PENSIONS PLANS

The Company has in effect two pension plans covering substantially all of their employees. The Company's policy is to amortize past service costs over a forty-year period and to fund pension costs accrued.

The total pension expense for 1976 and 1975 was \$95,000 and \$98,000, respectively. At the latest valuation dates, the present value of vested benefits for both plans was \$493,000 in excess of plan assets.

NOTE K - CHANGE IN ACCOUNTING PRINCIPLE

In accordance with Statement of Financial Accounting Standards No. 8, of the Financial Accounting Standards Board, the Company is including in operations the gain on conversion, at year-end exchange rates, of the long-term debt which is payable in Pounds Sterling. The effect of this change in accounting policy on the 1976 financial statements is an increase in net earnings of \$155,000. The cumulative effect of adoption of the Statement is not material.

NOTE L - GAIN ON FOREIGN EXCHANGE

The gain on foreign exchange recognized during the year ended March 31, 1976 was caused by major downward fluctuations in the exchange rates of the Pound Sterling and the New Zealand dollar. The gain was substantially the result of the conversion to U. S. dollars of long-term debt payable in Pound Sterling and notes due bank payable in New Zealand dollars. Conversion of these accounts resulted in gains of approximately \$155,100 and \$160,000, respectively.

NOTE M - LEASES

Total rental expense for 1976 and 1975 was approximately \$266,000 and \$252,000, respectively.

Schmid Laboratories, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
March 31, 1976 and 1975

NOTE M (continued)

Automobiles are usually leased for periods of 24 months; such rentals approximate \$180,000 per annum. At March 31, 1976, under existing lease arrangements, the Company is obligated for remaining rentals of approximately \$110,000 in 1977 and \$50,000 in 1978.

The Company is obligated under other leases as follows:

Former office space - approximately \$40,000 per year through 1981, less approximately \$20,000 per year of sublease income.

Data processing equipment - approximately \$40,000 per year through 1979.

NOTE N - CONTINGENCY

In March 1976 an action was filed against the Company in connection with a distribution agreement seeking approximately \$750,000 in compensatory damages and \$1,000,000 in punitive damages. Since the action is presently in its early stage, the Company's counsel is unable to express an opinion on the merits of the case. The Company believes the action is without merit and intends to vigorously contest the action.

SUPPLEMENTAL INFORMATION

AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Schmid Laboratories, Inc.

The basic consolidated financial statements of Schmid Laboratories, Inc. and Subsidiaries for the two years ended March 31, 1976 and 1975, and our report thereon, are presented in the preceding section of this report. Our examination was made primarily to enable us to express an overall opinion on those financial statements. The supplemental statements and schedules presented hereinafter have been translated, in accordance with instructions from the Company's parent, to Pounds Sterling at \$1.916 at March 31, 1976 and \$2.40 at March 31, 1975. The supplemental statements and schedules are not considered necessary for a fair presentation of financial position, results of operations, and changes in financial position, but are presented solely as supplementary information and have been subjected to the audit procedures applied in the examination of the basic consolidated financial statements. In our opinion, subject to the effect, if any, of the matter described in our report on the basic consolidated financial statements, the supplemental statements and schedules are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Alexander Grant & Company

New York, New York
May 18, 1976

Schmid Laboratories, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEET

March 31, 1976 and 1975

	Converted to £ Sterling	
	\$1.916 in 1976	\$2.40 in 1975
ASSETS		
CURRENT ASSETS		
Cash	£ 188,642	£ 172,355
Accounts receivable		
Customers (less allowance for doubtful accounts of £78,089 in 1976 and £99,167 in 1975)	958,189	704,247
Affiliates	156,889	207,522
Other	95,584	83,832
	1,210,662	995,601
Income tax refunds receivable	9,569	211,250
Inventories	1,568,257	1,492,018
Prepayments and other current assets	413,274	224,731
Total current assets	3,390,404	3,095,955
PROPERTY, PLANT AND EQUIPMENT	2,857,456	2,369,815
INTANGIBLE AND OTHER ASSETS	1,349,673	1,105,519
	<u>£7,597,533</u>	<u>£6,571,289</u>
LIABILITIES		
CURRENT LIABILITIES		
Current maturities of long-term debt	£ 215,757	£ 171,793
Notes payable to banks	425,075	1,062,739
Loan payable - parent company	782,881	
Accounts payable	193,195	301,028
Due to affiliates	191,057	280,693
Accrued liabilities	293,354	263,922
Total current liabilities	2,101,319	2,080,175
LONG-TERM DEBT	2,885,048	2,565,613
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDER'S EQUITY		
Capital stock - par value \$1, authorized, 20,000 shares; issued and outstanding, 4,500 shares	2,349	1,875
Additional contributed capital	2,346,294	1,873,125
Retained earnings	262,523	50,501
	<u>2,611,166</u>	<u>1,925,501</u>
	<u>£7,597,533</u>	<u>£6,571,289</u>

Schmid Laboratories, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31

	Converted to £ Sterling	
	\$1.916 in 1976	\$2.40 in 1975
Net sales	£7,153,164	£ 4,992,775
Cost of goods sold	4,120,915	3,190,426
Gross profit	3,032,249	1,802,349
Operating expenses		
Selling, advertising and sales promotion	2,067,885	2,174,220
General and administrative	756,878	645,529
Research and development	113,860	187,728
	2,938,623	3,007,477
Operating profit (loss)	93,626	(1,205,128)
Other income (expenses)		
Interest	(184,049)	(178,508)
Gain on foreign exchange	211,213	15,073
Royalties, net	57,716	78,429
Amortization of goodwill - "Pearson"	(28,303)	(22,595)
Miscellaneous	67,390	58,809
	123,967	(48,792)
Earnings (loss) before income taxes and extraordinary credit	217,593	(1,253,920)
Income taxes		
Federal		
Current	102,296	(205,666)
Refundable		10,475
Deferred		68
State	18,327	
	120,623	(195,123)
Earnings (loss) before extra- ordinary credit	96,970	(1,058,797)
Extraordinary credit		
Tax benefit arising from carryforward of prior year's operating loss	102,296	
NET EARNINGS (LOSS)	£ 199,266	£(1,058,797)

Schmid Laboratories, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended March 31

	<u>Converted to £ Sterling</u>	
	<u>\$1.916 in</u> <u>1976</u>	<u>\$2.40 in</u> <u>1975</u>
Retained earnings at beginning of year	£ 63,257	£1,109,298
Net earnings (loss) for the year	<u>199,266</u>	<u>(1,058,797)</u>
Retained earnings at end of year	£ <u>262,523</u>	£ <u>50,501</u>

Schmid Laboratories, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Year ended March 31

	Converted to £ Sterling	
	\$1.916 in 1976	\$2.40 in 1975
Sources of working capital		
From operations		
Earnings (loss) before extraordinary credit	£ 96,970	£(1,058,797)
Charges (credits) to earnings not using (providing) working capital		
Depreciation	222,683	199,133
Amortization of intangible assets	43,538	35,116
Foreign exchange gain relating to long-term debt	(80,950)	
Other		5,684
Working capital provided from (used by) operations before extraordinary credit	282,241	(818,864)
Extraordinary credit	102,296	
Working capital provided from (used by) operations	384,537	(818,864)
Refinancing of bank loan		270,833
Other		22,787
	384,537	(525,244)
Applications of working capital		
Current maturities of long-term debt	215,757	166,667
Additions to fixed assets, net	109,483	124,436
Other	42,587	21,591
	367,827	312,694
INCREASE (DECREASE) IN WORKING CAPITAL	16,710	(837,938)
Working capital at beginning of year	1,272,375	1,853,717
Working capital at end of year	£1,289,085	£ 1,015,779
Changes in components of working capital		
Increase (decrease) in current assets		
Cash	£ (27,252)	£ 52,693
Accounts receivable	(36,437)	(1,182,304)
Inventories	(300,659)	376,081
Prepayments and other current assets	(123,270)	158,748
	(487,618)	(594,782)
(Increase) decrease in current liabilities		
Current maturities of long-term debt	(568)	20,453
Notes payable to banks	906,122	(354,167)
Loans payable - parent company	(782,881)	13,389
Accounts payable	344,417	104,179
Accrued liabilities	37,238	(56,385)
Federal income taxes		29,375
	504,328	(243,156)
INCREASE (DECREASE) IN WORKING CAPITAL	£ 16,710	£ (837,938)

Schmid Laboratories, Inc. and Subsidiaries

SCHEDULE OF INVENTORIES

March 31, 1976 and 1975

	<u>Converted to £ Sterling</u>	
	<u>\$1.916 in</u>	<u>\$2.40 in</u>
	<u>1976</u>	<u>1975</u>
Raw materials and supplies	L 374,067	L 514,148
Work in process	791,088	515,935
Finished goods	<u>403,102</u>	<u>461,935</u>
	<u>L1,568,257</u>	<u>L1,492,018</u>

Schmid Laboratories, Inc. and Subsidiaries

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

March 31, 1976 and 1975

	Converted to £ Sterling	
	\$1.916 in 1976	\$2.40 in 1975
Buildings and improvements	£2,122,261	£1,691,296
Machinery and equipment	3,045,529	2,388,758
Other	<u>257,097</u>	<u>162,878</u>
	5,424,887	4,242,932
Less accumulated depreciation	<u>2,737,567</u>	<u>2,008,942</u>
	2,687,320	2,233,990
Land	<u>170,136</u>	<u>135,825</u>
	<u>£2,857,456</u>	<u>£2,369,815</u>

Schmid Laboratories, Inc. and Subsidiaries

SCHEDULE OF INTANGIBLE AND OTHER ASSETS

March 31, 1976 and 1975

	Converted to £ Sterling	
	<u>\$1.916 in</u> <u>1976</u>	<u>\$2.40 in</u> <u>1975</u>
Nonamortizable goodwill and trademarks - at cost	£ 209,360	£ 167,139
Amortizable patents, licenses and trade- marks - at cost, net of accumulated amortization of £112,219 in 1976 and £77,425 in 1975	113,950	99,946
Cost in excess of net assets of "Pearson" business acquired, net of accumulated amortization of £117,928 in 1976 and £71,551 in 1975	1,014,123	832,203
Other	<u>12,240</u>	<u>6,231</u>
	<u>£1,349,673</u>	<u>£1,105,519</u>

FINANCIAL STATEMENTS AND AUDITORS' REPORT

SCHMID LABORATORIES, INC. AND SUBSIDIARIES
(A WHOLLY-OWNED SUBSIDIARY OF LRC INTERNATIONAL LIMITED)

March 31, 1977 and 1976

Alexander Grant
& COMPANY

FINANCIAL STATEMENTS AND AUDITORS' REPORT

SCHMID LABORATORIES, INC. AND SUBSIDIARIES
(A WHOLLY-OWNED SUBSIDIARY OF LRC INTERNATIONAL LIMITED)

March 31, 1977 and 1976

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Alexander Grant

& COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INTERNATIONAL FIRM
ALEXANDER GRANT TANSLEY WITT

Board of Directors
Schmid Laboratories, Inc.

We have examined the consolidated balance sheet of Schmid Laboratories, Inc. and Subsidiaries (a New Jersey corporation and a wholly-owned subsidiary of LRC International Limited) as of March 31, 1977 and 1976, and the related consolidated statements of earnings, retained earnings and changes in financial position for the two years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our report dated May 18, 1976, our opinion on the March 31, 1976 financial statements was qualified as being subject to the effects on those financial statements of such adjustments, if any, as might have been required had the outcome of certain litigation been known. As explained in Note N, the litigation was settled as of March 15, 1977 at no material cost to the Company. Accordingly, our present opinion on the March 31, 1976 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Schmid Laboratories, Inc. and Subsidiaries at March 31, 1977 and 1976, and the results of their operations and changes in their financial position for the two years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Alexander Grant & Company

New York, New York
May 20, 1977

Schmid Laboratories, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEET

March 31, 1977 and 1976

ASSETS	1977	1976	LIABILITIES	1977	1976
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	\$ 229,179	\$ 361,439	Current maturities of long-term debt (Note H)	\$ 413,500	\$ 413,391
Accounts receivable			Notes payable to banks (Note F)	1,330,960	814,444
Customers (less allowances of \$180,000 in 1977 and \$150,000 in 1976)	2,060,847	1,835,890	Loans payable - parent company (Note G)	500,000	1,500,000
Affiliates	161,667	300,600	Accounts payable	650,515	370,162
Other	102,430	183,139	Due to affiliates	69,168	366,064
	2,324,944	2,319,629	Accrued liabilities	415,328	562,066
Inventories (Notes A-2 and B)	3,262,082	3,004,781	Total current liabilities	3,379,471	4,026,127
Advances to suppliers and other	799,575	810,166			
Total current assets	6,615,780	6,496,015	LONG-TERM DEBT, net of current maturities (Note H)	5,030,709	5,527,752
			COMMITMENTS AND CONTINGENCIES		
PROPERTY, PLANT AND EQUIPMENT - AT COST (Notes A-3, C and H)	5,261,730	5,474,885	(Notes K, M, N and O)		
			STOCKHOLDER'S EQUITY		
INTANGIBLE AND OTHER ASSETS (Notes A-6, D and E)	2,553,388	2,585,974	Capital stock - par value \$1, authorized, 20,000 shares; issued and outstanding, 4,500 shares	4,500	4,500
	\$14,430,898	\$14,556,874	Additional contributed capital	4,495,500	4,495,500
			Retained earnings	1,520,718	502,995
				6,020,718	5,002,995
				\$14,430,898	\$14,556,874

The accompanying notes are an integral part of this statement.

Schmid Laboratories Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS

Year ended March 31

	1977	1976
Net sales (Note J)	\$17,842,059	\$13,705,462
Cost of goods sold (Note J)	<u>9,805,935</u>	<u>7,895,673</u>
Gross profit	8,036,124	5,809,789
Operating expenses		
Selling, advertising and sales promotion	4,755,404	3,962,068
General and administrative	1,879,894	1,450,177
Research and development	<u>215,939</u>	<u>218,156</u>
	<u>6,851,237</u>	<u>5,630,401</u>
Operating profit	<u>1,184,887</u>	<u>179,388</u>
Other income (expenses)		
Interest	(260,685)	(352,637)
Gain on foreign exchange (Note L)	99,227	404,684
Royalties, net	17,095	110,583
Amortization of goodwill - "Pearson" (Note A-6)	(54,228)	(54,228)
Miscellaneous	<u>103,427</u>	<u>129,119</u>
	<u>(95,164)</u>	<u>237,521</u>
Earnings before income taxes and extraordinary credit	1,089,723	416,909
Income taxes (Notes A-4 and I)		
Federal	502,000	196,000
State	<u>72,000</u>	<u>35,116</u>
	<u>574,000</u>	<u>231,116</u>
Earnings before extraordinary credit	515,723	185,793
Extraordinary credit		
Tax benefit arising from carry-forward of prior year's operating loss (Note I)	<u>502,000</u>	<u>196,000</u>
NET EARNINGS	<u>\$ 1,017,723</u>	<u>\$ 381,793</u>

The accompanying notes are an integral part of this statement.

Schmid Laboratories, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
Year ended March 31

	<u>1977</u>	<u>1976</u>
Retained earnings at beginning of year	\$ 502,995	\$121,202
Net earnings for the year	<u>1,017,723</u>	<u>381,793</u>
Retained earnings at end of year	<u>\$1,520,718</u>	<u>\$502,995</u>

The accompanying notes are an integral part of this statement.

Schmid Laboratories, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION

Year ended March 31

	<u>1977</u>	<u>1976</u>
Sources of working capital		
From operations		
Earnings before extraordinary credit	\$ 515,723	\$ 185,793
Charges (credits) to earnings not using (providing) working capital		
Depreciation	432,247	426,660
Amortization of intangible assets	80,621	83,421
Foreign exchange gain relating to long-term debt	<u>(53,900)</u>	<u>(155,100)</u>
Working capital provided from operations before extraordinary credit	974,691	540,774
Extraordinary credit	<u>502,000</u>	<u>196,000</u>
Working capital provided from operations	1,476,691	736,774
Other	<u>16,325</u>	
	<u>1,493,016</u>	<u>736,774</u>
Applications of working capital		
Current maturities of long-term debt	413,500	413,391
Additions to fixed assets, net	219,092	209,769
Other	<u>94,003</u>	<u>81,597</u>
	<u>726,595</u>	<u>704,757</u>
INCREASE IN WORKING CAPITAL	766,421	32,017
Working capital at beginning of year	<u>2,469,888</u>	<u>2,437,871</u>
Working capital at end of year	<u>\$3,236,309</u>	<u>\$2,469,888</u>

Schmid Laboratories, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION (continued)

Year ended March 31

	<u>1977</u>	<u>1976</u>
Changes in components of working capital		
Increase (decrease) in current assets		
Cash	\$ (132,260)	\$ (52,214)
Accounts receivable, net	5,315	(69,813)
Inventories	257,301	(576,062)
Advances to suppliers and other	<u>(10,591)</u>	<u>(236,187)</u>
	<u>119,765</u>	<u>(934,276)</u>
(Increase) decrease in current liabilities		
Current maturities of long-term debt	(109)	(1,088)
Notes payable to banks	(516,516)	1,736,130
Loans payable - parent company	1,000,000	(1,500,000)
Accounts payable, due to affiliates and accrued liabilities	<u>163,281</u>	<u>731,251</u>
	<u>646,656</u>	<u>966,293</u>
INCREASE IN WORKING CAPITAL	<u>\$ 766,421</u>	<u>\$ 32,017</u>

The accompanying notes are an integral part of this statement.

Schmid Laboratories, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1977 and 1976

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

1. Principles of Consolidation

The consolidated financial statements include the accounts of Schmid Laboratories, Inc. and its wholly-owned subsidiaries. Significant intercompany transactions have been eliminated in consolidation.

2. Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally by the first-in, first-out method.

3. Depreciation

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on a straight-line basis.

4. Income Taxes

The Company accounts for investment tax credits under the flow-through method. Under this method, credits are recognized as a reduction of income tax expense in the year the investment tax credits are utilized.

5. Translation of Foreign Operations

The Company follows the Financial Accounting Standards Board Statement No. 8 which generally provides for translation as follows: current assets, except inventories, and liabilities are translated into United States dollars at fiscal year-end rates of exchange; inventories and property, plant and equipment and related accumulated depreciation are translated at rates existing at acquisition dates; and operating accounts, except for depreciation, are translated at average rates of exchange during the year. Gains and losses resulting from translations and exchange realignments are credited or charged to income.

Schmid Laboratories, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 1977 and 1976

NOTE A (continued)

6. Intangible Assets (Note D)

Goodwill and trademarks acquired prior to November 1970 are not being amortized since, in the opinion of management, there has been no decrease in value.

Certain costs of patents and trademarks are capitalized and are amortized ratably over their estimated useful lives or statutory lives, whichever is shorter.

Cost in excess of net assets of "Pearson" business acquired is being amortized ratably over a period of forty years.

NOTE B - INVENTORIES

Inventories consist of:

	March 31,	
	1977	1976
Raw materials and supplies	\$ 969,228	\$ 716,713
Work in process	1,036,616	1,515,725
Finished goods	1,256,238	772,343
	<u>\$3,262,082</u>	<u>\$3,004,781</u>

NOTE C - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of:

	March 31,	
	1977	1976
Buildings and improvements	\$ 4,129,858	\$ 4,066,252
Machinery and equipment	5,968,812	5,927,474
Other	437,946	400,358
	<u>10,536,616</u>	<u>10,394,084</u>
Less accumulated depreciation	<u>5,600,866</u>	<u>5,245,179</u>
	4,935,750	5,148,905
Land	325,980	325,980
	<u>\$ 5,261,730</u>	<u>\$ 5,474,885</u>

Schmid Laboratories, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 1977 and 1976

NOTE D - INTANGIBLE AND OTHER ASSETS

Intangible and other assets consist of:

	March 31,	
	1977	1976
Nonamortizable goodwill and trademarks - at cost	\$ 401,134	\$ 401,134
Amortizable patents, licenses and trademarks - at cost, net of accumulated amortization of \$241,406 in 1977 and \$215,012 in 1976	197,906	218,329
Cost in excess of net assets of "Pearson" business acquired, net of accumulated amortization of \$280,178 in 1977 and \$225,950 in 1976	1,888,832	1,943,060
Investment in joint venture (Note E)	58,391	
Other	7,125	23,451
	<u>\$2,553,388</u>	<u>\$2,585,974</u>

NOTE E - INVESTMENT IN JOINT VENTURE

During 1976, New Zealand Surgical Sutures Ltd. (NZSS) was organized and the Company purchased 20% of its stock at a cost of \$20,570. The Company has also made advances to NZSS aggregating \$37,821.

The Company has not recorded any equity in operations of this joint venture, since operations through March 31, 1977 have not been significant.

Schmid Laboratories, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 1977 and 1976

NOTE F - NOTES PAYABLE TO BANKS

The Company has a bank overdraft agreement for its New Zealand division for \$480,000 and \$764,000 at March 31, 1977 and 1976, respectively. The overdraft was \$230,960 and \$814,444 at March 31, 1977 and 1976, respectively, and is collateralized by liens against the New Zealand land, building and equipment.

In addition, the Company has a \$2,000,000 unsecured revolving credit line with a bank. The Company has the option of borrowing at 1/4% above the bank's prime rate in New York or at 1% above the Eurodollar rate in London. At March 31, 1977, \$1,100,000 was outstanding; at March 31, 1976, no amounts were outstanding. Borrowings under this line are guaranteed by LRC International Limited. The Company has agreed to maintain compensating balances of 10% of outstanding borrowings.

NOTE G - LOANS PAYABLE - PARENT COMPANY

Loans payable - parent company bear interest at 1% over the Eurodollar rate in London. The interest rate at March 31, 1977 was 6.7%.

NOTE H - LONG-TERM DEBT

Long-term debt consists of the following:

	March 31,	
	1977	1976
Demand notes - parent	\$2,473,000	\$2,526,900
4% note - parent	1,250,000	1,250,000
Note payable to bank	1,200,000	1,600,000
8-1/2% mortgage note	521,209	534,598
Other		29,645
	<u>5,444,209</u>	<u>5,941,143</u>
Less current maturities	<u>413,500</u>	<u>413,391</u>
	<u>\$5,030,709</u>	<u>\$5,527,752</u>

Schmid Laboratories, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 1977 and 1976

NOTE H (continued)

The demand notes - parent are noninterest bearing and consist of a £275,000 note payable in Pounds Sterling (translated as \$473,000 at March 31, 1977) and a \$2,000,000 note payable in U. S. dollars. LRC International Limited has indefinitely postponed repayment of these notes.

The 4% note - parent is payable on November 1, 1983. LRC International Limited has waived its right to collect interest for years ended April 30, 1972 through 1978.

The note payable to bank is unsecured and payable in semiannual installments of \$200,000, final maturity October 15, 1979. Interest is payable monthly at 1/2% over the bank's prime rate (6.75% effective rate at March 31, 1977). The loan agreement requires the Company to maintain compensating balances of 12% of outstanding borrowings.

The mortgage note is payable in monthly installments of \$4,860, including interest, final installment payable February 1, 1994. The mortgage is collateralized by the Company's office building and the land on which it is located in Little Falls, New Jersey.

NOTE I - INCOME TAXES

The Company has a net operating loss carryover for Federal income tax purposes of approximately \$560,000, expiring in 1980 and investment tax credit carryovers of approximately \$73,000 expiring from 1980 to 1984.

NOTE J - TRANSACTIONS WITH AFFILIATES

The Company is a wholly-owned subsidiary of LRC International Limited, and as such has numerous dealings with its parent and other companies in the LRC group. During the two years ended March 31, 1977, the major transactions were:

	<u>1977</u>	<u>1976</u>
Sales to affiliates	\$807,877	\$673,936
Purchases from affiliates	573,331	460,263

Schmid Laboratories, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 1977 and 1976

NOTE K - PENSION PLANS

The Company has in effect two pension plans covering substantially all of its employees. The Company's policy is to amortize past service costs over a forty-year period and to fund pension costs accrued.

The total pension expense for 1977 and 1976 was \$85,000 and \$78,000, respectively. At the latest valuation dates, the present value of vested benefits for both plans was \$527,000 in excess of plan assets.

NOTE L - GAIN ON FOREIGN EXCHANGE

During the two years ended March 31, 1977, both the Pound Sterling and the New Zealand dollar lost value in relationship to the United States dollar.

The recognized gain on foreign exchange results substantially from the translation to United States dollars of the note payable in Pounds Sterling to the Company's parent and from the note payable to bank in New Zealand dollars. Translation of these notes to United States dollars resulted in gains of approximately \$54,000 and \$31,000, respectively, in 1977 and \$155,000 and \$160,000, respectively, in 1976.

NOTE M - LEASES

Total rental expense for 1977 and 1976 was approximately \$283,000 and \$263,000, respectively.

Automobiles are usually leased for periods of 24 months; such rentals approximate \$206,000 per annum. At March 31, 1977, under existing lease arrangements, the Company is obligated for remaining rentals of approximately \$165,000 in 1978 and \$52,000 in 1979.

Schmid Laboratories, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 1977 and 1976

NOTE M (continued)

The Company is obligated under other leases as follows:

Former office space - approximately \$40,000 per year through 1981, less approximately \$20,000 per year of sublease income.

Data processing equipment - approximately \$50,000 per year through 1980.

NOTE N - LITIGATION

In March 1976 an action was filed against the Company in connection with a distribution agreement seeking approximately \$750,000 in compensatory damages and \$1,000,000 in punitive damages.

In March 1977, the Company entered into a new distribution agreement with the plaintiff and the action was dismissed at no material cost to the Company.

NOTE O - CONTINGENCIES

Because management felt that increases in insurance premiums were excessive, during March 1977 the Board of Directors decided not to renew the product liability insurance policy for the intra-uterine contraceptive device known as Saf-T-Coil. Under the terms of the policy, all claims made for incidents which occurred prior to April 1977 will continue to be insured, subject to a maximum \$50,000 deductible per incident.

In February 1977, the Board of Directors voted to recommend to the parent company the expansion of certain manufacturing facilities. While no contractual commitments have been entered into, it is management's estimate that the related capital expenditures would approximate \$2,000,000.

Schmid Laboratories, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 1977 and 1976

NOTE O (continued)

The Company guarantees, up to a maximum of NZ\$100,000 (US\$96,000) at March 31, 1977, one half of the bank overdraft of New Zealand Surgical Sutures Ltd. The overdraft was \$89,506 at March 31, 1977.

SUPPLEMENTAL INFORMATION

AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Schmid Laboratories, Inc.

The basic consolidated financial statements of Schmid Laboratories, Inc. and Subsidiaries for the two years ended March 31, 1977 and 1976, and our report thereon, are presented in the preceding section of this report. Our examination was made primarily to enable us to express an overall opinion on those financial statements. The supplemental statements and schedules presented hereinafter have been translated in accordance with instructions from the auditors of the Company's parent, LRC International Limited, to Pounds Sterling at \$1.72 at March 31, 1977 and \$1.92 at March 31, 1976, which is not in accordance with the foreign currency translations requirements of the Financial Accounting Standards Board Statement No. 8. The supplemental statements and schedules are not considered essential for a fair presentation of financial position, results of operations, and changes in financial position, but are presented solely as supplementary information and have been subjected to the audit procedures applied in the examination of the basic consolidated financial statements. In our opinion, the supplemental statements and schedules are fairly stated, after giving effect to the translation into Pounds Sterling as noted above, in all material respects in relation to the basic consolidated financial statements taken as a whole.

Alexander Grant & Company

New York, New York
May 20, 1977

Schmid Laboratories, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEET

March 31, 1977 and 1976

ASSETS	Converted to £ Sterling	
	\$1.72 in 1977	\$1.92 in 1976
CURRENT ASSETS		
Cash	£ 133,244	£ 188,642
Accounts receivable		
Customers (less allowances of £104,651 in 1977 and £78,125 in 1976)	1,198,167	958,189
Affiliates	93,992	156,889
Other	59,552	95,584
	1,351,711	1,210,662
Inventories	1,896,559	1,568,257
Advances to suppliers and other	464,869	422,843
Total current assets	3,846,383	3,390,404
PROPERTY, PLANT AND EQUIPMENT - AT COST	3,059,145	2,857,456
INTANGIBLE AND OTHER ASSETS	1,484,528	1,349,673
	<u>£8,390,056</u>	<u>£7,597,533</u>
LIABILITIES		
CURRENT LIABILITIES		
Current maturities of long-term debt	£ 240,407	£ 215,757
Notes payable to banks	773,814	425,075
Loans payable - parent company	290,697	782,881
Accounts payable	378,206	193,195
Due to affiliates	40,214	191,057
Accrued liabilities	241,470	293,354
Total current liabilities	1,964,808	2,101,319
LONG-TERM DEBT, NET	2,924,831	2,885,048
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDER'S EQUITY		
Capital stock - par value \$1, authorized, 20,000 shares; issued and outstanding, 4,500 shares	2,616	2,349
Additional contributed capital	2,613,663	2,346,294
Retained earnings	884,138	262,523
	<u>3,500,417</u>	<u>2,611,166</u>
	<u>£8,390,056</u>	<u>£7,597,533</u>

Schmid Laboratories, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS

Year ended March 31

	Converted to £ Sterling	
	\$1.72 in 1977	\$1.92 in 1976
Net sales	£10,373,290	£7,153,164
Cost of goods sold	<u>5,701,125</u>	<u>4,120,915</u>
Gross profit	4,672,165	3,032,249
Operating expenses		
Selling, advertising and sales promotion	2,764,770	2,067,885
General and administrative	1,092,961	756,878
Research and development	<u>125,546</u>	<u>113,860</u>
	<u>3,983,277</u>	<u>2,938,623</u>
Operating profit	<u>688,888</u>	<u>93,626</u>
Other income (expenses)		
Interest	(151,561)	(184,049)
Gain on foreign exchange	57,690	211,213
Royalties, net	9,939	57,716
Amortization of goodwill - "Pearson"	(31,528)	(28,303)
Miscellaneous	<u>60,132</u>	<u>67,390</u>
	<u>(55,328)</u>	<u>123,967</u>
Earnings before income taxes and extraordinary credit	633,560	217,593
Income taxes		
Federal	291,860	102,296
State	<u>41,860</u>	<u>18,327</u>
	<u>333,720</u>	<u>120,623</u>
Earnings before extraordinary credit	299,840	96,970
Extraordinary credit		
Tax benefit arising from carryforward of prior year's operating loss	<u>291,860</u>	<u>102,296</u>
NET EARNINGS	<u>£ 591,700</u>	<u>£ 199,266</u>

Schmid Laboratories, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
Year ended March 31

	<u>Converted to £ Sterling</u>	
	<u>\$1.72 in</u> <u>1977</u>	<u>\$1.92 in</u> <u>1976</u>
Retained earnings at beginning of year	£292,438	£ 63,257
Net earnings for the year	<u>591,700</u>	<u>199,266</u>
Retained earnings at end of year	<u>£884,138</u>	<u>£262,523</u>

Schmid Laboratories, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION

Year ended March 31

	Converted to £ Sterling	
	\$1.72 in 1977	\$1.92 in 1976
Sources of working capital		
From operations		
Earnings before extraordinary credit	£ 299,840	£ 96,970
Charges (credits) to earnings not using (providing) working capital		
Depreciation	251,306	222,683
Amortization of intangible assets	46,872	43,538
Foreign exchange gain relating to long-term debt	(31,337)	(80,950)
Working capital provided from operations before extraordinary credit	566,681	282,241
Extraordinary credit	291,860	102,296
Working capital provided from operations	858,541	384,537
Other	9,491	
	868,032	384,537
Applications of working capital		
Current maturities of long-term debt	240,407	215,757
Additions to fixed assets, net	127,379	109,483
Other	54,653	42,587
	422,439	367,827
INCREASE IN WORKING CAPITAL	445,593	16,710
Working capital at beginning of year	1,435,981	1,272,375
Working capital at end of year	£1,881,574	£1,289,085

Schmid Laboratories, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION (continued)

Year ended March 31

	Converted in £ Sterling	
	\$1.72 in 1977	\$1.92 in 1976
Changes in components of working capital		
Increase (decrease) in current assets		
Cash	£ (76,895)	£ (27,252)
Accounts receivable, net	3,090	(36,437)
Inventories	149,593	(300,659)
Advances to suppliers and other	(6,158)	(123,270)
	<u>69,630</u>	<u>(487,618)</u>
(Increase) decrease in current liabilities		
Current maturities of long-term debt	(63)	(568)
Notes payable to banks	(300,300)	906,122
Loans payable - parent company	581,395	(782,881)
Accounts payable, due to affiliates and accrued liabilities	<u>94,931</u>	<u>381,655</u>
	<u>375,963</u>	<u>504,328</u>
INCREASE IN WORKING CAPITAL	£ <u>445,593</u>	£ <u>16,710</u>

Schmid Laboratories, Inc. and Subsidiaries

SCHEDULE OF INVENTORIES

March 31, 1977 and 1976

	Converted to £ Sterling	
	<u>\$1.72 in</u> <u>1977</u>	<u>\$1.92 in</u> <u>1976</u>
Raw materials and supplies	£ 563,504	£ 374,067
Work in process	602,684	791,088
Finished goods	<u>730,371</u>	<u>403,102</u>
	<u>£1,896,559</u>	<u>£1,568,257</u>

Schmid Laboratories, Inc. and Subsidiaries

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

March 31, 1977 and 1976

	Converted to £ Sterling	
	\$1.72 in 1977	\$1.92 in 1976
Buildings and improvements	£2,401,080	£2,122,261
Machinery and equipment	3,470,239	3,045,529
Other	<u>254,620</u>	<u>257,097</u>
	6,125,939	5,424,887
Less accumulated depreciation	<u>3,256,317</u>	<u>2,737,567</u>
	2,869,622	2,687,320
Land	<u>189,523</u>	<u>170,136</u>
	<u>£3,059,145</u>	<u>£2,857,456</u>

Schmid Laboratories, Inc. and Subsidiaries

SCHEDULE OF INTANGIBLE AND OTHER ASSETS

March 31, 1977 and 1976

	Converted to £ Sterling	
	<u>\$1.72 in</u> <u>1977</u>	<u>\$1.92 in</u> <u>1976</u>
Nonamortizable goodwill and trademarks - at cost	£ 233,217	£ 209,360
Amortizable patents, licenses and trademarks - at cost, net of accumulated amortization of £140,352 in 1977 and £111,985 in 1976	115,062	113,950
Cost in excess of net assets of "Pearson" business acquired, net of accumulated amortization of £162,894 in 1977 and £117,682 in 1976	1,098,159	1,014,123
Investments	33,948	
Other	<u>4,142</u>	<u>12,240</u>
	<u>£1,484,528</u>	<u>£1,349,673</u>

McNAIR, KONDUROS, CORLEY, SINGLETARY & DIBBLE

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HILTON HEAD ISLAND, S.C.

29928

803-785-5169

RICHARD S. WOODS

December 20, 1977

Mr. William A. McInnis
Wade Hampton Office Building
Columbia, South Carolina 29211

Dear Mr. McInnis:

The following list of items are being hand delivered to you today regarding the Anderson County Industrial Development Bond Issue for Schmid Laboratories, Inc.

- (1) Bond Purchase Agreement (One Copy);
- (2) Minutes of the State Budget and Control Board
(An original and ten copies);
- (3) Exhibit "A" (An original and ten copies);
- (4) Resolution (An original and ten copies).

Sincerely,

Brenton D. Jeffcoat
Brenton D. Jeffcoat

BDJ/dpj

STATE OF SOUTH CAROLINA)
COUNTY OF ANDERSON)

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

P E T I T I O N

This Petition of Anderson County, South Carolina (the "County"), pursuant to South Carolina Code Annotated, Title 4, Chapter 29 (1976) (the "Act"), and specifically Section 4-29-140 thereof, respectfully shows:

1. The County Council of Anderson County (the "County Council") is the governing body of the County and as such is the "County Board" of the County referred to in the Act.

2. The Act, among other things, empowers the County, subject to obtaining the approval of the State Budget and Control Board, pursuant to Section 4-29-140 of the Act: (i) To acquire, and, in connection with such acquisition, to enlarge, improve and expand, whether by construction, purchase, gift or lease, one or more projects which shall be located within the county; (ii) to lease to others any or all of its projects for such rentals and upon such terms and conditions as the county board may deem advisable and as shall not conflict with the provisions of this chapter; and (iii) to issue revenue bonds for the purpose of defraying the cost of acquiring, by construction and purchase, and in connection with any such acquisition, to enlarge, improve and expand any project, and to secure the payment of such bonds all as in the Act provided.

3. The County has agreed to assist Schmid Laboratories, Inc., a New Jersey corporation, qualified to do business as a foreign corporation in South Carolina (the "Corporation") by issuing its revenue bonds for the purpose of defraying the cost of acquiring certain facilities more fully described in Exhibit A to the Lease Agreement and Indenture of Mortgage and Deed of Trust attached hereto, located in the County (the "Project").

4. The County has been advised by the Corporation that the estimated cost of the Project will be \$2,000,000 and it has requested the County to issue and sell not exceeding \$2,000,000 First Mortgage Industrial Revenue Bonds, 1978 Series (Schmid Laboratories, Inc., Project) (the "Bonds") to defray such costs.

5. Pursuant to Section 4-29-60 of the Act, the County Council has made the requisite findings that: (i) the Project will subserve the purposes of the Act; (ii) the Project will give rise to no pecuniary liability of the County or a charge against its general credit or taxing power; (iii) the amount of Bonds required to finance the Project is \$2,000,000; (iv) the amount necessary in each year to pay the principal of and the interest on the Bonds proposed to be issued to finance the Project is as set forth Schedule A attached hereto; (v) the County does not deem it necessary to establish any reserve funds in connection with the retirement of the proposed bonds and the maintenance of the Project; and (vi) the terms under which the Project is to be leased provide that the Corporation shall maintain the Project and carry all proper insurance with respect thereto.

6. Pursuant to Section 4-29-140 of the Act, the County sets forth the following information:

(a) The Project, described in detail on Exhibit A to the Lease Agreement and Indenture of Mortgage and Deed of Trust submitted herewith, consists of land, buildings, improvements thereon, and certain other machinery, apparatus, equipment, office facilities and furnishings to be used in the manufacture, process and distribution of over the counter drugs, toiletries and health and beauty aids. It is anticipated that, upon completion, the Project will provide directly eighty additional full time jobs in the County and that the Project will provide stimulation to the economy of the County and areas adjacent thereto by increased payrolls, capital investment and tax revenues.

(b) It is estimated that the cost of the Project, including the items of cost authorized in the Act, will be \$2,000,000.

(c) Copies of the Lease Agreement and the Indenture of Mortgage and Deed of Trust are being submitted herewith. The following summary of terms and the basis for payments in lieu of interest is in no wise intended to affect or alter the actual terms of the documents themselves:

(i) The proposed Lease Agreement between the Corporation and the County provides in general:

(A) Proceeds derived from the sale of the Bonds, except accrued interest paid by the purchasers thereof, will be used and applied by the County upon request of the

Corporation solely for the payment of the costs (as that term is defined in the Act) incident to the acquisition, by construction and purchase, of the Project.

(B) Under the terms of the Lease Agreement, the Corporation obligates itself: to effect the completion of the Project if the proceeds derived from the sale of the Bonds prove insufficient therefor without diminution of any payments to the County required by the Lease Agreement; to pay rental in the amount necessary to meet the payments of principal of, interest and premium, if any, on the Bonds as the same become due; to pay the cost of maintaining and insuring the Project to the extent and in the manner provided in the Lease Agreement; and to make payments to the County, school district or districts, and other political subdivisions in lieu of taxes as more fully described below.

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

(ii) The proposed Indenture of Mortgage and Deed of Trust between the County and Wachovia Bank & Trust Company, N.A., as Trustee (the "Trustee"), provides in general:

(A) An irrevocable pledge and assignment for the benefit of the holders of the Bonds of the County's right, title and interest in and to the Project, the Lease Agreement and all payments, receipts and revenues which the County has

a right to receive under the Lease Agreement or any other lease or the sale of the Project (except payments and rights to payments of certain indemnification payments and administration expenses), and all the moneys and securities in funds created under the Indenture.

(B) The terms of the Bonds, the provisions for exchange and transfer of the Bonds, the redemption provisions, the means of disbursement and investment of the Bond proceeds, provisions for issuance of additional parity bonds, default provisions and remedies therefor and various other matters relating to the Bonds.

(C) That the execution of the Indenture imposes no pecuniary liability on the County and does not create a charge upon the general credit or taxing power of the County.

(D) That the Bonds shall mature and bear interest in the respective amounts and rates set forth below:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
1979	160,000	6.50	1986	120,000	6.75
1980	160,000	6.50	1987	120,000	6.75
1981	160,000	6.50	1988	120,000	6.75
1982	160,000	6.50	1989	120,000	6.75
1983	160,000	6.50	1990	120,000	6.75
1984	120,000	6.75	1991	120,000	6.75
1985	120,000	6.75	1992	120,000	6.75
			1993	120,000	6.75

The Bonds are also subject to redemption prior to maturity at the prices and under the conditions specified in the Indenture.

(iii) In the Lease Agreement, the Corporation has agreed to make payments in lieu of taxes as required by the Act. The Lease Agreement specifies that the Corporation and the County shall cooperate in having the Project appraised for such purposes and in making payments to the taxing authorities of the County and any school district or districts and other political units wherein the Project is located.

Upon the basis of the foregoing, the County respectfully prays that the State Budget and Control Board (i) accept the filing of this Petition and the documents submitted herewith, (ii) make such investigation as it deems advisable, (iii) if it finds that the Project is intended to promote the purposes of the Act and may be reasonably anticipated to effect such result, that it approve the Project and the proposed financing of the cost thereof by the County through the issuance of the Bonds pursuant to the Act (including changes in any details of the said financing as finally consummated which do not materially affect the undertaking of the County), and (iv) give published notice of its approval in the manner set forth in Section 4-29-140 of the Act.

Respectfully submitted,

ANDERSON COUNTY, SOUTH CAROLINA

Dated: December __, 1977

By _____
C. Edward Poore
County Supervisor and
Chairman of the Anderson
County Council

(SEAL)

ATTEST:

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

SCHEDULE A

PAYMENTS OF PRINCIPAL AND INTEREST for ANDERSON COUNTY, SOUTH CAROLINA, FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, 1978 SERIES (SCHMID LABORATORIES, INC., PROJECT)

<u>Date</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Annual Totals</u>
7/1/78	-0-	\$66,500	\$ 66,500
1/1/79	\$160,000	66,500	
7/1/79	-0-	63,300	289,800
1/1/80	160,000	63,300	
7/1/80	-0-	56,100	279,400
1/1/81	160,000	56,100	
7/1/81	-0-	50,900	267,000
1/1/82	160,000	50,900	
7/1/82	-0-	45,700	256,600
1/1/83	160,000	45,700	
7/1/83	-0-	40,500	246,200
1/1/84	120,000	40,500	
7/1/84	-0-	36,450	196,950
1/1/85	120,000	36,450	
7/1/85	-0-	32,400	188,850
1/1/86	120,000	32,400	
7/1/86	-0-	28,350	180,750
1/1/87	120,000	28,350	
7/1/87	-0-	24,300	172,650
1/1/88	120,000	24,300	
7/1/88	-0-	20,250	164,550
1/1/89	120,000	20,250	
7/1/89	-0-	16,200	156,450
1/1/90	120,000	16,200	
7/1/90	-0-	12,150	148,350
1/1/91	120,000	12,150	
7/1/91	-0-	8,100	140,250
1/1/92	120,000	8,100	
7/1/92	-0-	4,050	132,150
1/1/93	120,000	4,050	124,050

LEASE

Between

ANDERSON COUNTY, SOUTH CAROLINA

AND

SCHMID LABORATORIES, INC.

January 1, 1978

DRAFT OF DECEMBER 2, 1977

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LEASE

THIS LEASE, dated as of January 1, 1978, between ANDERSON COUNTY, SOUTH CAROLINA, a body politic and corporate and a political subdivision of the State of South Carolina (hereinafter called the "County"), party of the first part, and Lessor; and SCHMID LABORATORIES, INC., a corporation organized and existing under the laws of the State of New Jersey and qualified to conduct its business in South Carolina (hereinafter called the "Corporation"), party of the second part and the Tenant.

W I T N E S S E T H:

WHEREAS, South Carolina Code Annotated, Title 4, Chapter 29, (1976) (the "Act") empowers the several counties of the State of South Carolina to acquire, enlarge, improve and expand one or more projects (as defined in the Act), to lease any or all of their projects in furtherance of the purposes of the Act, and to issue their revenue bonds secured by a pledge of the revenues derived from projects to defray the cost of acquiring, enlarging, improving or expanding such projects by construction and purchase; and

00 WHEREAS, as inducement for the Corporation to locate
01 and remain in the County, the County has agreed to issue its
02 revenue bonds for the purpose of defraying the cost of acquir-
03 ing certain land and constructing thereon a building, (the "Pro-
04 ject") and to lease the Project so acquired to the Corporation
05 in accordance with the terms and conditions hereinafter set forth;
06 and

07

08 WHEREAS, the County by due corporate action has author-
09 ized the issuance of Two Million Dollars (\$2,000,000) aggregate
10 principal amount of its First Mortgage Industrial Revenue Bonds,
11 1978 Series (Schmid Laboratories, Inc., Project) pursuant to
12 the Act in order to defray the costs of the acquiring by con-
13 struction and purchase the Project to be located in the County
14 and to enter into this Lease Agreement with the Corporation on
15 the terms and conditions herein set forth.

16

17 NOW, THEREFORE, IN CONSIDERATION of the respective
18 representations and agreements hereinafter contained, the County
19 demises and leases to the Corporation, and the Corporation leases
20 from the County, the Project for the rental and term and subject
21 to the other agreements, conditions and covenants set forth
22 herein as follows:

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ARTICLE I

DEFINITIONS

The terms defined in this Article I shall for all purposes of this Agreement have the meanings herein specified unless the context clearly otherwise requires. Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa.

"Act" shall mean South Carolina Code Annotated, Title 4, Chapter 29 (1976), and all future acts supplemental thereto or amendatory thereof.

"Additional Bonds" shall mean any Bonds of any Series other than the 1978 Series Bonds, duly authenticated and delivered pursuant to the Indenture.

"Administration Expenses" shall mean the reasonable and necessary expenses incurred by the County with respect to this Agreement, the Indenture and the acquisition of the Project, and the compensation and expenses paid to or incurred by the Trustee and any paying agent under this Agreement or the Indenture.

00 "Agreement" shall mean this Lease Agreement dated as
01 of January 1, 1978, between the County and the Corporation, and
02 any and all modifications, alterations, amendments and supplements
03 hereto made in accordance with the provisions hereof and of the
04 Indenture.

05

06 "Authorized Corporation Representative" shall mean any
07 person at the time designated to act on behalf of the Corpora-
08 tion by a written certificate furnished to the County and the
09 Trustee containing the specimen signature of such person and
10 signed on behalf of the Corporation by its President or one or
11 more of its Vice Presidents or its Treasurer or its Secretary or
12 one of its Assistant Secretaries. Such Certificate may designate
13 an alternate or alternates, and may designate different Authorized
14 Corporation Representatives to act for the Corporation with
15 respect to different sections of this Agreement and the Indenture.
16 An Authorized Corporation Representative may be an employee of
17 the Corporation.

18

19 "Bond" or "Bonds" shall mean any bond or all the bonds,
20 as the case may be, authorized and issued by the County, authen-
21 ticated by the Trustee and delivered under the Indenture.

22

23 "Bondholder" or "holder of the Bonds" or "holder"
24 shall mean the Registered Owner (as defined in the Indenture)
25 of any Bond.

26

27

00 "Bond Fund" shall mean the fund created under Section
01 5.01 of the Indenture.

02

03 "Completion Date" shall mean the date of completion
04 of the acquisition, construction and installation of the Pro-
05 ject, as that date shall be certified pursuant to Section 3.05
06 of this Agreement.

07

08 "Construction Fund" shall mean the fund created under
09 Section 4.01 of the Indenture.

10

11 "Corporation" shall mean Schmid Laboratories, Inc., a
12 New Jersey corporation, or any corporation which is the surviv-
13 ing, resulting or transferee corporation in any merger, con-
14 solidation or transfer of assets permitted under Section 5.01 of
15 this Agreement or any vendee, lessee or assignee of the Corpora-
16 tion, as provided in Section 6.01 of this Agreement.

17

18 "Cost" in respect of the Project shall be deemed to
19 include (a) obligations incurred for land, labor and materials
20 and other expenses to contractors, builders and materialmen in
21 connection with the acquisition, construction and installation
22 of the Project or the rebuilding, repair or restoration thereof

23

00 after any damage, loss or condemnation of any portion thereof;
01 (b) the costs of contract bonds and of insurance of all kinds that
02 may be required or necessary during the course of construction of
03 the Project which are not paid by the contractor or contractors
04 or otherwise provided for; (c) the expenses for test borings,
05 surveys, test and pilot operations, estimates, plans and speci-
06 fications and preliminary investigations therefor, and for
07 supervising construction, as well as for the performance of all
08 other duties required by or reasonably necessary for the acquisi-
09 tion, construction and installation of the Project; (d) legal,
10 accounting, financial and printing expenses, fees and all other
11 expenses incurred in connection with the issuance of the Bonds;
12 (e) all other costs required to be paid under the terms of any
13 contract or contracts for the acquisition, construction and
14 installation of the Project; and (f) any sums required to reimburse
15 the Corporation for advances made by it for any of the above items,
16 or for any other work done by, and costs incurred by, the Corpo-
17 ration which are properly chargeable to a capital account with
18 respect to the Project.

19

20

00 "Counsel" shall mean an attorney at law or firm of
01 attorneys (who may be an employee of, or counsel to, the County
02 or the Corporation) qualified to pass on the particular matter
03 and not unsatisfactory to the Trustee.

04

05 "County" shall mean Anderson County, South Carolina,
06 a body politic and corporate and a political subdivision of the
07 State of South Carolina.

08

09 "Event of Default" with reference to this Agreement
10 shall mean any of the occurrences described in Section 7.01 of
11 this Agreement.

12

13 "Indenture" shall mean the Indenture of Mortgage and
14 Deed of Trust securing the Bonds dated as of January 1, 1978,
15 between the County and the Trustee, as the same may be amended
16 or supplemented in accordance with the terms thereof.

17

18 "Interest Payment Date" shall mean any date on which
19 the interest on any Bonds shall be payable whether such date is
20 a regular payment date prescribed by the Indenture or the result
21 of mandatory or optional redemption, acceleration or purchase.

22

23 The terms "outstanding under the Indenture" or "out-
24 standing thereunder" or "outstanding", when used with reference

25 to the Bonds shall mean, except as otherwise provided in Sections
26 8.03 and 12.03 of the Indenture and Section 9.04 of this Agreement
27 at any date as of which the amount of outstanding Bonds is to be
28 determined, the aggregate of all Bonds authorized, issued, authen-
29 ticated and delivered under the Indenture, except:

30

31 (a) Bonds cancelled or surrendered to the Trustee
32 for cancellation pursuant to Section 2.09 of the Indenture
33 on or prior to such date;

34

35 (b) Bonds for the payment of which cash or securi-
36 ties shall have been theretofore deposited with the
37 Trustee in accordance with Section 13.02 of the Indenture
38 in an amount equal to the principal amount thereof and
39 interest thereon to maturity;

40

41 (c) Bonds for the redemption of which cash or secur-
42 ities shall have been theretofore deposited with the
43 Trustee in accordance with Section 13.02 of the Indenture
44 and notice of such redemption has been given or provision
45 satisfactory to the Trustee shall have been made therefor
46 as required in Article VII of the Indenture; and

47

48

00 (d) Bonds in lieu of or in substitution for which
01 other Bonds shall have been authenticated and delivered
02 pursuant to the Indenture unless proof satisfactory to the
03 Trustee and the Corporation is presented that any such
04 Bond is held by a bona fide holder in due course.

05

06 In determining whether the holders of the requisite
07 aggregate principal amount of Bonds outstanding have concurred
08 in any request, demand, authorization, direction, notice, con-
09 sent or waiver under this Agreement, Bonds which are owned by
10 the Corporation or the County shall be disregarded and deemed
11 not to be outstanding for the purpose of any such determina-
12 tion; provided, however, that for the purpose of determining
13 whether the Trustee shall be protected in relying upon any such
14 request, demand, authorization, direction, notice, consent or
15 waiver, only Bonds which the Trustee knows to be so owned shall
16 be so disregarded.

17

18 "Permitted Encumbrances" shall mean, as of any particu-
19 lar time, (i) liens for ad valorem taxes and special assessments
20 not then delinquent, (ii) this Agreement and the Indenture,
21 (iii) utility, access and other easements and rights of way,
22 flood rights, leases, subleases, restrictions and exceptions that
23 an architect, engineer or surveyor acceptable to the Trustee, and
24 an Authorized Corporation Representative each certify will not

25 interfere with or impair the operations being conducted in the
26 Project (or, if no operations are being conducted therein, the
27 operations for which the Project was designed or last modified),
28 (iv) such minor defects, irregularities, encumbrances, easements,
29 rights of way, and clouds on title as normally exist with respect
30 to properties similar in character to the Project and as do not
31 in the opinion of Counsel, materially impair the property affected
32 thereby for the purposes for which it was acquired or is held by
33 the County, (v) mechanic's and materialman's liens not filed or
34 perfected in the manner prescribed by law in effect on the date
35 hereof or otherwise, and (vi) any mortgage, lease or security
36 interest with respect to machinery, furnishings, equipment and
37 apparatus to be installed in but not a part of the Project.

38

39 "Person", whether upper or lower case, shall mean an
40 individual, a corporation, a partnership, an association, a joint
41 stock company, a trust, any unincorporated organization or a
42 government or political subdivision thereof.

43

44 "Plans and Specifications" shall mean the plans and
45 specifications prepared for the Project, on file at the Project,
46 as the same may be implemented and detailed from time to time
47 and as the same may be revised from time to time prior to the
48 completion of construction of the Project in accordance with

49

00 this Agreement. The Plans and Specifications shall be made
01 available to the Trustee and the County for inspection at such
02 times as the Trustee and the County may reasonably request.

03

04 "Principal Payment Date" shall mean any date on
05 which the principal of any Bonds shall become due whether by
06 maturity, redemption, acceleration or purchase.

07

08 "Project" shall mean any land, buildings, other
09 improvements, and all machinery, apparatus, equipment,
10 office facilities and furnishings described in Exhibit A to
11 this Agreement, including any modifications thereof, substi-
12 tutions therefor and additions thereto and excluding dele-
13 tions therefrom, all as provided by the Plans and Specifica-
14 tions, and any replacements, substitutions or modifications
15 made by the Corporation after the Completion Date.

16

17 "Rental Payment Date" shall mean each date desig-
18 nated as such under Section 4.01 of this Agreement.

19

20 "Series" or "Series of Bonds" shall mean all of the
21 Bonds authenticated and delivered upon original issuance in a
22 simultaneous transaction, and any Bonds thereafter authenticated
23 and delivered in lieu of or in substitution for such Bonds,
24 pursuant to the provisions of this Indenture, regardless of
25 variations in maturity, interest rate or other provisions.

26

27 "Trustee" shall mean Wachovia Bank & Trust Company,
28 N.A. (and its corporate successors) as Trustee under the Inden-
29 ture, and its successor or successors as such Trustee.

30

31 "1978 Series Bond" or "Bonds" shall mean any one or
32 all of the Two Million Dollars (\$2,000,000) aggregate principal
33 amount of the County's First Mortgage Industrial Revenue Bonds,
34 1978 Series (Schmid Laboratories, Inc., Project) authorized and
35 issued by the County and authenticated and delivered by the
36 Trustee under the Indenture.

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ARTICLE II

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02

REPRESENTATIONS; WARRANTIES; FINDINGS

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08

(a) The County is a political subdivision of the
09 State of South Carolina;

10

11

(b) The County has full power and authority to enter
12 into the transactions contemplated by this Agreement and
13 the Indenture and to carry out its obligations hereunder
14 and thereunder;

15

16

(c) The County by proper corporate action has duly
17 authorized the execution and delivery of this Agreement
18 and the Indenture; and

19

20

(d) Under existing law no taxes on income or profits
21 are imposed on the County.

22

23

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25

SECTION 2.02. The Corporation makes the following
representations and warranties as the basis for the undertak-
ings on the part of the County herein contained:

26

27

(a) The Corporation is a corporation duly incorporated and in good standing under the laws of the State of New Jersey, is duly qualified and authorized to engage in business in the State of South Carolina, and is in good standing, has power to enter into this Agreement and by proper corporate action has duly authorized the execution and delivery hereof;

34

35

(b) The issuance of the Bonds by the County and the application of the proceeds thereof to defray the cost of acquiring by construction and purchase the Project, and the leasing of the Project to the Corporation as provided by this Agreement has induced the Corporation to locate in the County;

41

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45

(c) The Corporation intends to use the Project so that it will constitute a Project as defined in the Act.

00

ARTICLE III

01

02

ACQUISITION OF THE PROJECT BY THE CORPORATION;

03

ISSUANCE OF THE BONDS

04

05

SECTION 3.01. The Corporation shall cause the Project to be acquired in the name of the County either by construction or purchase in accordance with the Plans and Specifications and will use its best efforts to effect such acquisition as soon as may be practicable. If for any reason such acquisition shall not be completed, there shall be no resulting diminution in or postponement of the payments required in Section 4.01 of this Agreement to be paid by the Corporation. Title to the Project shall be in the name of the County. The Corporation warrants that upon the conveyance to or acquisition by the County, title to the Project shall not be subject to any lien or encumbrance, other than Permitted Encumbrances, on a parity with or superior to the lien of the Indenture.

18

19

The Corporation will maintain such records in connection with the acquisition and construction of the Project as to permit ready identification thereof.

22

23

SECTION 3.02. In order to provide funds for payment of the Cost of the Project, the County, as soon as practicable after the execution of this Agreement, will issue the Bonds and

26 deliver the proceeds thereof to the Trustee for deposit as fol-
27 lows: (a) in the Bond Fund, a sum equal to the accrued interest
28 and premium, if any, paid by the initial purchasers of the Bonds,
29 and (b) in the Construction Fund, the balance of said proceeds.

30

31 Upon written request from the Corporation to the County
32 to issue Additional Bonds to complete payment of the Cost of the
33 Project, or to pay the Cost of any enlargements, improvements,
34 or expansions of the Project as provided in Section 3.03 of the
35 Indenture, the County shall use its best efforts to issue such
36 Bonds in one or more Series for such purposes in accordance
37 with the provisions of the Indenture; provided, however, that
38 the failure of the County to issue Additional Bonds shall not
39 release the Corporation from any of its obligations under this
40 Agreement, regardless of the reason for such failure.

41

42 SECTION 3.03. The County has, in the Indenture,
43 authorized and directed the Trustee to make payments to or at
44 the direction of the Corporation from the Construction Fund to
45 pay the Cost of the Project, upon receipt by the Trustee of

00 requisitions (upon which both the County and the Trustee shall
01 rely and shall be protected in relying) signed by an Authorized
02 Corporation Representative, stating with respect to each pay-
03 ment to be made: (1) the requisition number, (2) the name and
04 address of the person to whom payment has been or is to be made,
05 (3) the amount to be paid, (4) that each obligation, item of cost
06 or expense mentioned therein has been properly incurred, is a
07 proper charge against the Construction Fund and has not been the
08 basis of any previous withdrawal, and (5) that the disbursement
09 will not be used in a manner which will result in the expenditure
10 of less than substantially all of the proceeds of the Bonds of
11 each Series deposited in the Construction Fund being used to
12 defray the Cost of the Project.

13

14 SECTION 3.04. The Corporation may revise the Plans
15 and Specifications at any time and from time to time prior to
16 the Completion Date, provided that in the case of any change
17 that would render inaccurate the description of the Project
18 contained in Exhibit A to this Agreement, there shall be deli-
19 vered to the Trustee a revised Exhibit A conforming the descrip-
20 tion of the Project with the revision in the Plans and Specifi-
21 cations, the accuracy of which shall have been certified by an
22 Authorized Corporation Representative. The Corporation shall
23 prepare and file, record or cause to be filed or recorded any
24 amendments or supplements to this Agreement, any Financing State-
25 ment or Statements or the Indenture required to maintain the

26 priority of the lien of the Indenture to the Project.

27

28 SECTION 3.05. When the acquisition and construction
29 of the Project are completed and the Project has been placed in
30 service, Plant, the Corporation shall so notify the Trustee
31 by a certificate of an Authorized Corporation Representative
32 certifying the Completion Date and stating that the acquisition
33 and construction of the Project has been completed substantially
34 in accordance with the Plans and Specifications and that payment
35 of the Cost of the Project or provision therefor has been made
36 except for any Cost of the Project not then due and payable or
37 the liability for payment of which is being contested or disputed
38 by the Corporation. Upon receipt of such a certificate of com-
39 pletion, the Trustee shall apply any balance remaining in the
40 Construction Fund not required to pay the Cost of the Project in
41 accordance with Section 4.05 of the Indenture. Notwithstanding
42 the foregoing, the certificate of completion may state that it is
43 given without prejudice to any rights against third parties which
44 exist at the date of such certificate or which may subsequently
45 come into being.

46

47

00 SECTION 3.06. If the moneys in the Construction Fund
01 available for payment of the Cost of the Project including moneys
02 from the proceeds of any Additional Bonds sold pursuant to the
03 terms and provisions of the Indenture to finance completion of
04 the Project are insufficient to pay the Cost of the Project in
05 full, the Corporation will complete or cause to be completed the
06 Project and pay or cause to be paid all of that portion of the
07 Cost of the Project in excess of the moneys available therefor in
08 the Construction Fund. The County does not make any warranty,
09 either express or implied, that the moneys which will be paid
10 into the Construction Fund will be sufficient to pay the Cost of
11 the Project. If the Corporation shall pay any portion of the
12 Cost of the Project pursuant to the provision of this Section
13 3.06, it shall not be entitled to any reimbursement therefor from
14 the County, the Trustee or the holders of any of the Bonds, nor
15 shall it be entitled to any diminution in or postponement of the
16 payments required in Section 4.01 of this Agreement to be paid by
17 the Corporation. Notwithstanding the foregoing provisions of
18 this Section 3.06 the Corporation shall not be obligated to
19 complete the Project upon the exercise by it of any option to
20 purchase the Project granted in Section 8.01 of this Agreement
21 and the payment of the purchase price required thereby. In the
22 event the Corporation exercises such option prior to the comple-
23 tion of the Project, any balance in the Construction Fund not

24 required to pay the cost of the Project shall be transferred to
25 the Bond Fund at the request of an Authorized Corporation Repre-
26 sentative.

27

28 SECTION 3.07. Any moneys held as a part of the
29 Construction Fund or any other fund created pursuant to the
30 Indenture shall, at the request of the Corporation (or, if the
31 Corporation is in default under this Agreement, at the request
32 of the County), be invested or reinvested by the Trustee as
33 provided in Section 6.03 of the Indenture.

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ARTICLE IV

01

02

TERM OF LEASE; RENT; INSURANCE; CONDEMNATION

03

04

SECTION 4.01. This Agreement shall remain in full
force and effect for a term of fifteen (15) years, commencing on
January 1, 1978, and ending at midnight on January 1, 1993,
(hereinafter called the "Term") provided that if at the later of
such dates as aforesaid, payment of the Bonds has not been made
or provided for in accordance with the Indenture the Term shall
not expire until payment of the Bonds shall have been so made or
provided for. As and for basic rental under this Agreement the
Corporation shall be obligated to pay the County for the Cost of
the Project and all Administration Expenses incurred by the
County in connection with the Project and the Bonds. To satisfy
its obligations hereunder the Corporation agrees to pay to the
County the following amounts on the following dates (each of
which is a "Rental Payment Date"):

18

19

(a) On the business day next preceding each Interest
Payment Date with respect to the Bonds, the sum which,
together with other moneys available therefor in the Bond
Fund, will equal the interest to be paid on such Bonds on
such Interest Payment Date; and

24

25 (b) On the business day next preceding each Principal
26 Payment Date with respect to the Bonds, the sum which,
27 together with other moneys available therefor in the Bond
28 Fund, will equal the sum of (i) the principal of such Bonds
29 which will become due and payable on such Principal Payment
30 Date, and (ii) any accrued interest which will become due
31 and payable on such Principal Payment Date.

32

33 In addition to the option of the Corporation under
34 Article VIII of this Agreement to purchase the Project upon the
35 payment of the entire unpaid balance payable under this Section
36 4.01, the Corporation shall have the option to make from time
37 to time prepayments in part of any rental payment due as afore-
38 said on account of such payments, together with interest accrued
39 and to accrue on the Bonds if such prepayment is to be used for
40 the purchase of such Bonds. The Trustee shall apply such pre-
41 payments in such manner consistent with the provisions of
42 the Indenture as may be directed by the Corporation.

43

44 In the event the Corporation shall fail to make any
45 of the payments required in this Section 4.01 the payment

46

00 so in default shall continue as an obligation of the Corporation
01 until the amount in default shall have been fully paid, and
02 the Corporation will pay the same (to the extent permitted by
03 law) with interest thereon until paid at the rate per annum
04 which is equal to the highest rate per annum borne by the Bonds
05 outstanding at that time.

06

07 SECTION 4.02. It is understood and agreed that this
08 is a net lease and that all payments by the Corporation under
09 this Agreement (except with respect to indemnification under
10 Sections 4.12 and 7.06 of this Agreement, Administration Expenses
11 under Section 4.13 of this Agreement and payments in lieu of
12 taxes under Section 4.14 of this Agreement) are to be pledged and
13 assigned by the County together with a mortgage of the Project
14 and an assignment of all other revenues to be derived therefrom
15 whether by lease, sale or otherwise to the Trustee as security
16 for the payment of the Bonds. The Corporation assents to such
17 pledge and assignment and agrees that its obligation to make
18 such payments as provided herein shall be absolute and uncon-
19 ditional and shall not be subject to any defense (other than
20 payment) or any right of set-off, counterclaim or recoupment
21 arising out of any breach by the County of any obligation to the
22 Corporation, whether hereunder or otherwise, or out of any
23 indebtedness or liability at any time owing to the Corporation

24 by the County. The County directs the Corporation, and the
25 Corporation agrees, to pay to the Trustee at its principal cor-
26 porate trust office all payments (except payments of indemnifi-
27 cation under Sections 4.12 and 7.06 of this Agreement, Administra-
28 tion Expenses under Section 4.13 of this Agreement and payments
29 in lieu of taxes under Section 4.14 of this Agreement) payable by
30 the Corporation pursuant to this Agreement.

31

32 SECTION 4.03. The Corporation will maintain, pre-
33 serve and keep the Project or cause the Project to be main-
34 tained, preserved and kept, with the appurtenances and every
35 part and parcel thereof, in good repair, working order and
36 condition and will from time to time make or cause to be made
37 all necessary and proper repairs, replacements and renewals.

38

39 Subsequent to the Completion Date, the Corporation
40 shall have the privilege of remodeling the Project or making
41 substitutions, modifications and improvements to the Project
42 from time to time as it, in its sole discretion, may deem to be
43 desirable for its uses and purposes, the cost of which remodel-
44 ing, substitutions, modifications and improvements shall be
45 paid by the Corporation, and the same shall be the property of
46 the County and be included under the terms of this Agreement as

47

00 part of the Project. In the event any such remodeling, substitu-
01 tion, modification or improvement renders inaccurate the descrip-
02 tion of the Project in Exhibit A hereto, the Corporation shall file
03 with the County and the Trustee an amended Exhibit A accurately
04 describing the Project as remodelled, modified, improved, or to
05 clearly identify any substitution as a substitution. The Corpora-
06 tion shall prepare and file, record or cause to be filed or
07 recorded any amendments or supplements to this Agreement, any
08 Financing Statement or Statements or the Indenture required to
09 maintain the priority of the lien of the Indenture to the Project.

10

11 SECTION 4.04. The Corporation acknowledges that it
12 has examined, or will examine, the Project prior to causing it
13 to be acquired. The County makes no representations to the
14 Corporation as to the Project, title in the Project, or other
15 warranties of any kind whatsoever, and the Corporation in
16 entering this Agreement does so in reliance solely on its own
17 examination of the Project. The Corporation's liabilities and
18 obligations hereunder shall not be subject to deferral, reduc-
19 tion or modification of any kind as a result of any defect in
20 the Project or title thereto.

21

22 SECTION 4.05. Not later than the time of the delivery
23 of the Bonds, the Corporation will provide a mortgagee title in-
24 surance policy (or binder pending recordation and final certifi-

25 cation) by a company satisfactory to the County and the Trustee,
26 insuring the priority of the lien of the Indenture upon the Project
27 subject to Permitted Encumbrances in an amount equal to the lesser
28 of \$2,000,000 or the insurable value of the Project.

29

30 SECTION 4.06. The Corporation agrees that in the
31 event the County shall, at the request of the Corporation: (a)
32 issue Additional Bonds under the Indenture for the purpose of
33 (i) completing the payment of the Cost of the Project, or (ii)
34 enlarging, improving or expanding the Project; or (b) issue
35 Additional Bonds pursuant to the Indenture for the purpose of
36 refunding any one or more Series of Bonds; the Corporation will,
37 if necessary, enter into an amendment to this Agreement with
38 the County which will contain such provisions as shall be
39 required in respect of the issuance of such Additional Bonds,
40 including without limitation the provisions referred to in
41 Section 3.03(b) of the Indenture.

42

43 SECTION 4.07. Commencing with the start of construc-
44 tion, the Corporation shall keep the Project continuously
45 insured against such risks as are customarily insured against
46 by businesses of like size and type, paying as the same become
47 due and payable all premiums with respect thereto. In lieu of

48

00 the separate insurance policies, such insurance may be in the
01 form of a blanket insurance policy or policies of the Corpora-
02 tion. Insurance policies may be written with deductible amounts
03 exceptions and exclusions comparable to those of businesses of
04 like size and type.

05

06 So long as any of the Bonds remain outstanding the
07 proceeds of any policies of insurance against property damage or
08 loss in excess of \$25,000 shall be payable to the Trustee under a
09 standard mortgagee loss payable clause as the interest of such
10 Trustee may appear. Any claims under any policies of insurance
11 required by this section shall be adjusted by and at the expense
12 of the Corporation.

13

14 The Corporation shall supply such proof of insurance as
15 may reasonably be requested by the Trustee. The policies of
16 insurance required by this section shall contain an undertaking
17 by the issuers, to the extent obtainable, that such policies
18 shall not be modified adversely to the interests of the County or
19 the Trustee or cancelled without at least ten (10) days prior
20 written notice of such action to the Trustee and the County.

21

22 SECTION 4.08. Immediately after the occurrence of any
23 damage or loss to the Project, the Corporation shall notify the
24 County and the Trustee as to the nature and extent of such

25 damage or loss and, as soon as practicable but in no event later
26 than ten days thereafter, notify the County and the Trustee
27 whether it is practicable and desirable to rebuild, repair or
28 restore such damage or loss. Unless the Corporation determines
29 otherwise, impracticability or undesirability shall be conclu-
30 sively presumed if the use of the Project would be denied the
31 Corporation for a period of nine months or longer as a result
32 of such damage or loss. If the Corporation shall determine
33 that such rebuilding, repairing or restoring is practicable and
34 desirable, the Corporation shall forthwith proceed with such
35 rebuilding, repairing or restoring and shall notify the County
36 and the Trustee upon the completion thereof. In such case, any
37 insurance proceeds, other than business interruption insurance,
38 received in respect of such damage or loss shall be used by the
39 Corporation for payment of, or reimbursement for, the costs of
40 such rebuilding, repairing or restoring and any excess insurance
41 proceeds shall be paid to the Trustee for deposit in the Bond
42 Fund within thirty (30) days of the completion of such rebuild-
43 ing, repairing or restoring. In the event the Corporation elects
44 not to rebuild, repair or restore the Project, any insurance
45 proceeds, other than business interruption insurance, received in
46 respect of such damage or loss shall be paid to the Trustee for
47 deposit in the Bond Fund upon the receipt thereof, and the Cor-
48 poration shall buy the Project in accordance with the provisions
49

00 of Section 8.02 of this Agreement. In no event shall the Corpo-
01 ration be entitled to any abatement or dimunition of the amounts
02 to be paid by it under Section 4.01 of this Agreement as the
03 result or in consequence of such damage or destruction.

04

05 SECTION 4.09. In the event that title to or the
06 temporary use of the Project, or any part thereof, shall be
07 taken in condemnation or by the exercise of the power of eminent
08 domain by any governmental body or by any Person, acting under
09 governmental authority, there shall be no abatement or reduction
10 in the payments required under Section 4.01 of this Agreement to
11 be made by the Corporation. Immediately after the occurrence of
12 any such loss of the Project, the Corporation shall notify the
13 County and the Trustee as to the nature and extent of such loss
14 of the Project, and whether it is practicable and desirable to
15 restore such loss. Unless the Corporation determines otherwise,
16 impracticability or undesirability shall be conclusively
17 presumed if the use of the Project would be deemed the Corpora-
18 tion in a period of nine months or longer as a result of such
19 damage or loss. If the Corporation shall determine that such
20 restoration is practicable and desirable, the Corporation shall
21 forthwith proceed with such restoration and shall notify the
22 County and the Trustee upon the completion thereof. In such
23 case, any proceeds received from any award or awards in respect
24 of the Project or any part thereof made in such condemnation or

25 eminent domain proceedings, after payment of all expenses incurred
26 in the collection thereof, shall be paid to the Trustee for
27 deposit to the Construction Fund and made available to the Cor-
28 poration for payment of, or reimbursement for, the costs of
29 restoring the Project or any portion thereof and any excess
30 proceeds from such award or awards shall be paid to the Trustee
31 for deposit in the Bond Fund within thirty (30) days of the
32 completion of such restoration. In the event the Corporation
33 elects not to restore the Project all proceeds received from any
34 award or awards in respect of the Project or any part thereof
35 made in such condemnation or eminent domain proceedings, after
36 reimbursing the County or the Corporation for the expenses of
37 the collection thereof shall be paid to the Trustee for deposit
38 in the Bond Fund upon the receipt thereof and the Corporation
39 shall buy the Project in accordance with the provisions of Sec-
40 tion 8.02 of this Agreement.

41

42 Any provision of this Agreement to the contrary not-
43 withstanding, the Corporation shall be entitled to that portion
44 of the proceeds of any condemnation award made for damages to or
45 taking of its own property (including that of any of its sub-
46 sidiaries) other than the Project.

47

00 SECTION 4.10. The Corporation may from time to time,
01 in its sole discretion and at its own expense, install addi-
02 tional movable property in the Project.

03

04 SECTION 4.11. The Corporation agrees that the County
05 and the Trustee and their respective duly authorized agents
06 shall have the right, in the event of a default of the Corpora-
07 tion under this Agreement, to have reasonable access to the
08 Project.

09

10 SECTION 4.12. If the County, other than by reason
11 of wilfull misconduct of a person acting in his capacity as an
12 official, employee or agent of the County, should incur pecuni-
13 ary liability by reason of the terms of this Agreement, the
14 undertakings required of it hereunder, the issuance of the
15 Bonds, the adoption of the Indenture, the performance of any
16 act required of it by this Agreement, or the performance of any
17 act requested of it by the Corporation, including all claims,
18 liabilities or losses arising in connection with the violation
19 of any statutes or regulations pertaining to the foregoing,
20 then in such event the Corporation shall indemnify and hold
21 harmless the County against all claims by or on behalf of any
22 person, firm or corporation, arising out of the same, and all
23 costs and expenses incurred in connection with any such claim
24 or in connection with any action or proceeding brought thereon,

25 and upon notice from the County, the Corporation shall defend
26 the County in any such action or proceeding.

27

28 SECTION 4.13. So long as any Bonds are outstanding,
29 the Corporation will pay to the County and the Trustee as
30 additional rental hereunder on each Rental Payment Date, the
31 amount of Administration Expenses not theretofore provided
32 for which have then accrued and become payable.

33

34 SECTION 4.14. It is recognized that under the provi-
35 sions of the Act when any project is leased to others by a county
36 pursuant to the Act the lessee thereof shall be required to make
37 payments to the county, the school district or school districts, and
38 other political unit or units wherein the project shall be located
39 in lieu of taxes, in such amounts as would result from taxes levied
40 on the project by such county, school district or school dis-
41 tricts and other political unit or units, if the project were
42 owned by the lessee, but with appropriate reductions similar to
43 the tax exemptions, if any, which would be afforded to the lessee
44 if it were the owner of the project. For the sole purpose of
45 enabling the Corporation to comply with the aforesaid obligation,
46 it is agreed that the County in cooperation with the Corporation
47 (a) shall cause the Project to be valued as if privately owned
48 as aforesaid for purposes of said taxes by the South Carolina Tax
49

00 Commission or such other appropriate officer or officers as may
01 from time to time be charged with responsibility for making such
02 valuations; (b) shall cause to be appropriately applied to the
03 valuation or valuations so determined the respective rate or rates
04 of such taxes that would be applicable to the Project if so pri-
05 vately owned; and (c) shall cause the respective appropriate
06 officer or officers charged with the duty of levying and collect-
07 ing such taxes to submit to the Corporation, when the respec-
08 tive levies are made upon property privately owned as aforesaid,
09 a statement specifying the amount and due date of such taxes
10 which the County, school district or school districts and other
11 political unit or units having taxing powers would receive if the
12 Project were so privately owned; and the Corporation shall file
13 any account or tax returns required with the appropriate officer
14 or officers. The Corporation shall pay to the aforesaid tax-
15 ing authorities when due all such payments in lieu of taxes with
16 respect to the Project required by the Act to be paid to the
17 aforesaid taxing authorities subject in each case to the Corpor-
18 ation's right to obtain exemptions (and discounts), if any,
19 therefrom which would be afforded to a private owner of the Project
20 and to seek to obtain a refund of any such payments made, and
21 to contest (including the amount of payments claimed to be due
22 to the County hereunder) the same in the manner and to the
23 extent a private owner could so contest the same without subject-
24 ing his property to the immediate danger of actual forfeiture

25 or sale. The Corporation's obligation to make such additional
26 payments shall continue only so long as and to the extent the
27 Corporation is required by law to pay the aforesaid amounts
28 in lieu of taxes.

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ARTICLE V

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SPECIAL COVENANTS

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SECTION 5.01. The Corporation covenants that so long as any Bonds are outstanding it will maintain its separate corporate existence and will not dispose of all or a substantial portion of its assets, unless the corporation or other entities which, either through consolidation or merger with the Corporation or through acquisition of assets of the Corporation, succeed to all or a substantial portion of the business or assets of the Corporation agree (individually, jointly and severally with each other and/or jointly and severally with the Corporation) to observe and perform the Corporation's liabilities and obligations under this Agreement, so that the liabilities and obligations of the Corporation under this Agreement shall at all times remain the liabilities and obligations of one or more corporations or entities the aggregate net worth of which will be no less than _____ per centum (___%) (computed in accordance with generally accepted accounting principles) of the net worth of the Corporation as of _____, _____. In the event that there has been a change in the separate existence of the Corporation or a disposition of a substantial portion of its assets, which complies with this Section 5.01, any subsequent change in the separate existence of the party or parties (including the Corpora-

tion) which are liable and obligated under this Agreement, or any subsequent disposition of a substantial portion of what had been the assets of the Corporation by such party or parties (including the Corporation) shall be subject to this Section 5.01, with the aggregate net worth of such party or parties which are liable and obligated under this Agreement immediately following such subsequent change in separate existence or disposition of all or a substantial portion of what had been the Corporation's assets, being no less than _____ percentum (___%) (computed in accordance with generally accepted accounting principles) of the net worth of the Corporation as of _____, ____.

SECTION 5.02. In the event it may be necessary for the proper performance of this Agreement on the part of the County or the Corporation that any application or applications for any permit or license to do or to perform certain things be made to any governmental or other agency by the Corporation or the County, the Corporation and the County each agree to execute upon the request of the other such application or applications. The County agrees to comply with all reasonable requests of the Corporation to enforce the rights of the County pursuant to the provisions of the Indenture and require the Trustee to perform its duties thereunder.

00 SECTION 5.03. The County and the Corporation each
01 covenant and warrant with the other and with the Trustee and the
02 holders from time to time of the Bonds that no use will be made
03 of the proceeds from the issue and sale of the Bonds which, if
04 such use had been reasonably expected on the date of issuance of
05 the Bonds, would have caused the Bonds to be "arbitrage bonds"
06 within the meaning of Section 103(c) of the Internal Revenue Code
07 of 1954, as amended (the "Code") and regulations promulgated
08 thereunder as in effect at the time of such use and applicable to
09 obligations issued on the date of issuance of the Bonds. Pur-
10 suant to such covenant and warranty the County and the Corpora-
11 tion jointly and severally obligate themselves, so long as any of
12 the Bonds are outstanding, to comply with the requirements of
13 said Section 103(c) and of all regulations promulgated and
14 proposed thereunder by the United States Department of the
15 Treasury to the extent such requirements are, at the time, appli-
16 cable to the Bonds.

17

18 SECTION 5.04. For purposes of this Section 5.04, words
19 and phrases used herein shall have meanings ascribed thereto and
20 are used in the same sense as such words and phrases are used or
21 defined in Section 103 of the Internal Revenue Code of 1954, as
22 amended (the "Code"), and the regulations promulgated or proposed
23 thereunder.

24

25 The Corporation covenants and warrants that neither it
26 nor any person to whom the Project may be subleased or assigned
27 (whether by reason of the events described in Section 5.01 or
28 Section 6.01 of this Agreement) and who becomes a principal user
29 of the Project or a related person to such principal user:

30

31 (a) is or has been the principal user of any facili-
32 ties, including projects as defined in the Act, located in
33 the County with respect to which there is presently out-
34 standing any part or all of a small issue of industrial
35 development bonds the interest on which is excluded from the
36 gross income of the recipients;

37

38 (b) has or will have paid or incurred capital expendi-
39 tures with respect to (i) the Project, and (ii) any other
40 project, as defined in the Act, or facilities, as used in
41 the Code, located in the County, during the six year period
42 beginning January 1, 1975, and ending December 31, 1981, in
43 the aggregate of more than \$3,000,000; provided nevertheless
44 that the amount of such expenditures which need not be taken
45 into account by virtue of the provisions of Section 103(b)(6)(F)
46 of the Code need not be taken into account for purposes of
47 this section.

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ARTICLE VI

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ASSIGNMENT; SUBLEASING

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SECTION 6.01. The Corporation will not assign, sub-
lease or otherwise dispose of or encumber its interest in the
Project except as provided in Section 5.01 of this Agreement and
in this Section 6.01. This Agreement may be assigned in whole
or in part, and the Project may be subleased or otherwise
transferred as a whole or in part, and any proceeds thereof
retained by the Corporation without the necessity of obtaining
the consent of the County, subject however, to the following
conditions:

(a) Any assignee of this Agreement or sublessee of the
Project shall agree in any such agreement of assignment or
sublease to perform and observe the covenants, obligations
and agreements to be performed and observed by the Corpora-
tion under this Agreement; and

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(b) The Corporation shall, within fifteen (15) days
after the delivery thereof, furnish or cause to be fur-
nished to the County and the Trustee a true and complete
copy of each such agreement of assignment or sublease, as
the case may be.

25

26 In the event that any assignee or sublessee, as the
27 case may be, fails to perform and observe its covenants, obliga-
28 tions and agreements under this Agreement, the Corporation
29 shall be responsible for such performance and observance.

30

31 SECTION 6.02. By the provisions of the Indenture, the
32 County will assign its rights under and interest in this Agreement
33 and the Project (except with respect to indemnification under
34 Sections 4.12 and 7.06 of this Agreement, Administration Expenses
35 pursuant to Section 4.13 of this Agreement and payments in lieu
36 of taxes under Section 4.14 of this Agreement) and will pledge
37 and assign any payments, receipts and revenues receivable under
38 or pursuant to this Agreement, and income earned by the invest-
39 ment of funds held under the Indenture, to the Trustee as security
40 for payment of the principal of and interest on the Bonds.
41 Except as otherwise provided in this Agreement the County will
42 not sell, assign, transfer, convey or otherwise dispose of its
43 rights or interest in the Project, this Agreement, or the receipts
44 and revenues of the County derived from the Corporation hereunder.

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ARTICLE VII.

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EVENTS OF DEFAULT; REMEDIES

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SECTION 7.01. The following shall be "Events of Default" under this Agreement, and the term "Events of Default" shall mean, whenever used with reference to this Agreement, any one or more of the following occurrences:

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

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13

(b) Failure by the Corporation to pay when due any payment required to be made under this Agreement other than payments under Section 4.01 of this Agreement, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Corporation by the County or the Trustee, unless the County and the Trustee shall agree in writing to an extension of such time prior to its expiration.

22

23

(c) Failure by the Corporation to observe and perform any covenant, condition or agreement on its part to be

25 observed or performed, other than as referred to in sub-
26 section (a) and subsection (b) of this Section, which
27 failure shall continue for a period of ninety (90) days
28 after written notice, specifying such failure and request-
29 ing that it be remedied, is given to the Corporation by
30 the County or the Trustee, unless the County and the
31 Trustee shall agree in writing to an extension of such
32 time prior to its expiration.

33

34 (d) The dissolution or liquidation of the Corporation
35 or the filing by the Corporation of a voluntary petition
36 in bankruptcy, or failure by the Corporation promptly to
37 lift any execution, garnishment or attachment of such
38 consequence as will impair its ability to carry out its
39 obligations under this Agreement, or the commission by the
40 Corporation of any act of bankruptcy, or adjudication of
41 the Corporation as a bankrupt, or an assignment by the
42 Corporation for the benefit of its creditors, or the entry
43 by the Corporation into an agreement of composition with
44 its creditors, or the approval by a court of competent
45 jurisdiction of a petition applicable to the Corporation
46 in any proceeding for its reorganization instituted under
47 the provisions of any bankruptcy act, or under any similar
48 act which may hereafter be enacted. The term "dissolution

00 or liquidation of the Corporation", as used in this subsec-
01 tion, shall not be construed to include the cessation of
02 the corporate existence of the Corporation resulting
03 either from a merger or consolidation of the Corporation
04 into or with another corporation or a dissolution or
05 liquidation of the Corporation following a transfer of all
06 or substantially all its assets as an entirety, under the
07 conditions permitting such actions contained in Section
08 5.01 of this Agreement.

09

10 (e) A default under any indenture or instrument
11 evidencing, or under which the Corporation has at the
12 date of this Indenture or shall hereafter have outstand-
13 ing, any indebtedness for borrowed money in excess of
14 \$_____ in aggregate principal amount shall happen and
15 be continuing and such indebtedness shall have been acceler-
16 ated so that the same shall be or become due and payable
17 prior to the date on which the same would otherwise become
18 due and payable and such acceleration shall not be rescind-
19 ed or annulled within ten days after notice thereof shall
20 have been given to the Corporation by the Trustee; provided,
21 however, that if each such default under such indenture or
22 instrument shall be remedied or cured by the Corporation
23 or waived by the holders of such indebtedness in each
24 case, prior to acceleration of the Bonds, then the Event

25 of Default hereunder by reason thereof shall be deemed
26 likewise to have been thereupon remedied, cured or waived
27 without further action upon the part of the Trustee, the
28 Corporation or any bondholder.

29

30 The foregoing provisions of this Section other than
31 subsections (a), (d) and (e) of this Section are subject to the
32 following limitations: If by reason of acts of God; strikes,
33 lockouts or other industrial disturbances; acts of public
34 enemies; orders of any kind of the Government of the United
35 States or of the State of south Carolina or any department,
36 agency, political subdivision or official of either of them, or
37 any civil or military authority; insurrections; riots; epidemics;
38 landslides; lightning; earthquakes; fires; hurricanes; storms;
39 floods; washouts; droughts; arrests; restraint of government
40 and people; civil disturbances; explosions; breakage or accident
41 to machinery; partial or entire failure of utilities; or any
42 cause or event not reasonably within the control of the Corpora-
43 tion, the Corporation is unable in whole or in part to carry
44 out any of its agreements herein contained, failure of the
45 Corporation to carry out any such agreements other than the
46 obligations on the part of the Corporation contained in Sections
47 4.01 and 5.01 of this Agreement, shall not be deemed an Event
48 of Default during the continuance of such inability. The

00 Corporation agrees, however, to use its best efforts to remedy
01 with all reasonable dispatch the cause or causes preventing it
02 from carrying out its agreements; provided, that the settlement
03 of strikes, lockouts and other industrial disturbances shall be
04 entirely within the discretion of the Corporation, and the
05 Corporation shall not be required to make settlement of strikes,
06 lockouts and other industrial disturbances by acceding to
07 demands of the opposing party or parties when such course is in
08 the judgment of the Corporation unfavorable to the Corporation.
09 Any failure of the Corporation to perform any of its obligations
10 under Sections 4.01 and 5.01 of this Agreement shall constitute
11 an Event of Default regardless of the reason for such failure
12 to perform.

13

14 SECTION 7.02. Whenever any Event of Default hereunder
15 shall have happened and be continuing, any one or more of the
16 following remedial steps may be taken, provided that written
17 notice of the default has been given to the Corporation by the
18 County or the Trustee and the default has not theretofore been
19 cured:

20

21 (a) The County may at its option declare all unpaid
22 amounts payable under Section 4.01 of this Agreement to be
23 immediately due and payable, whereupon the same shall
24 become immediately due and payable.

25

26 (b) The County may terminate this Agreement by thirty
27 (30) days notice in writing specifying the termination
28 date.

29

30 (c) The County may reenter and take possession of
31 the Project, with or without terminating this Agreement,
32 and relet the Project in accordance with Section 7.06
33 hereof.

34

35 (d) The County may have access to and inspect, ex-
36 amine and make copies of, the books, records and accounts
37 of the Corporation pertaining to the Project.

38

39 (e) The County may take any action at law or in
40 equity, including procuring the appointment of a receiver,
41 to collect the payments then due and thereafter to become
42 due, or to enforce performance and observance of any obliga-
43 tion, agreement or covenant of the Corporation under this
44 Agreement.

45

46 Any amounts collected pursuant to action taken under
47 this Section shall be applied in accordance with the Indenture.

48

49 SECTION 7.03. No remedy conferred upon or reserved
50 to the County in connection with this Agreement is intended to

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00 be exclusive of any other available remedy or remedies, but
01 each and every remedy shall be cumulative and shall be in
02 addition to every other remedy either given under this Agreement
03 or now or hereafter existing at law or in equity or by statute.
04 No delay or omission to exercise any right or power accruing
05 upon any default shall impair any such right or power or shall
06 be construed to be a waiver thereof, but any such right and
07 power may be exercised from time to time and as often as may be
08 deemed expedient. In order to entitle the County to exercise
09 any remedy reserved to it in this Article, it shall not be
10 necessary to give any notice, other than such notice as may be
11 herein expressly required.

12

13 SECTION 7.04. If the Corporation shall default under
14 any of the provisions of this Agreement and the County or the
15 Trustee shall employ attorneys or incur other expenses for the
16 collection of payments due hereunder or for the enforcement of
17 performance or observance of any obligation or agreement on the
18 part of the Corporation contained herein, the Corporation will
19 on demand therefor reimburse the fees of such attorneys and
20 such other expenses so incurred.

21

22 SECTION 7.05. In the event that any agreement con-
23 tained herein shall be breached by either party and such breach
24 shall thereafter be waived by the other party, such waiver

25 shall be limited to the particular breach so waived and shall
26 not be deemed to waive any other breach hereunder. In view of
27 the assignment of the County's rights under and interest in
28 this Agreement to the Trustee by the provisions of the Indenture,
29 the County shall have no power to waive any default hereunder
30 by the Corporation without the consent of the Trustee to such
31 waiver. Notwithstanding the foregoing, if, after the maturity
32 of the outstanding Bonds shall have been accelerated by the
33 Trustee upon occurrence of an event of default under the Inden-
34 ture, all arrears of interest on the outstanding Bonds and
35 interest on overdue installments of interest (to the extent
36 permitted by law) at a rate per annum which is equal to the
37 highest rate per annum borne by the Bonds then outstanding and
38 the principal on all Bonds then outstanding which have become
39 due and payable otherwise than by acceleration, and all
40 other sums payable under the Indenture, except the principal of
41 and the interest on such Bonds which by such acceleration shall
42 have become due and payable, shall have been paid, all other
43 things shall have been performed in respect of which there was
44 a default, there shall have been paid the reasonable fees and
45 expenses of the Trustee and of the holders of such Bonds,
46 including reasonable attorneys' fees paid or incurred or such
47 event of default under the Indenture shall be waived by the
48 Trustee with the consequence that under Section 9.01 of the

00 Indenture such acceleration is rescinded, then the Corporation's
01 default hereunder shall be waived without further action by the
02 Trustee or the County.

03

04 SECTION 7.06. At any time after termination of this
05 Agreement pursuant to Section 7.02 hereof, the County without
06 further notice may enter upon and/or repossess the Project and
07 may remove the Corporation and all other persons and any and all
08 property from the Project. Prior to the termination of this
09 Agreement pursuant to Section 7.02 hereof and without any obli-
10 gation on the part of the County to terminate this Agreement,
11 if an Event of Default occurs and shall be continuing, the County
12 shall also have the right of entry and of repossession, and
13 removal, after not less than sixty (60) days prior written
14 notice to the Corporation of its intent to exercise such right and
15 specifying the nature of the Event of Default, provided such
16 Event of Default shall have not been cured prior to the expira-
17 tion of said sixty (60) days period and such right shall not be
18 in contravention of the laws of South Carolina. In the event of
19 the exercise of such latter right without termination of this
20 Agreement, this Agreement shall continue in full force and effect
21 for the balance of its Term except that the Corporation shall
22 have no right of possession from the date of the exercise of such
23 right; provided that the exercise of such right by the County
24 shall not preclude the subsequent exercise of any other right of

25 the County under this Agreement, including the right of termina-
26 tion pursuant to Section 7.02 hereof. The County shall be under
27 no liability for or by reason of any such entry, repossession or
28 removal.

29

30 At any time or from time to time after reentering
31 and/or taking possession of the Project, with or without term-
32 inating this Agreement pursuant to Section 7.02 hereof, the County
33 shall use its best efforts (but shall be under no obligation) to
34 relet the Project or any part thereof for the account of the
35 Corporation, in the name of the Corporation or the County, or
36 otherwise without notice to the Corporation, for such term or
37 terms (which may be greater or less than the period which would
38 otherwise have constituted the balance of the Term of this Agree-
39 ment) on such conditions and for such uses as the County in its
40 discretion may determine; and the County may collect and receive
41 the rents therefor. The County shall not be responsible or liable
42 for any failure to relet the Project or any part thereof, or
43 for any failure to collect any rent due upon any such reletting.

44

45 The Corporation covenants and agrees to pay, and to
46 indemnify the County and the Trustee against, all costs and
47 charges, including reasonable counsel fees, lawfully and reason-
48 ably incurred in obtaining possession of the Project after an

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00 Event of Default of the Corporation or upon expiration or earlier
01 termination of the Term hereof, or in enforcing any covenant or
02 agreement of the Corporation contained in this Agreement.

03

04 SECTION 7.07. Except as hereinafter provided, no
05 termination of the Term of this Agreement pursuant to Section
06 7.02 hereof or repossession of the Project pursuant to Section
07 7.06 shall relieve the Corporation of its liability and obliga-
08 tions hereunder, all of which shall survive any such termination
09 or repossession. At any time prior to the termination of this
10 Agreement, the Corporation shall have the right, in lieu of
11 remedying any default by it, to buy the Project upon the terms
12 and conditions set forth in Section 8.02 of this Agreement.

13

14 SECTION 7.08. In the event of a breach by the Corpora-
15 tion of the covenants contained in Sections 5.03 and 5.04 of this
16 Agreement the Corporation shall be obligated to purchase the Project
17 immediately at a price determined in accordance with the provisions
18 of Section 8.02 hereof.

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ARTICLE VIII

OPTION TO PURCHASE PROJECT;
TERMS OF PURCHASE OF PROJECT;
OPTION TO PURCHASE UNIMPROVED LAND

SECTION 8.01. The Corporation, in addition to the rights to purchase the Project granted to it pursuant to Sections 4.08, 4.09 and 7.07 and the obligation to purchase pursuant to Section 7.08 of this Agreement, shall have the option to purchase the Project prior to the conclusion of the term of this Agreement if (i) unreasonable burdens or excessive liabilities shall have been imposed upon the County or the Corporation with respect to the Project or the Plant or the operation of the Project or the Plant, including, but without being limited to, Federal, state or other ad valorem property, income or other taxes, other than ad valorem taxes presently levied upon privately owned property used for the same general purposes as the Project or the Plant; or (ii) changes, which the Corporation cannot reasonably control or overcome, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Project or the Plant shall have occurred, or technological or other changes shall have occurred which, in the judgment of the Corporation, render the continued operation of the Project

25 uneconomical.

26

27 SECTION 8.02. In the event the Corporation desires to
28 purchase the Project pursuant to the provisions of Sections 4.08,
29 4.09, 7.07 or 8.01 of this Agreement or is required to purchase
30 the Project by virtue of the provisions of Section 7.08 of this
31 Agreement, it shall give written notice thereof to the County and
32 the Trustee specifying a date no more than ninety (90) days and
33 no less than sixty (60) days from the date of such notice for
34 effecting such purchase. The purchase price payable by the
35 Corporation in any of such cases shall be a sum sufficient,
36 together with other funds held by the Trustee and available for
37 such purposes, (i) to redeem at the earliest practicable date all
38 Bonds, (ii) to pay the principal on all such outstanding Bonds
39 maturing prior to the redemption date or dates; (iii) to pay the
40 interest which will become due on such Bonds to the date or dates
41 fixed for redemption or the maturity date or dates, as the case
42 may be, (iv) to pay the premium (if any) on any such Bonds being
43 redeemed prior to maturity, (v) to pay all Administration Ex-
44 penses relating to such Bonds accrued and to accrue through the
45 redemption date or dates or the maturity date or dates, as the
46 case may be, and (vi) to exercise the option to purchase as set
47 forth in Section 8.03 of this Agreement.

48

49

00 The payments required by this Section 8.02 may be
01 satisfied in the same manner as provision for the payment of the
02 Bonds is deemed to have been made pursuant to Section 13.02 of
03 the Indenture.

04

05 SECTION 8.03. At the expiration or the sooner termin-
06 ation of the term of this Agreement so long as none of the Bonds
07 are then Outstanding or provision for the payment thereof has
08 been made as provided in Section 13.02 of the Indenture, the
09 Corporation shall have the option to purchase the Project from
10 the County for the sum of One Dollar. Upon request by the
11 Corporation and tender of the purchase price, the County shall
12 execute and deliver to the Corporation a deed of title and/or
13 bill of sale to the Project. The Corporation shall pay all
14 expenses of the County and all other charges incident to such
15 conveyance including without limitation recording fees, federal,
16 state and local transfer or other taxes, documentary stamp taxes
17 and fees and all other costs of preparation and completion of
18 such conveyance.

19

20 SECTION 8.04. Notwithstanding any other provisions
21 of this Agreement, the parties hereto reserve the right, at
22 any time and from time to time, to amend this Agreement for
23 the purpose of effecting the release of and removal from this
24 Agreement of any part of the land within the Project which is

25 not improved with permanent construction financed out of the
26 proceeds of the Bonds, or any part of the Project, with
27 respect to which the County proposes to grant an easement or
28 convey fee title to the Corporation, a railroad, public utility
29 or public body in order that party walls, railroad service,
30 utility services or roads may be provided for the Project.
31 Provided, however, that if at the time any such amendment is
32 made, any of the Bonds are Outstanding and unpaid such amendment
33 shall not be effective unless and until there are deposited with
34 the Trustee the following:

35

36 (a) Copies of any such amendment to this Agreement as
37 executed.

38

39 (b) A resolution of the County Council (i) stating
40 that the County is not in default under any of the provi-
41 sions of the Indenture and that the County and the Corpor-
42 ation are not to the knowledge of the County in default
43 under any of the provisions of this Agreement, (ii) giving
44 an adequate legal description of that portion of the Pro-
45 ject to be released, (iii) stating the purpose for which
46 the release is desired, (iv) stating that the improvements,
47 if any, to be constructed upon that portion of the Project
48 to be released, will promote the continued industrial de-
49 velopment of the County, (v) requesting such release, and
50 (vi) approving any such amendment to this Agreement.

51

52

00 (c) Evidence of the authority of the officer of the
01 Corporation who executes such amendment to this Agreement.

02

03 (d) A resolution of the Board of Directors of the
04 Corporation or a certificate of the President or a Vice
05 President of the Corporation or an opinion of counsel for
06 the Corporation stating that the Corporation is not then
07 in default under this Agreement.

08

09 (e) If applicable, a copy of the instrument granting
10 the easement or conveying title to the Corporation, a rail-
11 road, public utility or public body.

12

13 (f) A certificate executed by an Independent Engineer
14 as hereinafter defined, dated not more than ninety days
15 prior to the date of the release stating that, in his opin-
16 ion: (i) the portion of the Project so proposed to be
17 released is necessary or desirable in order to obtain rail-
18 road service, utility services or roads to benefit the
19 Project or is not otherwise needed for the operation of the
20 Project and (ii) the release so proposed to be made will not
21 impair the character or significance of the Project as an
22 industrial facility and will not destroy the means of ingress
23 thereto and egress therefrom.

24

25 Any portion of the Project purchased from the County

26 by the Corporation for its own use under the provisions of this
27 Section shall be at a purchase price which is equal to the price
28 per acre paid by the County, said price being \$_____ per acre.
29 The purchase price so received shall be paid to and deposited by
30 the Trustee in the Bond Fund.

31

32 No release effected under the provisions of this
33 section of this Agreement shall entitle the Corporation to any
34 abatement or diminution of the rents payable under Section 4.01
35 hereof.

36

37 "Independent Engineer" as used in this section and in
38 Section 8.05 hereof, shall mean any engineer or engineering firm
39 or an architect or an architectural firm qualified to practice
40 the professions of engineering or architecture under the laws of
41 South Carolina and who or which is not an officer or a full time
42 employee of the Corporation or the County.

43

44 SECTION 8.05. If neither the County nor the Corpora-
45 tion is then in default, the County at the request of the Cor-
46 poration shall from time to time, grant easements, licenses,
47 rights-of-way (including the dedication of public highways),
48 party wall agreements and other rights or privileges in the

00 nature of easements with respect to the Project or may release
01 existing easements, licenses, rights-of-way and other rights or
02 privileges with or without consideration; and the County agrees
03 that it shall execute and deliver any instrument necessary or
04 appropriate to grant or release any such easement, license,
05 right-of-way, party wall agreement or other right or privilege
06 upon receipt of: (a) a copy of the instrument of grant or re-
07 lease; (b) a written application signed by the authorized Cor-
08 poration Representative requesting such instrument; and (c) a
09 certificate executed by an Independent Engineer as defined in
10 Section 8.04 hereof, dated not more than ninety (90) days prior
11 to the date of the release or grant stating that, in his opinion:
12 (i) such grant or release is not detrimental to the proper con-
13 duct of the business of the Corporation pertaining to the Project,
14 and (ii) such grant or release will not impair the character or
15 significance of the Project as an industrial facility and will
16 not destroy the means of ingress thereto and egress therefrom.
17 No release or grant effected under the provisions of this section
18 of this Agreement shall entitle the Corporation to any abatement
19 or diminution of the rents payable under Section 4.01 of this
20 Agreement.

21

22

00

ARTICLE IX

01

02

MISCELLANEOUS

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SECTION 9.01. Any amounts remaining in the Bond Fund

and other funds established under the Indenture after payment

in full of the Bonds (including interest and premium, if any,

thereon), or provision for payment thereof having been made in

accordance with the provisions of the Indenture, and payment of

all other obligations incurred by the County under this Agree-

ment, including (without limitation) interest, premiums and

other charges, if any, thereon, and the payment of Administra-

tion Expenses, shall be paid to the Corporation by the Trustee

in accordance with the provisions of the Indenture as overpay-

ments hereunder.

SECTION 9.02. All notices, certificates, requests or

other communications between the County, the Corporation and the

Trustee required to be given hereunder or under the Indenture

shall be sufficiently given and shall be deemed given when

mailed by registered mail, postage prepaid, addressed as follows:

if to the County, Anderson County Council, Post Office Box 4046,

Anderson, South Carolina 29621, Attention: County Supervisor; if

to the Corporation, Schmid Laboratories, Inc., Route 46 West,

Little Falls, New Jersey 07424, Attention: Office of the Treas-

25 urer; and if to the Trustee, Wachovia Bank & Trust Company, N.A.,
26 Post Office Box 2667, Charlotte, North Carolina 28285, Atten-
27 tion: Corporate Trust Department. A duplicate copy of each
28 notice, certificate, request or other communication given here-
29 under to the County, the Corporation or the Trustee shall also be
30 given to the others. The Corporation, the County and the Trustee
31 may, by notice given hereunder, designate any further or differ-
32 ent addresses to which subsequent notices, certificates, requests
33 or other communications shall be sent.

34

35 SECTION 9.03. This Agreement shall inure to the
36 benefit of and shall be binding upon the County, the Corpora-
37 tion and their respective successors and assigns, subject to
38 the limitation that any obligation of the County created by or
39 arising out of this Agreement shall be a limited obligation of
40 the County, payable solely from the proceeds derived under this
41 Agreement in connection with the sale of the Bonds or income
42 earned on invested funds as provided herein and shall not con-
43 stitute an indebtedness within the meaning of the Constitution
44 of the State of South Carolina.

45

46 SECTION 9.04. Except as otherwise provided in this
47 Agreement or in the Indenture, subsequent to the initial issu-
48 ance of the Bonds and prior to payment or provision for the

00 payment of the Bonds in full (including interest and premium,
01 if any, thereon), in accordance with the provisions of the
02 Indenture, and payment or provision for the payment of other
03 obligations incurred by the County to pay the Cost of the
04 Project including interest, premiums and other charges, if any,
05 thereon, and payment or provision for the payment of Administra-
06 tion Expenses, this Agreement may not be amended, changed,
07 modified, altered or terminated so as adversely to affect the
08 interests of the holders of the outstanding Bonds without the
09 prior written consent of the holders of at least sixty-six
10 and two-thirds percent (66-2/3%) in aggregate principal amount
11 of the Bonds then outstanding; provided, further, that no such
12 amendment, change, modification, alteration or termination will
13 reduce the percentage of the aggregate principal amount of
14 outstanding Bonds the consent of the holders of which is required
15 for any such amendment, change, modification, alteration or
16 termination or decrease the amount of any payment required to
17 be made under this Agreement or extend the time of payment
18 thereof. This Agreement may be amended, changed, modified and
19 altered without the consent of the holders of outstanding Bonds
20 to provide necessary changes in connection with the issuance of
21 Additional Bonds or to provide other changes which will not
22 adversely affect the interest of such holders. No amendment,
23 change, modification, alteration or termination of this Agreement
24 shall be made other than pursuant to a written instrument signed

25 by the County and the Corporation; except that upon the consent
26 of the holders of all the Outstanding Bonds, any provision of
27 this Agreement other than those providing for payment to the
28 County of Administration Expenses, payments in lieu of taxes,
29 and provisions concerning indemnification of the County may be
30 modified by an instrument signed by the Corporation and approved
31 by the Trustee in the manner provided in the Indenture.

32

33 SECTION 9.05. The Corporation at its own expense
34 shall file or record this Agreement or modification hereof,
35 including amendments to Exhibit A hereto, or such other
36 financing statement, notice of lease, or memorandum of lease
37 as may be necessary, proper or desirable to protect the
38 interest of the County and the Trustee in the Project in
39 such office or offices as is provided by law as the proper
40 place for such recordation or filing. The Corporation further
41 covenants that it will execute such instruments and refile,
42 rerecord and make such other filings or recordations as may
43 at any time and from time to time be necessary for the
44 protection of the County and the Trustee in the Project or
45 this Agreement.

46

47 SECTION 9.06. This Agreement supersedes any other
48 prior agreements or understandings, written or oral, between
49 the parties with respect to the Project.

50

51

00 SECTION 9.07. This Agreement may be executed in any
01 number of counterparts, each of which, when so executed and
02 delivered shall be an original; but such counterparts shall
03 together constitute but one and the same agreement.

04

05 SECTION 9.08. If any clause, provision or section of
06 this Agreement be held illegal or invalid by any court, the
07 invalidity of such clause, provision or section shall not
08 affect any of the remaining clauses, provisions or sections
09 hereof, and this Agreement shall be construed and enforced as
10 if such illegal or invalid clause, provision or section had not
11 been contained herein. In case any agreement or obligation
12 contained in this Agreement be held to be in violation of law,
13 then such agreement or obligation shall be deemed to be the
14 agreement or obligation of the County or the Corporation, as
15 the case may be, to the full extent permitted by law.

16

17 SECTION 9.09. This Agreement shall be governed by,
18 and construed in accordance with, the laws of the State of
19 South Carolina.

20

21

00 IN WITNESS WHEREOF, the County has executed this
01 Agreement by causing its name to be hereunto subscribed by the
02 County Supervisor as Chairman of the County Council and the
03 official seal of the County to be impressed hereon and attested
04 by the Clerk of the County Council and the Corporation has executed
05 this Agreement by causing its name to be hereunto subscribed by
06 its President and its seal to be impressed hereon and attested by
07 its Secretary.

08

09

ANDERSON COUNTY, SOUTH CAROLINA

10 (SEAL)

11

12 ATTEST:

By

C. Edward Poore
County Superviosr and
Chairman of the County Council

16

17 By

Gerlinda E. Witcher
Clerk, County Council

20

21 In the Presence of:

22

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SCHMID LABORATORIES, INC.

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In the Presence of:

00 STATE OF SOUTH CAROLINA)
01)
02 COUNTY OF ANDERSON)
03

04 PERSONALLY appeared before me _____,
05 who being duly sworn says that he saw the corporate seal of
06 Anderson County, South Carolina, affixed to the foregoing Lease,
07 and that he also saw C. Edward Poore, County Supervisor as Chair-
08 man of the Anderson County Council, and Gerlinda E. Witcher, as
09 Clerk of the Anderson County Council, sign and attest the same,
10 and that he with _____ witnessed the execution
11 and delivery thereof as the act and deed of the said Anderson
12 County, South Carolina.
13
14 _____

15
16 Sworn to before me this
17
18 _____ day of January, A.D. 1978
19

20
21 _____ (L.S.)
22 Notary Public for the State of
23 South Carolina
24 My commission expires _____
25
26

27
28 STATE OF _____)
29)
30 COUNTY OF _____)
31

32 PERSONALLY appeared before me _____, who
33 being duly sworn says that he saw the corporate seal of Schmid
34 Laboratories, Inc., affixed to the foregoing Lease, and that he
35 also saw _____, as President, and _____,
36 as Secretary of Schmid Laboratories, Inc., sign and attest the
37 same, and that he with _____ witnessed the execution
38 and delivery thereof as the act and deed of said Schmid Laboratories,
39 Inc.
40
41 _____

42
43 Sworn to before me this
44
45 _____ day of January A.D. 1978
46

47
48 _____ (L.S.)
49 Notary Public for the State of
50 _____
51
52 My Commission Expires _____
53

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EXHIBIT "A"
TO
LEASE AGREEMENT BETWEEN
SCHMID LABORATORIES, INC., AND
ANDERSON COUNTY, SOUTH CAROLINA
AND
WACHOVIA BANK & TRUST COMPANY, N.A. AS TRUSTEE
ALL
DATED AS OF JANUARY 1, 1978

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ANDERSON COUNTY, SOUTH CAROLINA

and

WACHOVIA BANK & TRUST COMPANY, N.A.

as Trustee

INDENTURE OF MORTGAGE AND DEED OF TRUST

Dated as of January 1, 1978

Draft dated as of December 3, 1977

00 THIS INDENTURE OF MORTGAGE AND DEED OF TRUST, dated as
01 of the first day of January, 1978, (the "Indenture") between
02 ANDERSON COUNTY, SOUTH CAROLINA, a body politic and corporate and
03 a political subdivision of the State of South Carolina (herein-
04 after called the "County"), party of the first part, and Wachovia
05 Bank & Trust Company, N.A., a corporation organized and existing
06 under the laws of the United States of America having its princi-
07 pal office and place of business in Charlotte, North Carolina,
08 (hereinafter called the "Trustee"), as Trustee, party of the
09 second part.

10

11 WHEREAS, South Carolina Code Annotated, Title 4, Chapter
12 29 (1976) (the "Act") empowers the several counties of the State
13 of South Carolina to acquire, enlarge, improve and expand one or
14 more projects (as defined in the Act), to lease any or all of
15 such projects in furtherance of the purposes of the Act, and to
16 issue their revenue bonds secured by a pledge of the revenues
17 derived from leases of projects to defray the cost of acquiring,
18 enlarging, improving or expanding such projects by construction
19 and purchase; and

20

21 WHEREAS, the County has agreed to assist Schmid Labora-
22 tories, Inc., a New Jersey Corporation (the "Corporation") to
23 locate in South Carolina by issuing revenue bonds of the County
24 for the purpose of defraying the cost of acquiring certain land

25 and improvements located in the County constituting a project
26 (the "Project"); and

27

28 WHEREAS, the County by due corporate action has autho-
29 rized the execution and delivery of a lease agreement between the
30 County and the Corporation dated as of the first day of January,
31 1978, (the "Lease Agreement") pursuant to which the County shall
32 acquire and lease to the Corporation the Project; and

33

34 WHEREAS, the County by due corporate action has author-
35 ized the issuance of Two Million Dollars (\$2,000,000) aggregate
36 principal amount of its First Mortgage Industrial Revenue Bonds,
37 1978 Series (Schmid Laboratories, Inc., Project) (the "Bonds")
38 pursuant to the Act in order to defray the costs of acquiring by
39 construction and purchase the Project; and

40

41 WHEREAS, the County by due corporate action has autho-
42 rized the execution and delivery of this Indenture mortgaging the
43 Project, pledging the revenues to be derived from the lease or
44 sale thereof, including the revenues derived under the Lease
45 Agreement, as security for the purchasers of the Bonds subject to
46 the terms and conditions hereinafter set forth; and

47

48 WHEREAS, all acts and things have been done and per-
49 formed which are necessary to make the Bonds, when executed and

50

00 issued by the County, authenticated by the Trustee and delivered,
01 the legal, valid and binding limited obligations of the County in
02 accordance with their terms and to make this Indenture a valid
03 and binding agreement for the security of the Bonds authenticated
04 and delivered under this Indenture; and

05

06 WHEREAS, the 1978 Series Bonds in fully registered form
07 without coupons, and the Trustee's certificate of authentication
08 to be endorsed on all such Bonds are all to be in substantially
09 the following forms with necessary and appropriate variations,
10 omissions and insertions as permitted or required by this Inden-
11 ture, to wit:

12

13 [FORM OF 1978 SERIES REGISTERED BOND]
14

15 ANDERSON COUNTY
16

17 STATE OF SOUTH CAROLINA
18

19 UNITED STATES OF AMERICA
20

21 FIRST MORTGAGE INDUSTRIAL REVENUE BOND, 1978 SERIES
22

23 (SCHMID LABORATORIES, INC., PROJECT)
24
25

26 Anderson County, South Carolina, a body politic and
27 corporate and a political subdivision of the State of South
28 Carolina (the "County"), for value received hereby promises to
29 pay to _____ or regis-
30 tered assigns, on the first day of January ____, upon the presen-
31 tation and surrender hereof, the principal sum of _____

32 _____ Dollars (\$))
33 solely from the revenues and receipts of the County derived from
34 or in connection with the Lease Agreement hereinafter referred to
35 and as provided in the Indenture hereinafter referred to and to
36 pay solely from such revenues and receipts interest on said
37 principal sum from the date hereof, at the rate of _____
38 _____ per cent (____%) per annum, until the payment of such
39 principal sum, such interest being payable on the January 1 or
40 July 1 next succeeding the date hereof commencing on July 1,
41 1978, and thereafter on January 1 and July 1 in each year to the
42 maturity of this bond. The principal of and premium, if any, and
43 interest on this bond are payable in any coin or currency of the
44 United States of America which, at the respective times of pay-
45 ment, is legal tender for the payment of public and private
46 debts, at the principal corporate trust office of Wachovia Bank
47 and Trust Company, N.A., the Trustee hereinafter mentioned, or at
48 the office designated for such payment of any successor thereof,
49 provided, however, that the interest on this bond, when due and

00 payable, shall be paid to the registered owner hereof by check or
01 draft mailed to such person at his address last appearing on the
02 Bond Register.

03

04 This Bond is one of a duly authorized issue of bonds of
05 the County designated as "First Mortgage Industrial Revenue
06 Bonds, 1978 Series (Schmid Laboratories, Inc., Project)" (the
07 "1978 Series Bonds"), issued in the aggregate principal amount of
08 \$2,000,000 under and pursuant to the Constitution and Laws of the
09 State of South Carolina, particularly South Carolina Code Anno-
10 tated Title 4, Chapter 29, (1976) (the "Act"), and under and
11 secured by a Trust Indenture between the County and Wachovia Bank
12 & Trust Company, N.A., as Trustee (the "Trustee"), dated as of
13 January 1, 1978, (the "Indenture"). The 1978 Series Bonds are
14 issued for the purpose of defraying the cost of acquisition, by
15 construction and purchase, certain land, buildings and improve-
16 ments thereon, machinery, apparatus, equipment, office facilities
17 and furnishings, necessary to manufacture, process and distribute
18 over the counter drugs, toiletries, and health and beauty aids
19 (the "Project") located in the County to be leased to Schmid
20 Laboratories, Inc., (the "Corporation") under and pursuant to a
21 Lease Agreement between the County and the Corporation dated as
22 of January 1, 1978 (hereinafter, together with any amendments
23 thereof, called the "Lease Agreement"). As provided in the
24 Indenture, additional bonds may be issued in one or more series
25 for the purpose of (a) financing the cost of completion of the

25 Project and the cost of enlargements, improvements or expansions
26 of the Project or (b) refunding any series of outstanding bonds.
27 Payment of the principal of and premium, if any, and interest on
28 the 1978 Series Bonds is unconditionally guaranteed by the Corpo-
29 ration and Midland Bank, Limited, of the United Kingdom (the
30 "Guarantor"), jointly and severally, by the terms of a Guaranty
31 Agreement between the Corporation, the Guarantor and the Trustee
32 dated as of January 1, 1978 (the "Guaranty").

33

34 Copies of the Indenture, the Lease Agreement and the
35 Guaranty are on file at the corporate trust office of the Trustee
36 and reference is made to the Indenture (and all indentures supple-
37 mental thereto and amendatory thereof), the Lease Agreement, and
38 the Guaranty for the provisions relating, among other things, to
39 the terms and security of the 1978 Series Bonds, the collection
40 and disposition of the revenues and receipts of the County derived
41 from or in connection with the Lease Agreement, any other lease
42 or the sale of the Project, the custody and application of the
43 proceeds of the 1978 Series Bonds, the rights and remedies of the
44 holders of the 1978 Series Bonds, the rights, duties and obliga-
45 tions of the County, the Corporation, the Guarantor, and the
46 Trustee, and the modification or amendment of any of the fore-
47 going.

48

49

00 This bond and any additional bonds issued under and secured
01 by the Indenture are and will be equally and ratably secured, to
02 the extent provided in the Indenture, solely by a pledge of the
03 revenues and receipts derived by the County from or in connection
04 with the Project, including those derived from the Lease Agree-
05 ment and any other lease or the sale of the Project. This bond
06 and the interest payments becoming due hereon are limited obliga-
07 tions of the County payable solely from the revenues and receipts
08 derived by the County from or in connection with the Project, as
09 aforesaid, and do not and shall never constitute an indebtedness
10 of the County within the meaning of any state constitutional
11 provision or statutory limitation, and shall never constitute nor
12 give rise to a pecuniary liability of the County or a charge
13 against its general credit or taxing power.

14

15 The 1978 Series Bonds are issuable solely in the form
16 of registered bonds without coupons in the denominations of
17 \$5,000 or any integral multiple of \$5,000. Subject to the condi-
18 tions and upon the payment of the charges provided in the Inden-
19 ture, the owner of any registered 1978 Series Bond may surrender
20 the same (together with a written instrument of transfer satis-
21 factory to the Trustee duly executed by the registered owner or
22 his attorney duly authorized in writing), in exchange for an
23 equal aggregate principal amount of registered 1978 Series Bonds
24 of any other authorized denominations.

25

26 The transfer of this bond is registrable, as provided in the
27 Indenture, upon the Bond Register kept for that purpose at the
28 above mentioned office of the Trustee, by the registered owner
29 hereof in person, or by his attorney duly authorized in writing,
30 upon surrender of this bond together with a written instrument of
31 transfer satisfactory to the Trustee duly executed by the regis-
32 tered owner or his attorney duly authorized in writing, and
33 thereupon a new registered bond or bonds of the same series and
34 maturity in the same aggregate principal amounts, shall be issued
35 to the transferee in exchange herefor as provided in the Inden-
36 ture, and upon payment of the charges therein prescribed. The
37 County and the Trustee may deem and treat the person in whose
38 name this bond is registered as the absolute owner hereof for the
39 purpose of receiving payment of, or on account of, the principal
40 or redemption price hereof and interest due hereon and for all
41 other purposes.

42

43 The 1978 Series Bonds shall be redeemed as a whole at any
44 time upon the exercise by the Corporation of its option to accel-
45 erate the payment of all unpaid amounts payable by the Corpora-
46 tion pursuant to the provisions of the Lease Agreement if (w) the
47 Project shall have been damaged or destroyed to the extent that,
48 in the opinion of the Corporation, either the required restoration

49

00 and repair thereof cannot reasonably be expected to be completed
01 within a period of nine months, or the Corporation is prevented
02 or, in the opinion of the Corporation, would likely be prevented
03 from using the Project for its normal purposes for a period of
04 nine months or more, or it would not be practicable or desirable
05 to rebuild, repair or restore the Project or (x) there occurs the
06 condemnation of all or any part of the Project or the taking by
07 eminent domain of such use or control of the Project to such an
08 extent that the Corporation is prevented or, in the opinion of
09 the Corporation, would likely be prevented from using the Project
10 for its normal purposes for a period of nine months or more; or
11 (y) unreasonable burdens or excessive liabilities shall have been
12 imposed upon the County or the Corporation with respect to the
13 Project or the operation of the Project, including, but without
14 being limited to, Federal, state or other ad valorem property,
15 income or other taxes, other than ad valorem taxes presently
16 levied upon privately owned property used for the same general
17 purposes as the Project; or (z) changes, which the Corporation
18 cannot reasonably control or overcome, in the economic availa-
19 bility of materials, supplies, labor, equipment or other proper-
20 ties or things necessary for the efficient operation of the
21 Project shall have occurred, or technological or other changes
22 shall have occurred which, in the judgment of the Corporation,
23 render the continued operation of the Project uneconomical.

24

25 The 1978 Series Bonds redeemed under the above para-

. . . .
26 graph shall be redeemed at the principal amount thereof, together
27 with unpaid interest accrued to the date fixed for redemption.

28

29 The 1978 Series Bonds shall also be subject to redemp-
30 tion prior to maturity as a whole at any time or in part from
31 time to time, upon the exercise by the Corporation of any option
32 to prepay any part or all of the payments required to be made by
33 Section 4.01 of the Lease Agreement. The 1978 Series bonds
34 redeemed under the provisions of this paragraph shall be redeemed
35 at a redemption price equal to the interest accrued on such bonds
36 to the date fixed for redemption plus: (i) if such redemption
37 occurs prior to January 1, 1979, 103% of the aggregate principal
38 amount of such Bonds so redeemed, or (ii) if such redemption
39 occurs during the period beginning Janaury 1, 1979 and ending
40 December 31, 1982, 102% of the aggregate principal amount of such
41 Bonds so redeemed, or (iii) if such redemption occurs on or after
42 Janaury 1, 1983, the aggregate principal amount of the bonds so
43 redeemed.

44 The 1978 Series Bonds are also subject to redemption
45 prior to stated maturity as a whole upon the occurrence of an
46 event resulting in the inclusion of the interest thereon in the
47 gross income of the holders thereof (other than holders who are
48 either substantial users of the Project or related persons to
49 such substantial users), if such event constitutes a breach of
50

00 any covenant or warranty of the Corporation or the County or an
01 Event of Default under the Lease Agreement or the Indenture. The
02 1978 Series Bonds redeemed under this paragraph shall be redeemed
03 at a price calculated in accordance with the immediately preced-
04 ing paragraph.

05

06 If less than all the 1978 Series Bonds shall be called
07 for redemption, the particular 1978 Series Bonds to be redeemed
08 shall be selected by lot by the Trustee or in such other manner
09 as the Trustee in its discretion may deem proper. Any such
10 redemption, either in whole or in part, shall be made upon at
11 least thirty (30) days' and no more than sixty (60) days' prior
12 notice in the manner and upon the terms and conditions provided
13 in the Indenture. If this bond or any portion hereof shall have
14 been duly called for redemption and payment of the redemption
15 price, together with unpaid interest accrued to the date fixed
16 for redemption, shall have been made or provided for, all as more
17 fully set forth in the Indenture, interest on this bond or such
18 portion shall cease to accrue from such date, and from and after
19 such date this bond or such portion shall no longer be entitled
20 to any lien, benefit, or security under the Indenture, and the
21 holder hereof shall have no rights in respect of this bond or
22 such portion except to receive payment of such redemption price
23 and unpaid interest accrued to the date fixed for redemption.

24

25 This bond shall not be entitled to any benefit under the

26 Indenture or be valid or become obligatory for any purpose until
27 this bond shall have been authenticated by the execution by the
28 manual signature of a duly authorized officer of the Trustee of
29 the Trustee's certificate of authentication hereon.

30

31 No covenant or agreement contained in this bond or the
32 Indenture shall be deemed to be a covenant or agreement of any
33 member of the County Council or officer or employee of the County
34 or the County Council in his individual capacity, and neither the
35 members of the County Council nor any officer thereof executing
36 this bond shall be liable personally on this bond or be subject
37 to any personal liability or accountability by reason of the
38 issuance of this bond.

39

40 To the extent permitted by and as provided in the Indenture,
41 modifications or alterations of the Indenture, or of any inden-
42 ture supplemental thereto, and of the rights and obligations of
43 the County and the holders of the bonds in any particular may be
44 made with consent of the Corporation and (a) the holders of not
45 less than sixty-six and two-thirds per cent ($66 \frac{2}{3}\%$) in aggregate
46 principal amount of the bonds of each series then outstanding
47 under the Indenture, or (b) in case less than all of the several
48 series of bonds then outstanding are affected by the modifications

49

...
00 or amendments, the holders of not less than sixty-six and two-
01 thirds per cent (66 2/3%) in aggregate principal amount of the
02 bonds of each series so affected then outstanding; provided,
03 however, that if such modification or amendment will by its terms
04 not take effect so long as any bonds or any specified series
05 remain outstanding, the consent of the holders of such bonds
06 shall not be required and such bonds shall not be deemed to be
07 outstanding for the purpose of any calculation of outstanding
08 bonds under the Indenture; provided, further, that no such modifi-
09 cation or alteration shall be made which will reduce the percent-
10 age of aggregate principal amount of bonds the consent of the
11 holders of which is required for any such modification or altera-
12 tion, or permit the creation by the County of any lien prior to
13 or, except to secure additional bonds or refunding bonds, on a
14 parity with the lien of the Indenture upon the receipts and
15 revenues of the County derived from or in connection with the
16 Lease Agreement or which will affect the times, amounts and
17 currency of payment of the principal of, the interest on, or
18 premium (if any) on, said bonds. Any such consent by the holder
19 of this bond shall be conclusive and binding upon such holder and
20 all future holders and owners of this bond irrespective of whether
21 or not any notation of such consent is made upon this bond.

22

23 It is hereby certified and recited that all conditions, acts
24 and things required by law and the Indenture to exist, to have

25 happened and to have been performed precedent to and in the
26 issuance of this bond, exist, have happened and have been per-
27 formed, and that the issuance of this bond and the issue of which
28 it forms a part are within every debt and other limit prescribed
29 by the Constitution and laws of the State of South Carolina.

30

31 IN WITNESS WHEREOF, the County has caused this bond to be
32 signed in its name and on its behalf by the manual or facsimile
33 signature of the County Supervisor as Chairman of the County
34 Council and the seal of the County or a facsimile thereof to be
35 impressed, imprinted or otherwise reproduced hereon and attested
36 by the manual or facsimile signature of the Clerk of the County
37 Council, as of the _____ day of _____, ____.

38

39

ANDERSON COUNTY, SOUTH CAROLINA

40

41

By: _____

42

C. Edward Poore

43

County Supervisor and

44

Chairman of the County Council

45

46

47 ATTEST:

48

49

50

51

Gerlinda E. Witcher

52

53

54

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION
ON 1978 SERIES BONDS]

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This bond is one of the First Mortgage Industrial Revenue Bonds, 1978 Series (Schmid Laboratories, Inc., Project) described in the within mentioned Indenture.

WACHOVIA BANK & TRUST COMPANY, N.A.

BY: _____
Authorized Officer

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS, THIS INDENTURE OF MORTGAGE AND DEED OF TRUST WITNESSETH:

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 issued and secured hereunder by the holders and owners thereof, and of the execution and delivery by the Corporation of the Lease Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and interest on the bonds issued and secured hereunder according to their tenor and effect and the performance and observance by the County of all the covenants expressed or implied herein and in said bonds, has granted, bargained, sold, warranted, alienated, remised, released, conveyed, assigned, pledged, trans-

32 ferred, mortgaged, set over, confirmed, and granted a security
33 interest in and does by these presents hereby grant, bargain,
34 sell, warrant, alienate, remise, release, convey, assign, pledge,
35 transfer, mortgage, set over, confirm, and grant a security
36 interest unto Wachovia Bank & Trust Company, N.A., as Trustee,
37 and unto its successors in trust, and to its assigns forever, all
38 of the right, title and interest of the County in and to the
39 Lease Agreement (except for the rights of the County to receive
40 payments, if any, under Sections 4.12, 4.13, 4.14 and 7.06 of the
41 Lease Agreement), the Revenues (as hereinafter defined), all
42 moneys and securities in the Bond Fund (as hereinafter defined),
43 until applied in payment of any item of the Cost of the Project
44 (as hereinafter defined) in accordance with Section 4.03 of this
45 Indenture, all moneys and securities in the Construction Fund (as
46 hereinafter defined) and the Project as more particularly defined
47 herein, comprising certain land, buildings and improvements
48 thereon, machinery, apparatus, equipment, office facilities and
49 furnishings all as more fully described on Exhibit A hereto
50 incorporated by this reference herein.

51

52

00 TO HAVE AND TO HOLD the same pledged, conveyed and
01 assigned, or agreed or intended so to be, to the Trustee and its
02 successors in said trust and to it and its assigns forever;

03

04 IN TRUST NEVERTHELESS, upon the terms and trusts
05 herein set forth for the equal and proportionate benefit, secu-
06 rity and protection of all holders and owners of the bonds
07 issued under and secured by this Indenture without privilege,
08 priority or distinction as to the lien or otherwise of any of
09 said bonds over any other of said bonds;

10

11 PROVIDED, HOWEVER, that if the County, its successors
12 or assigns, shall well and truly pay, or cause to be paid, the
13 principal of the bonds issued and secured hereunder and the
14 interest due or to become due thereon, at the times and in the
15 manner mentioned in said bonds according to the true intent and
16 meaning thereof, and shall well and truly keep, perform and
17 observe all the covenants and conditions pursuant to the terms of
18 this Indenture to be kept, performed and observed by it, and
19 shall pay or cause to be paid to the Trustee all sums of money
20 due or to become due to it in accordance with the terms and
21 provisions hereof, then upon such final payments this Indenture
22 and the rights hereby granted shall cease, determine and be void,
23 otherwise this Indenture to be and remain in full force and
24 effect.

25

26 THIS INDENTURE OF MORTGAGE AND DEED OF TRUST FURTHER
27 WITNESSETH, and it is expressly declared, that all bonds issued
28 and secured hereunder are to be issued, authenticated and de-
29 livered and all moneys and securities hereby pledged are to be
30 dealt with and disposed of under, upon and subject to the terms,
31 conditions, stipulations, covenants, agreements, trusts, uses and
32 purposes as hereinafter expressed, and the County has agreed and
33 covenanted, and does hereby agree and covenant, with the Trustee
34 and with the respective holders and owners, from time to time, of
35 the said bonds or any part thereof, as follows, that is to say:

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ARTICLE I.

DEFINITIONS

The terms defined in this Article I shall for all purposes of this Indenture have the meanings herein specified, unless the context clearly otherwise requires. Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa.

"Act" shall mean South Carolina Code Annotated, Title 4, Chapter 29 (1976), and all future acts supplemental thereto or amendatory thereof.

"Additional Bonds" shall mean any Bonds of any Series other than the 1978 Series Bonds, duly authenticated and delivered pursuant to the Indenture.

"Administration Expenses" shall mean the reasonable and necessary expenses incurred by the County with respect to the Lease Agreement, this Indenture and the financing of the Project, and the compensation and expenses paid to or incurred by the Trustee and any Paying Agent under the Lease Agreement or this Indenture.

"Authorized Corporation Representative" shall mean

26 any person at the time designated to act on behalf of the
27 Corporation by a written certificate furnished to the County
28 and the Trustee containing the specimen signature of such
29 person and signed on behalf of the Corporation by its President
30 or one or more of its Vice Presidents or its Treasurer or its
31 Secretary or one of its Assistant Secretaries. Such certifi-
32 cate may designate an alternate or alternates, and may desig-
33 nate different authorized Corporation Representatives to act
34 for the Corporation with respect to different sections of the
35 Lease Agreement and this Indenture. An Authorized Corporation
36 Representative may be an employee of the Corporation.

37

38 "Bond" or "Bonds" shall mean any bond or all of the
39 bonds, as the case may be, authorized and issued by the County,
40 authenticated by the Trustee and delivered under this Indenture.

41

42 "Bondholder" or "holder of the Bonds" or "holder"
43 shall mean the Registered Owner of any Bond.

44

45 "Bond Fund" shall mean the fund created under Sec-
46 tion 5.01 of this Indenture.

47

48

00 "Bond Register" and "Bond Registrar" shall have the
01 respective meanings specified in Section 2.08 of this Indenture.

02

03 "Completion Date" shall mean the date of completion
04 of the acquisition, construction and installation of the Pro-
05 ject, as that date shall be certified pursuant to Section 3.05
06 of the Lease Agreement.

07

08 "Construction Fund" shall mean the fund created under
09 Section 4.01 of this Indenture.

10

11 "Corporate Trust Office" shall mean the office of the
12 Trustee, at which at any particular time its corporate trust
13 business shall be principally administered, which office is
14 located at _____, Charlotte,
15 North Carolina.

16

17 "Corporation" shall mean Schmid Laboratories, Inc., a
18 New Jersey corporation, or any corporation which is the surviv-
19 ing, resulting or transferee corporation in any merger, consoli-
20 dation or transfer of assets permitted under Section 5.01 of the
21 Lease Agreement or any sublessee or assignee of the Corporation,
22 as provided in Section 6.01 of the Lease Agreement.

23

24 "Cost" in respect of the Project shall be deemed to

25 include (a) obligations incurred for land, labor and materials
26 and other expenses to contractors, builders and materialmen in
27 connection with the acquisition, construction and installation
28 of the Project or the rebuilding, repair, or restoration thereof
29 after any damage, loss, or condemnation of any portion thereof;
30 (b) the costs of contract bonds and of insurance of all kinds
31 that may be required or necessary during the course of construc-
32 tion of the Project which are not paid by the contractor or
33 contractors or otherwise provided for; (c) the expenses for
34 test borings, surveys, test and pilot operations, estimates,
35 plans and specifications and preliminary investigations therefor,
36 and for supervising construction, as well as for the performance
37 of all other duties required by or reasonably necessary for the
38 acquisition, construction and installation of the Project; (d)
39 legal, accounting, financial and printing expenses, fees and
40 all other expenses incurred in connection with the issuance of
41 the Bonds; (e) all other costs required to be paid under the
42 terms of any contract or contracts for the acquisition, construc-
43 tion and installation of the Project; (f) any sums required to
44 reimburse the Corporation for advances made by it for any of the
45 above items, or for any other work done by, and costs incurred
46 by, the Corporation which are properly chargeable to a capital
47 account with respect to the Project.

48

49

00 "Counsel" shall mean an attorney at law or firm of
01 attorneys (who may be an employee of, or counsel to, the County
02 or the Corporation) qualified to pass on the particular matter
03 and not unsatisfactory to the Trustee.

04

05 "County" shall mean Anderson County, South Carolina,
06 a body politic and corporate and a political subdivision of the
07 State of South Carolina.

08

09 "Event of Default" shall mean any Event of Default
10 specified in Section 9.01 of this Indenture.

11

12 "Financing Statement" shall mean a financing state-
13 ment or a continuation statement filed pursuant to the provi-
14 sions of the Uniform Commercial Code of the State of South
15 Carolina or such other jurisdiction the laws of which are
16 applicable.

17

18 "Indenture" shall mean this Indenture of Mortgage and
19 Deed of Trust as amended or supplemented from time to time in
20 accordance with the terms hereof.

21

22 "Interest Payment Date" shall mean any date on which
23 the interest on any Bonds shall be payable whether such date is

24 a regular payment date prescribed by the Indenture or the result
25 of a redemption pursuant to the terms of the Indenture.

26

27 "Lease Agreement" shall mean the Lease Agreement dated
28 as of January 1, 1978, between the County and the Corporation,
29 and any and all modifications, alterations, amendments and supple-
30 ments thereto made in accordance with the provisions thereof and
31 of this Indenture.

32

33 "Officers' Certificate" shall mean a certificate
34 signed by the County Supervisor as Chairman and the Clerk of the
35 County Council of the County.

36

37 The terms "outstanding under this Indenture" or "out-
38 standing hereunder" or "outstanding", when used with reference
39 to the Bonds shall mean at any date as of which the amount of
40 outstanding Bonds is to be determined, the aggregate of all
41 Bonds authorized, issued, authenticated and delivered under
42 this Indenture, except:

43

44 (a) Bonds cancelled or surrendered to the Trustee
45 for cancellation pursuant to Section 2.08 of this Inden-
46 ture on or prior to such date;

47

48

00 (b) Bonds for the payment of which cash or securi-
01 ties shall have been theretofore deposited with the Trustee
02 in accordance with Section 13.02 of this Indenture in an
03 amount equal to the principal amount thereof premium if any and
04 interest accrued thereon to maturity;

05

06 (c) Bonds for the redemption of which cash or securi-
07 ties shall have been theretofore deposited with the Trustee
08 in accordance with Section 13.02 of this Indenture and
09 notice of such redemption has been given or provision satis-
10 factory to the Trustee shall have been made therefor as re-
11 quired in Article VII of this Indenture; and

12

13 (d) Bonds in lieu of or in substitution for which
14 other Bonds shall have been authenticated and delivered
15 pursuant to this Indenture unless proof satisfactory to
16 the Trustee and the Corporation is presented that any such
17 Bond is held by a bona fide holder in due course.

18

19 In determining whether the holders of a requisite
20 aggregate principal amount of Bonds outstanding have concurred
21 in any request, demand, authorization, direction, notice,
22 consent or waiver under this Indenture, Bonds which are owned
23 by the Corporation or the County shall be disregarded and

24 deemed not to be outstanding for the purpose of any such deter-
25 mination; provided, however, that for the purpose of determin-
26 ing whether the Trustee shall be protected in relying upon any
27 such request, demand, authorization, direction, notice, consent
28 or waiver, only Bonds which the Trustee knows to be so owned
29 shall be so disregarded.

30

31 "Paying Agent" shall mean any paying agent for the
32 Bonds and coupons (which may include the Trustee) and its
33 successor or successors appointed pursuant to the provisions
34 of this Indenture.

35

36 "Permitted Encumbrances" shall mean as of any par-
37 ticular time: (i) liens for ad valorem taxes and special assess-
38 ments not then delinquent; (ii) the Lease Agreement and this
39 Indenture; (iii) utility, access and other easements and rights
40 of way, flood rights, leases, restrictions and exceptions that an
41 Independent Engineer and the Authorized Corporation Representative
42 (as each is defined in the Lease Agreement) certify will not
43 interfere with or impair the operations being conducted in the
44 Project (or, if no operations are being conducted therein, the
45 operations for which the Project was designed or last modified);
46 (iv) such minor defects, irregularities, encumbrances, easements,
47 rights of way and clouds on title as normally exist with respect
48 to properties similar in character to the Project and do not in

00 the opinion of Counsel, materially impair the property affected
01 thereby for the purposes for which it was acquired or is held by
02 the County; (v) mechanic's and materialman's liens not filed or
03 perfected in the manner prescribed by law in effect on the date
04 of execution hereof or otherwise; and (vi) any mortgage, lease or
05 security interest with respect to furnishings, machinery, equip-
06 ment and apparatus installed in but not a part of the Project.

07

08 "Person", whether upper or lower case, shall mean an
09 individual, a corporation, a partnership, an association, a joint
10 stock company, a trust, any unincorporated organization or a
11 government or political subdivision thereof.

12

13 "Plans and Specifications" shall mean the plans and
14 specifications prepared for and on file at the Project, as the
15 same may be implemented and detailed from time to time and as the
16 same may be revised from time to time prior to the completion of
17 construction of the Project in accordance with the Lease Agree-
18 ment.

19

20 "Principal Payment Date" shall mean any date on which
21 the principal of any Bonds shall become due whether by maturity,
22 redemption, acceleration or purchase.

23

24 "Project" shall mean any land, buildings, other

25 improvements, and all machinery, apparatus, equipment, office
26 facilities and furnishings described in Exhibit A to this
27 Agreement, including any modifications thereof, substitu-
28 tions therefor and additions thereto and excluding deletions
29 therefrom, all as provided by the Plans and Specifications,
30 and any replacements, substitutions or modifications made by
31 the Corporation after the Completion Date.

32

33 "Registered Owner" shall mean the Person or Persons in
34 whose name or names the particular Bond shall be registered on
35 the Bond Register.

36

37 "Revenues" shall mean all payments, receipts, and
38 revenues to which the County is entitled by virtue of the
39 lease or sale of the Project, including those derived pursuant
40 to the Lease Agreement, except payments and receipts to which the
41 County may be entitled by virtue of Sections 4.12, 4.13, 4.14 and
42 7.06 of the Lease Agreement. Revenues shall include any receipts
43 or payments as the result of any taking by condemnation or exer-
44 cise of the power of eminent domain by any governmental body or
45 by any person acting under governmental authority and the proceeds
46 of any policies of insurance covering any portion or all of the
47 Project (except business interruption insurance and the like).

48

49

00 "Series" or "Series of Bonds" shall mean all of the
01 Bonds authenticated and delivered upon original issuance in a
02 simultaneous transaction, and any Bonds thereafter authenticated
03 and delivered in lieu of or in substitution for such Bonds, pur-
04 suant to the provisions of this Indenture, regardless of varia-
05 tions in maturity, interest rate or other provisions.

06

07 "1978 Series Bond" or "Bonds" shall mean any one or all
08 of the Two Million Dollars (\$2,000,000 aggregate principal amount
09 of the County's First Mortgage Industrial Revenue Bonds, 1978
10 Series (Schmid Laboratories, Inc., Project) authorized and issued
11 by the County and authenticated and delivered by the Trustee under
12 the Indenture.

13

14 "Supplemental Indenture" or "indenture supplemental
15 hereto" shall mean any indenture supplemental to or amendatory
16 of this Indenture as originally executed which is duly executed
17 in accordance with the provisions of this Indenture.

18

19 "Trustee" shall mean Wachovia Bank & Trust Company, N.A.,
20 (and its corporate successors) as Trustee under this Indenture,
21 and its successor or successors as such Trustee.

22

23

00

ARTICLE II

01

02

DESCRIPTION, AUTHORIZATION, MANNER OF EXECUTION,

03

AUTHENTICATION, REGISTRATION AND TRANSFER OF BONDS

04

05

SECTION 2.01. The Bonds may, at the election of the

06

County, be issued in one or more Series and, except as hereinafter

07

provided, shall be designated generally as "First Mortgage Indus-

08

trial Revenue Bonds (Schmid Laboratories, Inc., Project)" with

09

such further appropriate and particular designations added to or

10

incorporated in such title for the Bonds of any particular Series

11

as the County may determine. Each Bond shall bear upon the face

12

thereof the designation so selected for the Series to which it

13

belongs.

14

15

SECTION 2.02. There shall be issued under and secured by

16

this Indenture a Series of Bonds to be designated "First Mortgage

17

Industrial Revenue Bonds, 1978 Series (Schmid Laboratories, Inc.,

18

Project)" in the aggregate principal amount of \$2,000,000. The

19

1978 Series Bonds shall be dated the January 1 or July 1 next

20

preceding the date of authentication of each such 1978 Series

21

Bond to which interest has been paid (except that if any regis-

22

tered 1978 Series Bonds shall be authenticated on any January 1

23

or July 1 to which interest has been paid it shall be dated as of

24

such date, or if it shall be authenticated prior to July 1, 1978,

25 it shall be dated January 1, 1978); shall bear interest from such
 26 dates until maturity or until the date fixed for redemption
 27 (whichever occurs first), at the respective rates per annum,
 28 set forth in the table below, payable semi-annually on Janaury 1
 29 and July 1 of each year (commencing July 1, 1978); and shall
 30 mature on Janaury 1, in the years and in the principal amounts
 31 set forth below:

			Interest			Interest
	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
34						
35	1979	\$160,000	6.50%	1987	\$120,000	6.75%
36	1980	160,000	6.50	1988	120,000	6.75
37	1981	160,000	6.50	1989	120,000	6.75
38	1982	160,000	6.50	1990	120,000	6.75
39	1983	160,000	6.50	1991	120,000	6.75
40	1984	120,000	6.50	1992	120,000	6.75
41	1985	120,000	6.75	1993	120,000	6.75
42	1986	120,000	6.75			

43

44 The 1978 Series Bonds shall be numbered in such manner as
 45 the County, with the concurrence of the Trustee, shall determine.
 46 The 1978 Series Bonds shall be issued as fully registered 1978
 47 Series Bonds without coupons in the denomination of \$5,000 each,
 48 or any integral multiple thereof. The principal of and redemp-

00 tion premium (if any) on the 1978 Series Bonds shall be payable
01 to the Registered Owner thereof or his assigns upon surrender
02 thereof at the Corporate Trust Office of the Trustee for such
03 purpose, provided however, that the interest on any 1978 Series
04 Bond when due and payable shall be paid to the Registered Owner
05 thereof by check or draft mailed to such Registered Owner at his
06 address last appearing on the Bond Register. All payments of
07 principal, redemption premium (if any) and interest on the 1978
08 Series Bonds shall be payable in any coin or currency of the
09 United States of America which at the time of payment is legal
10 tender for the payment of public and private debts.

11

12 In the manner and with the effect provided in this Indenture,
13 the 1978 Series Bonds will be subject to redemption prior to
14 maturity, subject to the provisions of Article VII of this Inden-
15 ture as follows:

16

17 (a) The 1978 Series Bonds shall be redeemed as a whole
18 at any time upon the exercise by the Corporation of its option to
19 accelerate the payment of all unpaid amounts payable by the
20 Corporation pursuant to the provisions of the Lease Agreement if:
21 (w) the Project shall have been damaged or destroyed to the
22 extent, that in the opinion of the Corporation, either the
23 required restoration and repair thereof cannot reasonably be
24 expected to be completed within a period of nine months, or the
25 Corporation is prevented or, in the opinion of the Corporation,

26 would likely be prevented from using the Project for its normal
27 purposes for a period of nine months or more, or it would not be
28 practicable or desirable to rebuild, repair or restore the
29 Project or (x) there occurs the condemnation of all or any part
30 of the Project or the Plant or the taking by eminent domain of
31 such use or control of the Project to such an extent that the
32 Corporation is prevented or, in the opinion of the Corporation,
33 would likely be prevented from using the Project for its normal
34 purposes for a period of nine months or more; or (y) unreasonable
35 burdens or excessive liabilities shall have been imposed upon the
36 County or the Corporation with respect to the Project or the
37 operation of the Project, including, but without being limited
38 to, Federal, state or other ad valorem property, income or other
39 taxes, other than ad valorem taxes presently levied upon privately
40 owned property used for the same general purposes as the Project
41 or (z) changes, which the Corporation cannot reasonably control
42 or overcome, in the economic availability of materials, supplies,
43 labor, equipment or other properties or things necessary for the
44 efficient operation of the Project shall have occurred, or tech-
45 nological or other changes shall have occurred which, in the
46 judgment of the Corporation, render the continued operation of
47 the Project uneconomical. The 1978 Series Bonds redeemed under this
48 paragraph (a) shall be redeemed at the principal amount thereof,
49 together with unpaid interest accrued to the date fixed for redemp-
50 tion.

51

52

00 (b) The 1978 Series Bonds shall also be subject to
01 redemption prior to maturity in whole at any time or in part from
02 time to time upon the exercise by the Corporation of an option to
03 prepay any part or all of, the payments required to be made by
04 Section 4.01 of the Lease Agreement. The 1978 Series Bonds re-
05 deemed under the provisions of this paragraph shall be redeemed
06 at a redemption price equal to the interest accrued on such Bonds
07 to the date fixed for redemption plus: (i) if such redemption
08 occurs prior to January 1, 1979, 103% of aggregate principal
09 amount of the 1978 Series Bonds to be so redeemed; (ii) if such
10 redemption occurs during the period beginning January 1, 1979,
11 and ending December 31, 1982, 102% of the aggregate principal
12 amount of the 1978 Series Bonds so redeemed; or (iii) if such
13 redemption occurs on or after January 1, 1983, the aggregate
14 principal amount of the 1978 Series Bonds so redeemed.

15

16 (c) The 1978 Series Bonds are also subject to redemp-
17 tion prior to stated maturity as a whole upon the occurrence of
18 an event resulting in the inclusion of the interest thereon in
19 the gross income of the holders thereof (other than holders who
20 are either substantial users of the Project or related persons to
21 such substantial users), if such event constitutes a breach of
22 any covenant or warranty of the Corporation or the County or an
23 Event of Default under the Lease Agreement or the Indenture. The
24 1978 Series Bonds redeemed under this paragraph shall be redeemed
25 a price calculated in accordance with the provisions of the
26 immediately preceeding paragraph (b).

27

28 SECTION 2.03. Subject to determination from time to
29 time by the County, as expressed from time to time in one or more
30 Supplemental Indentures, the Bonds of any Series other than the
31 1978 Series Bonds:

32

33 (a) shall be in such form, shall be dated, shall bear
34 interest at a rate or rates not in excess of the maximum rate
35 then permitted by applicable law, shall be payable and shall
36 mature by their terms at such time or times as may be provided in
37 the Supplemental Indenture creating the Series of which such
38 Bonds are a part;

39

40 (b) shall be payable, both as to principal and inter-
41 est and redemption premium (if any), at such place or places as
42 the County may determine in any coin or currency of the United
43 States of America which at the time of payment is legal tender
44 for the payment of public and private debts;

45

46 (c) may have such registration privileges and such
47 exchange privileges as may be determined by the County;

48

49 (d) shall have such particular designations added to
50 their title as the County may determine, and may be in such
51 denominations as may be determined by the County;

52

53

00 (e) may be limited as to the maximum principal amount
01 thereof which may be authenticated by the Trustee and delivered
02 or which may be at any time outstanding, and an appropriate
03 insertion in respect of such limitation may, but need not, be
04 made in the Bonds of such Series;

05

06 (f) may contain provisions for the redemption thereof
07 at such redemption price or prices, at such time or times, upon
08 such notice, in such manner and upon such other terms and condi-
09 tions, not inconsistent with the provisions of Article VII hereof
10 and the terms of the Lease Agreement, as may be determined by the
11 County and permitted by applicable law;

12

13 (g) may have mandatory provisions requiring payments
14 of the purchase and sinking fund redemption of such Bonds, in
15 such amounts, at such time or times, in such manner and upon such
16 terms and conditions, not inconsistent with the provisions of
17 this Indenture, as shall be set forth in such Supplemental Inden-
18 ture; and

19

20 (h) may contain provisions with respect to accelera-
21 tion of maturity on the happening of specified events, and such
22 other special terms and conditions, not contrary to the provi-
23 sions hereof or of the Act.

24

25 SECTION 2.04. In the event any outstanding Bond,

26 whether temporary or definitive, is mutilated, lost, stolen or
27 destroyed, the County may execute, and upon its request in writ-
28 ing, the Trustee shall authenticate and deliver, a new Bond of
29 the same Series, principal amount and maturity and of like tenor
30 and having attached the same coupons (if any) as the mutilated,
31 lost, stolen or destroyed Bond in exchange and substitution for
32 such mutilated Bond or in lieu of and substitution for such lost,
33 stolen or destroyed Bond.

34

35 Application for exchange and substitution of mutilated,
36 lost, stolen or destroyed Bonds shall be made to the Trustee at
37 the Corporate Trust Office. In every case the applicant for a
38 substitute Bond shall furnish to the County and to the Trustee
39 such security or indemnity as may be required by them to save
40 each of them and any Paying Agent harmless. In every case of
41 loss, theft or destruction of a Bond, the applicant shall also
42 furnish to the County and to the Trustee evidence to their satis-
43 faction of the loss, theft or destruction and of the ownership of
44 such Bond. In every case of mutilation of a Bond, the applicant
45 shall surrender the Bond so mutilated.

46

47 Notwithstanding the foregoing provisions of this Section
48 2.04, in the event any such Bond shall have matured, and no

00 default has occurred which is then continuing in the payment of
01 the principal of or interest on the Bonds, the County may author-
02 ize the payment of the same (without surrender thereof except in
03 the case of a mutilated Bond) instead of issuing a substitute
04 Bond provided security or indemnity is furnished as above pro-
05 vided in this Section 2.04.

06

07 Upon the issuance of any substitute Bond, the County
08 and the Trustee may charge the holder of such Bond with their
09 reasonable fees and expenses in connection therewith. Every
10 substitute Bond (and any coupon or coupons attached thereto)
11 issued pursuant to the provisions of this Section 2.04 by virtue
12 of the fact that any Bond or is lost, stolen or destroyed shall
13 constitute an original additional contractual obligation of the
14 County, whether or not the lost, stolen or destroyed Bond shall
15 be found at any time, or be enforceable by anyone, and shall be
16 entitled to all the benefits of this Indenture equally and pro-
17 portionally with any and all other Bonds duly issued under this
18 Indenture to the same extent as the Bonds in substitution for
19 which such Bonds issued.

20

21 The provisions of this Section 2.04 are exclusive and
22 shall preclude (to the extent lawful) all of the rights and
23 remedies with respect to the payment of mutilated, lost, stolen
24 or destroyed Bonds or coupons, including those granted by any law

25 or statute now existing or hereafter enacted.

26

27 SECTION 2.05. Until Bonds in definitive form are ready
28 for delivery, the County may execute, and upon its request in
29 writing, the Trustee shall authenticate and deliver in lieu
30 thereof, and subject to the same provisions, limitations and
31 conditions, one or more printed, lithographed or typewritten
32 Bonds in temporary form, substantially of the tenor of the Bonds
33 hereinbefore in this Article II described with appropriate omis-
34 sions, variations and insertions. Bonds in temporary form will
35 be for such principal amounts as the County shall determine.

36

37 Until exchanged for Bonds in definitive form, such
38 Bonds in temporary form shall be entitled to the lien and benefit
39 of this Indenture. The County shall, without unreasonable delay,
40 prepare, execute and deliver to the Trustee, and thereupon, upon
41 the presentation and surrender of the Bond or Bonds in temporary
42 form to the Trustee at the Corporate Trust Office, the Trustee
43 shall authenticate and deliver, in exchange therefor, a Bond or
44 Bonds of the same maturity in definitive form in the authorized
45 denomination, and for the same aggregate principal amount, as the
46 Bond or Bonds in temporary form surrendered. Such exchange shall
47 be made at the County's own expense and without making any charge
48 therefor to any Bondholder.

49

50

00 SECTION 2.06. All the Bonds shall, from time to time,
01 be executed on behalf of the County by, or bear the manual or
02 facsimile signature of the County Supervisor as Chairman of the
03 County Council of the County and the seal of the County (which
04 may be in facsimile) shall be thereunto affixed (or imprinted or
05 engraved if facsimile) and attested by the manual or facsimile
06 signature of the Clerk of the County Council of the County;
07 provided, however, that at least one of said signatures shall be
08 manual.

09

10 If any of the officers who shall have signed any of
11 the Bonds or whose facsimile signature shall be upon the Bonds
12 shall cease to be such officer of the County before the Bonds so
13 signed and sealed shall have been actually authenticated by the
14 Trustee or delivered by the County, such Bonds nevertheless may
15 be authenticated, issued and delivered with the same force and
16 effect as though the person or persons who signed or sealed such
17 Bonds or whose facsimile signature shall be upon the Bonds had
18 not ceased to be such officer or officers of the County; and also
19 any such Bond may be signed and sealed on behalf of the County by
20 those persons who, at the actual date of the execution of such
21 Bond, shall be the proper officers of the County, although at the
22 date of such Bond any such person shall not have been such officer
23 of the County.

24

25 SECTION 2.07. Upon surrender at the Corporate Trust
26 Office with a written instrument of transfer in form satisfactory
27 to the Bond Registrar, duly executed by the Registered Owner or
28 his attorney duly authorized in writing, any Registered Bond or
29 Bonds may, at the option of the Registered Owner thereof, and
30 upon payment by such Registered Owner of a sum sufficient to
31 cover any governmental tax or charge required to be paid as
32 provided in Section 2.09 of this Indenture, be exchanged for an
33 equal aggregate principal amount of Bonds of the same Series and
34 maturity of any other authorized denomination and registered in
35 the name of the same Registered Owner.

36

37 SECTION 2.08. The transfer of Bonds shall be registered
38 on the Bond Register, which shall be kept for this purpose at the
39 Corporate Trust Office by the Trustee who is hereby designated
40 Bond Registrar, upon surrender thereof by the Registered Owner in
41 person or by his attorney duly authorized in writing together
42 with a written instrument of transfer in form satisfactory to the
43 Bond Registrar duly executed by the Registered Owner or his
44 attorney duly authorized in writing and upon payment by such
45 Registered Owner of a sum sufficient to cover any governmental
46 tax or charge required to be paid as provided in Section 2.09 of
47 this Indenture. Upon any such registration of transfer, the
48 County shall issue in the name of the transferee or transferees a

49

00 new Bond or Bonds, of the same Series and in an amount or amounts
01 in the aggregate equal to the principal amount of such Bond.
02 The principal of and redemption premium, if any, and interest on
03 any Bond shall be payable only to or upon the order of the Reg-
04 istered Owner or his legal representative.

05

06 The County, the Trustee, the Bond Registrar and any Paying
07 Agent may deem and treat the Registered Owner of any Bond as the
08 absolute owner of such Bond for the purpose of receiving any pay-
09 ment on such Bond and for all other purposes of this Indenture
10 and the Lease Agreement, whether such Bond shall be overdue or
11 not, and neither the County, the Trustee, the Bond Registrar nor
12 any Paying Agent shall be affected by any notice to the contrary.
13 Payment of, or on account of, the principal of and redemption
14 premium (if any) and interest on any Bond shall be made to such
15 Registered Owner or upon his written order. All such payments
16 shall be valid and effectual to satisfy and discharge the liabil-
17 ity upon such Bond to the extent of the sum or sums so paid.

18

19 SECTION 2.09. In all cases in which the privilege of
20 registering the transfer of Bonds is exercised, the County shall
21 execute and the Trustee shall authenticate and deliver Bonds in
22 accordance with the provisions of this Indenture. All Bonds
23 surrendered upon any such registration of transfer shall forth-
24 with be delivered to the Trustee and cancelled by it. There

25 shall be no charge for any such registration of transfer of
26 Bonds, but the County may require the payment of a sum sufficient
27 to pay any tax or other governmental charge required to be paid
28 with respect to any such registration of transfer. Neither the
29 County nor the Trustee shall be required (a) to register the
30 transfer of any Bond for a period of ten days next preceding any
31 interest payment date on such Bond or (b) to register the trans-
32 fer of any Bond for a period of thirty days next preceding any
33 selection of Bonds of the same Series and maturity as such Bond
34 to be redeemed and thereafter until after the first publication
35 or mailing of any notice of redemption or (c) to register the
36 transfer of any Bond called for redemption in whole or in part.

37

38 SECTION 2.10. No Bond shall be secured by this Inden-
39 ture or entitled to the benefit hereof or shall be valid or
40 obligatory for any purpose unless there shall be endorsed on such
41 Bond the Trustee's certificate of authentication, substantially
42 in the form prescribed in this Indenture, executed by the manual
43 signature of a duly authorized officer of the Trustee; and such
44 certificate on any Bond issued by the County shall be conclusive
45 evidence and the only competent evidence that such Bond has been
46 duly authenticated and delivered under this Indenture.

47

48 SECTION 2.11. Upon the surrender to the Trustee of
49 any temporary or mutilated Bond, or any Bond transferred or

00 exchanged for another Bond or Bonds, or any Bond paid at maturity,
01 the same shall forthwith be cancelled and, at the written request
02 of the County, be destroyed by the Trustee, and the Trustee
03 shall, if such Bond is so destroyed, deliver its certificate of
04 such destruction to the County.

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ARTICLE III

AUTHENTICATION AND DELIVERY OF BONDS

SECTION 3.01. The aggregate principal amount of Bonds which may be executed by the County and authenticated by the Trustee and delivered and secured by this Indenture is not limited except as is or may hereafter be provided by this Indenture, the Act or any other law. All Bonds issued and to be issued hereunder are, and are to be, to the extent provided in this Indenture, equally and ratably secured by this Indenture without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity of the Bonds and coupons, or any of them, so that, subject as aforesaid, all Bonds and coupons at any time outstanding hereunder shall have the same right, lien and preference under and by virtue of this Indenture and shall all be equally and ratably secured hereby with like effect as if they had all been executed, authenticated and delivered simultaneously on the date hereof, whether the same, or any of them, shall actually be disposed of at such date, or whether they, or any of them, shall be disposed of at some future date, or whether they, or any of them, shall have been authorized to be authenticated and delivered under Section 3.02 or may be authorized to be authenticated and delivered hereafter pursuant to Sections 2.04, 2.05, 2.07, 2.08, 3.03,

25 3.04, or 7.04.

26

27

28 SECTION 3.02. The 1978 Series Bonds in the aggregate
29 principal amount of Two Million Dollars (\$2,000,000), being the
30 first Series of Bonds issued under this Indenture, shall forth-
31 with be executed by the County and delivered to the Trustee for
32 authentication, together with a statement as to the amount of the
33 proceeds of the sale of such principal amount of said Bonds, and
34 thereupon the 1978 Series Bonds shall be authenticated by the
35 Trustee and shall be delivered to or upon the written order of
36 the County, but only upon the receipt by the Trustee of the
37 aforesaid proceeds of sale of which an amount equal to the inter-
38 est on said Bonds accrued to the date of delivery thereof shall
39 be deposited in the Bond Fund and the balance thereof shall be
40 deposited in the Construction Fund. Prior to authentication of
41 the 1978 Series Bonds the Trustee shall also have received the
42 following:

43

44 (a) A copy of the ordinance adopted by the County
45 authorizing the execution and delivery of the Lease Agreement and
46 this Indenture and the issuance and delivery of the 1978 Series
47 Bonds, duly certified by the County Supervisor as Chairman of the
48 County Council under the corporate seal of the County, to have

49

00 been duly adopted by the County Council and to be in full force
01 and effect on the date of such certification;

02

03 (b) An original executed counterpart of the Lease
04 Agreement;

05

06 (c) A Certificate of the County Supervisor to the
07 effect that on the basis of the facts, estimates and circumstances
08 (including the covenants of the County and the Corporation in the
09 Lease Agreement and this Indenture) in existence on the date of
10 issuance of the 1978 Series Bonds, it is not expected that the
11 proceeds of the 1978 Series Bonds will be used in a manner that
12 would have caused the 1978 Series Bonds to be arbitrage bonds
13 within the meaning of Section 103(c) of the Internal Revenue Code
14 of 1954, as amended to the date of such certificate, Temporary
15 Treasury Regulations § 13.4 and Proposed Treasury Regulations
16 §§ 1.103-13, 1.103-14 and 1.103-15 had such use been reasonably
17 expected on the date of issuance of the 1978 Series Bonds, and
18 such certificate shall set forth such facts, estimates and cir-
19 cumstances (including the covenants of the County and the Corpo-
20 ration in the Lease Agreement and this Indenture), which may be in
21 brief and summary terms, and shall state that to the best of the
22 knowledge and belief of the officer signing such certificate
23 there are no other facts, estimates or circumstances that would
24 materially change such expectation; and

25

26 (d) an opinion of Counsel experienced in matters

27 relating to the validity of and tax exemption of interest on the
28 obligations of states and their political subdivisions to the
29 effect that the facts, estimates and circumstances (including the
30 covenants of the County and the Corporation in the Lease Agreement
31 and this Indenture) set forth in the certificate referred to in
32 paragraph (c) above are sufficiently set forth therein to satisfy
33 the criteria which are necessary under Section 103(c) of the
34 Code, Temporary Treasury Regulations § 13.4 and Proposed Treasury
35 Regulations §§ 1.103-13, 1.103-14 and 1.103-15 to support the
36 conclusion that the 1977 Series Bonds will not be arbitrage
37 bonds, and no matters have come to the attention of the attorney
38 or firm of attorneys rendering such opinion with make unreasonable
39 or incorrect the representations made in said certificate.

40

41 SECTION 3.03. Subsequent to the authentication, issuance and
42 delivery of the 1978 Series Bonds, one or more Series of Additional
43 Bonds may be authenticated by the Trustee and delivered upon orig-
44 inal issuance for the purpose of providing funds to (i) complete
45 payment of the Cost of the Project, or (ii) pay the Cost of
46 enlargements, improvements or expansions of the Project. The
47 County may execute and deliver to the Trustee, and the Trustee
48 shall thereupon authenticate such Additional Bonds and deliver
49 them to the purchaser or purchasers thereof, provided that, prior
50 to such delivery, there shall have been delivered to the Trustee:

51

52

00

(a) A copy of the resolution or resolutions author-
izing such Additional Bonds and the execution and delivery
by the County of a Supplemental Indenture providing for the
terms and conditions upon which such Bonds are to be issued,
duly certified by the County Supervisor as Chairman of the
County Council under the corporate seal of the County to
have been duly adopted by the County Council and to be in
full force and effect on the date of such certification,
together with an executed counterpart of said Supplemental
Indenture;

10

11

(b) A copy, similarly certified by the County Super-
visor as Chairman of the County Council, of the resolution
or resolutions authorizing the execution and delivery by the
County of any agreement which is necessary to amend the
Lease Agreement to (i) increase or adjust the payments to be
made under the Lease Agreement to an amount sufficient to
pay, as and when the same mature or become due, the princi-
pal of and redemption premium (if any) and interest on all
Bonds, which will be outstanding, including such Additional
Bonds (except to such extent as the same may be payable out
of moneys then in the Bond Fund or otherwise on deposit with
the Trustee in accordance with this Indenture), (ii) include
as part of the Project all machinery, equipment, facilities,
land and rights in land to be financed by the issuance and

25 sale of such Additional Bonds, and (iii) make such other
26 revisions to the Lease Agreement as are necessitated by the
27 issuance of such Additional Bonds (provided, however, that
28 such other revisions shall not prejudice the rights of the
29 holders of outstanding Bonds as granted them under the terms
30 of this Indenture) together with a duly executed counterpart
31 of such amendatory agreement;

32

33 (c) A written statement of the Corporation approving
34 the issuance of such Additional Bonds and certifying that it
35 is not then in default under the Lease Agreement;

36

37 (d) An opinion of Counsel experienced in matters
38 relating to the validity of and tax exemption of interest on
39 the obligations of states and their political subdivisions
40 addressed to the Trustee, to the effect that all of the
41 conditions precedent to the issuance of such Additional
42 Bonds set forth in this Indenture and the Supplemental
43 Indenture authorizing such Additional Bonds have been satis-
44 fied and that such issuance will not impair the exclusion of
45 interest on the 1978 Series Bonds then outstanding from the
46 gross income of the holders thereof (except such holders as
47 are substantial users of the Project, or persons related to
48 such substantial users) for purposes of Federal income
49 taxation;

50

51

00 (e) A written order of the County requesting and
01 authorizing the Trustee on behalf of the County to authen-
02 ticate and deliver such Additional Bonds to the purchaser or
03 purchasers therein identified upon payment to the Trustee of
04 the sum specified therein as the amount of the proceeds of
05 the sale of the Additional Bonds being sold, which shall
06 include an amount equal to any accrued interest on such
07 Additional Bonds to the date of delivery; and

08

09 (f) The approvals, if any, of any South Carolina
10 governmental or administrative body required by the laws
11 of the State of South Carolina, including the Act, at the
12 time of issuance of such Additional Bonds.

13

14 The proceeds of such Additional Bonds shall be deposited
15 with and held and disbursed by the Trustee as provided in the
16 Supplemental Indenture providing for such Additional Bonds.

17

18 SECTION 3.04. From time to time after the execution and
19 delivery of this Indenture, the County, if and to the extent
20 authorized by law, may authorize one or more Series of Additional
21 Bonds for the purpose of refunding all but not less than all of
22 the Bonds of any one or more Series. Such Additional Bonds shall
23 be issued in a principal amount sufficient, together with other
24 moneys available therefor, to accomplish such refunding and to

25 make the deposits in the Bond Fund required by the provisions of
26 this Section and by the provisions of the Supplemental Indenture
27 authorizing the issuance of such Series of Additional Bonds. The
28 County may execute and deliver to the Trustee, and the Trustee
29 shall thereupon authenticate, such Additional Bonds and deliver
30 them to the purchaser or purchasers thereof, provided that, prior
31 to such delivery, there shall have been delivered to the Trustee:

32

33 (a) The documents required by Section 3.03 of this
34 Indenture;

35

36 (b) Evidence satisfactory to the Trustee that notice
37 of redemption of the Bonds to be refunded has been published
38 or given as provided in this Indenture, or that provisions
39 satisfactory to the Trustee, which shall include irrevocable
40 instructions to the Trustee in form satisfactory to it to
41 effect the same, have been made for the publication or
42 giving of such notice;

43

44 (c) In the event the Bonds to be refunded are not by
45 their terms subject to redemption within the next sixty (60)
46 days, irrevocable instructions to the Trustee in form satis-
47 factory to it to publish, with respect to such Bonds to be
48 refunded, the notice required by clause (c) of Section 13.02
49 hereof; and

50

51

00 (d) The proceeds of such Additional Bonds, which may
01 be in cash or obligations described in paragraph (b) of
02 Section 13.02 hereof, and shall not be less than an amount
03 sufficient (together with any other moneys available to the
04 Trustee for such purpose), taking into account the proceeds
05 of and interest on said obligations, to pay when due (i) the
06 interest when due on such Additional Bonds to the date or
07 dates when the payments to be made under Lease Agreement
08 will be adjusted, as described in paragraph (b) of this
09 Section 3.04, to provide for payment of such interest, (ii)
10 any interest on the Bonds of each Series to be refunded to
11 the date or dates fixed for maturity or redemption thereof,
12 (iii) the principal of and premium, if any, on the Bonds to
13 be refunded, and (iv) the amount estimated by the County as
14 necessary for payment of its expenses in connection with the
15 redemption of the Bonds to be refunded and the issuance and
16 sale of such Additional Bonds.

17

18 The amount estimated by the County for payment of its
19 expenses in connection with the redemption of the Bonds to be
20 refunded and the issuance of such Additional Bonds shall be set
21 aside by the Trustee out of such proceeds and applied by it in
22 payment of such expenses upon receipt of an Officers' Certificate
23 in substantially the form of the requisition described in Section
24 4.03 of this Indenture. The balance of such proceeds shall be

25 held and applied by the Trustee in the manner hereinafter in this
26 Section 3.04 set forth. Any amount of the moneys set aside for
27 the payment of such expenses remaining after receipt of an Offi-
28 cers' Certificate to the effect that all such expenses have been
29 paid or provided for shall be transferred by the Trustee to the
30 Bond Fund.

31

32 Simultaneously with the delivery of such Additional
33 Bonds, the Trustee shall withdraw from any sums then available
34 for payment of interest on the Bonds to be refunded an amount
35 sufficient (together with any excess of the proceeds of the
36 Additional Bonds over the amount required for paying the princi-
37 pal of and the redemption premium (if any) on the Bonds to be
38 refunded, after excluding from such proceeds accrued interest and
39 excluding the amount set aside for the payment of the expenses of
40 the County in connection with the redemption of the Bonds to be
41 refunded and the issuance of such Additional Bonds, but including
42 any premium, to pay the interest on the Bonds to be refunded
43 which will become payable on or prior to their maturity or the
44 date fixed for their redemption, as the case may be. The amount
45 so withdrawn and the proceeds of such Additional Bonds (excluding
46 accrued interest and the amount set aside for the payment of the
47 expenses of the County in connection with the redemption of the
48 Bonds to be refunded and the issuance of such Additional Bonds,

00 but including any premium) shall be held by the Trustee in trust
01 for the sole and exclusive purpose of paying the principal of and
02 interest and redemption premium (if any) on the Bonds to be
03 refunded. The amount paid as accrued interest on such Additional
04 Bonds shall be deposited by the Trustee in the Bond Fund.

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ARTICLE IV

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02

CONSTRUCTION FUND

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SECTION 4.01. There is hereby created and established with the Trustee a Construction Fund. The County shall pay to the Trustee (subject to the provisions of Section 3.04 hereof) the proceeds from the sale by the County of each Series of Bonds, including accrued interest thereon paid by the initial purchasers thereof, and the Trustee shall deposit the same in the Construction Fund, except that an amount thereof equal to the interest accrued on each such Series of Bonds to the date of their delivery to the initial purchasers thereof shall be deposited by the Trustee in the Bond Fund. The Trustee shall also deposit in the Construction Fund any other money received by it as proceeds of insurance against damage or loss to the Project or proceeds of any award or awards for the condemnation or other taking of any part or all of the Project upon receipt of notice by the Corporation that it is practicable and desirable to rebuild, repair, or restore the Project.

SECTION 4.02. The moneys in the Construction Fund, until applied in payment of any item of the Cost of the Project, shall be held in trust by the Trustee and, pending such application, shall be subject to a lien and charge in favor of the

25 holders of the Bonds until paid out as herein provided.

26

27 SECTION 4.03. The Trustee shall make payments from
28 the Construction Fund to pay the Cost of the Project upon receipt
29 by the Trustee of requisitions (upon which both the Trustee and the
30 County shall rely and shall be protected in relying) signed by an
31 Authorized Corporation Representative, stating with respect to each
32 payment to be made: (1) the requisition number, (2) the name and
33 address of the Person to whom payment is to be made, (3) the
34 amount to be paid, and (4) that each obligation, item of cost or
35 expense mentioned therein has been properly incurred, is a proper
36 charge against the Construction Fund and has not been the basis
37 of any previous withdrawal.

38

39 SECTION 4.04. For seven years from the date thereof
40 the Trustee shall retain in its possession all requisitions
41 received by it as in this Indenture required, subject to the
42 inspection of the County, its agents and representatives, the
43 Corporation and the Bondholders and their representatives at
44 all reasonable times at the Corporate Trust Office.

45

46 SECTION 4.05. Upon being furnished with a certificate
47 of an Authorized Corporation Representative showing the Completion
48 Date as required by Section 3.05 of the Lease Agreement, any
49 balance in the Construction Fund not reserved for payment of any

50

00 remaining part of the Cost of the Project, upon written request
01 by an Authorized Corporation Representative shall be transferred
02 to a segregated account in the Bond Fund and be used in the
03 following order of priority: (1) by the Trustee to purchase
04 Bonds on the most favorable terms available in accordance with
05 Section 5.04 of this Indenture or (2) to pay only principal of
06 the Bonds provided, however, that such balance shall not be used
07 to pay accrued interest on any Bonds purchased pursuant to clause
08 (1) above.

09

10 SECTION 4.06. If the Corporation elects not to com-
11 plete acquisition, construction and installation of the Project
12 and elects to accelerate the payments required to be made by it
13 pursuant to the Lease Agreement as provided in Section 3.01 of
14 the Lease Agreement, any sums remaining in the Construction Fund
15 and not otherwise required to pay the Cost of the Project shall
16 be transferred to the Bond Fund at the direction of an Authorized
17 Corporation Representative.

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ARTICLE V

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02

BOND FUND

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SECTION 5.01. There is hereby created a Bond Fund which shall be held by the Trustee. There shall be deposited into the Bond Fund from the proceeds of the 1978 Series Bonds, immediately upon the receipt thereof, the amount required by Section 3.02 of this Indenture. In addition, there shall be deposited into the Bond Fund as and when received: (a) all payments specified in Section 4.01 of the Lease Agreement; (b) after completion of the Project, such amounts in the Construction Fund as are deposited in the Bond Fund pursuant to Section 4.05 of this Indenture; and (c) all other moneys received by the Trustee or pursuant to any of the provisions of the Lease Agreement, the Guaranty or this Indenture to be paid into the Bond Fund.

18

19

20

SECTION 5.02. To the extent moneys are available in the Bond Fund, the Trustee shall withdraw from the Bond Fund and apply such moneys as follows:

21

22

(a) on or before each Interest Payment Date for any Series of Bonds, an amount which, together with other moneys in the Bond Fund available for such purpose, will be suffi-

25 cient to pay the interest on such Series of Bonds which will
26 become due and payable on each such Interest Payment Date;
27 and

28

29 (b) on or before each Principal Payment Date, an amount
30 which will be sufficient to pay (i) the principal of the
31 Bonds of any Series becoming due on each such Principal
32 Payment Date and (ii) any accrued interest which will become
33 due and payable on such Principal Payment Date.

34

35 SECTION 5.03. The Trustee, without further authoriza-
36 tion than is in this Section 5.03 contained, shall pay from the
37 moneys in the Bond Fund: (i) the interest on the Bonds as and
38 when the same shall become due; (ii) the principal of the Bonds
39 as and when the same shall become due, provided that such payment
40 of principal shall be made only upon presentation and surrender
41 of such Bonds as they severally become due; and (iii) any appli-
42 cable redemption premium.

43

44 SECTION 5.04. Whenever there are moneys in the Bond
45 Fund not committed to the redemption of Bonds after providing for
46 the disposition thereof pursuant to any of the provisions of
47 Section 5.03 of this Indenture, the Trustee, if directed in
48 writing by the Corporation, shall endeavor to purchase Bonds then

00 outstanding on the most advantageous terms obtainable with reason-
01 able diligence. Subject to the limitations contained in Section
02 4.05 of this Indenture, accrued interest on the Bonds so pur-
03 chased shall be paid from the Bond Fund. All other expenses in
04 connection with such purchase shall be paid by the Corporation.

05

06 SECTION 5.05. If at any time the aggregate of the
07 amounts then on deposit in the Bond Fund is sufficient to pay
08 when due the principal of and interest and premium (if any) on
09 the Bonds remaining outstanding, the Trustee shall notify the
10 County and the Corporation that no additional or further payments
11 need be made under this Indenture, and the Trustee shall apply
12 the moneys then in the Bond Fund to the payment of the principal
13 of and interest and premium (if any) on the Bonds as they mature
14 and to the payments of the amounts, if any, payable to itself as
15 Trustee and to the County.

16

17 SECTION 5.06. If any Bond shall not be presented for
18 payment when the principal thereof becomes due, either at matu-
19 rity or at the date fixed for redemption thereof or otherwise all
20 liability of the County to the holders thereof for the payment of
21 any such Bonds shall forthwith cease, determine and be completely
22 discharged whenever funds sufficient to pay any such Bonds shall
23 be held by the Trustee or a Paying Agent, and such funds shall be
24 segregated by the Trustee or a Paying Agent and held in trust for

25 the benefit of the holders of such Bonds who shall thereafter be
26 restricted exclusively to such funds for the satisfaction of any
27 claim of whatever nature on their part relating to such Bond.
28 Such segregated funds shall not be subject to investment.

29

30 Any moneys deposited with the Trustee or any Paying
31 Agent in trust for the payment of the principal of or interest
32 and premium (if any) on any Bond and remaining unclaimed for
33 three years after such principal or interest or premium has
34 become due and payable shall be paid to the Corporation; provided,
35 however, that before the Trustee or such Paying Agent shall be
36 required to make any such repayment, the Trustee may at the
37 expense of the Corporation cause to be published once, in a
38 newspaper of general circulation in the City of New York, which
39 carries financial news, is printed in the English language and is
40 customarily published on each business day, a notice that such
41 moneys remain unclaimed and that, after a date specified therein,
42 which shall not be less than 30 days from the date of such publica-
43 tion, any unclaimed balance of such moneys then remaining will be
44 repaid to the Corporation. After the payment of such unclaimed
45 moneys to the Corporation, the owner of such Bond shall there-
46 after look only to the Corporation for the payment thereof, and
47 all liability of the Trustee or such Paying Agent with respect to
48 such money shall thereupon cease.

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ARTICLE VI

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02

SECURITY FOR INVESTMENT OF MONEYS

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SECTION 6.01. All moneys from time to time received by the Trustee and held in any Fund created under this Indenture, or otherwise, shall be held in trust by the Trustee for the benefit of the holders from time to time of the Bonds entitled to be paid therefrom, subject to the provisions of Section 8.09 of this Indenture.

SECTION 6.02. All moneys received by the Trustee under this Indenture and not invested by the Trustee pursuant to the provisions of Section 6.03 of this Indenture, to the extent not insured by the Federal Deposit Insurance Corporation or other Federal agency, shall be continuously secured for the benefit of the County and the holders of the Bonds.

SECTION 6.03. Moneys on deposit to the credit of the Construction Fund or the Bond Fund may be retained uninvested as trust funds and shall, upon receipt from time to time of a certificate of an Authorized Corporation Representative (or, if the Corporation is in default under the Lease Agreement, an Officers' Certificate) specifying and directing that such investment of such funds be made, be invested by the Trustee,

25 to the extent permitted by law, (i) in certificates of deposit
26 of one or more national or state banks (which may include the
27 Trustee) having a combined capital and surplus of not less than
28 \$25,000,000 where such certificates of deposit are collaterally
29 secured by securities described in (ii) below held by a third
30 party as escrow agent or custodian, of a market value not less
31 than the amount of the certificates of deposit so secured,
32 including interest, (ii) in direct obligations of, or obliga-
33 tions guaranteed by, the United States of America, or in obliga-
34 tions of the Federal National Mortgage Association, Federal
35 Intermediate Credit Banks, Banks for Cooperatives, Federal Land
36 Banks or Federal Home Loan Banks, or (iii) as otherwise provided
37 from time to time by the laws of the State of South Carolina
38 which govern the investment of funds of political subdivisions.
39 Such investments shall have maturity dates, or shall be subject
40 to redemption by the holder, at the option of the holder, on or
41 prior to the dates the moneys invested therein will be needed
42 for the purposes of such Funds.

43

44 The securities purchased with the moneys in each such
45 Fund shall be deemed a part of such Fund and, for the purpose of
46 determining the amount of moneys in such Fund, the securities
47 therein shall be valued at their cost or market value, exclud-
48 ing accrued interest, whichever is lower. The interest, includ-

00 ing realized increment on securities purchased at a discount,
01 received on all such securities (after deduction for accrued
02 interest, commissions, if any, and premium paid from such Fund
03 at time of purchase) shall be deposited by the Trustee in the
04 Bond Fund, except that interest earned (including realized
05 increment on securities purchased at a discount) on investments
06 in the Construction Fund shall be deposited in the Construction
07 Fund to be used for and toward the Cost of the Project. Subject
08 to Section 10.03 of this Indenture, the Trustee shall not be
09 liable or responsible for any loss resulting from any such
10 investment or resulting from the redemption, sale or maturity
11 of any such investment as in this Indenture authorized. If at
12 any time it shall become necessary that some or all of the
13 securities purchased with the moneys in any such Fund be sold
14 in order to raise moneys necessary to comply with the provi-
15 sions of this Indenture, the Trustee shall effect such redemp-
16 tion or sale, employing, in the case of a sale, any commer-
17 cially reasonable method of effecting the same.

18

19 SECTION 6.04. Any balance in any of the Funds created
20 under this Indenture or otherwise held by the Trustee after all
21 the Bonds, together with the interest thereon, have been paid
22 in full and all amounts due to the Trustee and the County have
23 been paid, shall be paid over to the Corporation as overpayments
24 hereunder.

25

26 SECTION 6.05. The County covenants with the holders of
27 all the Bonds at any time outstanding that it will not make, or
28 permit the Corporation to make, any use of the proceeds of the
29 Bonds which, if such use had been reasonably expected on the date
30 of issuance of the Bonds, would have caused the Bonds to be
31 "arbitrage bonds" within the meaning of Section 103(c) of the
32 Internal Revenue Code of 1954, as amended, and regulations and
33 proposed regulations issued thereunder as in effect at the time
34 of such use and applicable to obligations issued on the date of
35 issuance of the Bonds. To that end, so long as any of the Bonds
36 are outstanding, the County agrees to comply with all requirements
37 of said Section 103(c) and of all regulations and proposed regula-
38 tions of the United States Department of the Treasury issued
39 thereunder, to the extent such requirements are, at the time,
40 applicable to the Bonds.

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ARTICLE VII

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REDEMPTION OF BONDS

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SECTION 7.01. Any redemption of all or any part of the Bonds which are subject to redemption shall be made in the manner provided in this Article VII. Except as the result of an Event of Default no redemption of the Bonds shall be made except in a principal amount of \$5,000 or integral multiples thereof.

SECTION 7.02. A redemption of Bonds issued under the provisions of this Indenture and then outstanding shall be either (1) a redemption of the whole of one or more Series from the proceeds of Additional Bonds issued under the provisions of Section 3.04 of this Indenture; (2) a redemption of the whole or any part of one or more Series from any funds available to the County for that purpose; or (3) a redemption pursuant to the provisions of Section 2.02 or 5.04 of this Indenture. Redemptions of Bonds pursuant to this Article VII shall be made only upon notification of the Trustee by the Corporation at least sixty days prior to the date fixed for redemption.

Unless otherwise provided in respect of a particular Series of Bonds, if less than all of the Bonds of a Series of any one maturity shall be called for redemption, the particular Bonds

25 or portions of Bonds of said maturity to be redeemed shall be
26 selected by lot by the Trustee or in such other manner as the
27 Trustee in its discretion may deem proper in order to assure to
28 each holder of Bonds a fair opportunity to have his Bond or Bonds
29 or portions thereof drawn; provided, however, the Trustee shall
30 treat each such Bond of a denomination of more than \$5,000 as
31 representing that number of Bonds of \$5,000 denomination obtained
32 by dividing the principal amount of such Bond by \$5,000.

33

34 SECTION 7.03. In the case of any redemption, the
35 Trustee shall give in its own name or in the name of the County
36 notice by publication, as hereinafter in this Section 7.03 pro-
37 vided, that (i) Bonds of a particular Series and maturity date
38 identified by serial numbers have been called for redemption and,
39 in the case of registered Bonds to be redeemed in part only, the
40 portion of the principal amount thereof that has been called for
41 redemption, or if all the outstanding Bonds are to be redeemed,
42 so stating, in which event such serial numbers may be omitted;
43 (ii) that they will be due and payable on the date fixed for
44 redemption (specifying such date) upon surrender thereof at the
45 Corporate Trust Office, at the applicable redemption price (speci-
46 fying such price), together with accrued interest to such date;
47 and (iii) that all interest on the Bonds, or portions thereof, so
48 to be redeemed will cease to accrue on and after such date.

49

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00 Such notice shall be given by publication once a week
01 for two successive weeks (the first publication to be at least
02 thirty (30) but not more than sixty (60) days before the date
03 fixed for redemption) in a newspaper of general circulation in
04 the City of New York which carries financial news, is printed in
05 the English language and is customarily published on each busi-
06 ness day. If any registered Bonds, or portions thereof shall be
07 called for redemption, a similar notice shall be mailed by first
08 class mail, in a sealed envelope, postage prepaid, on or before
09 the date of the first publication of notice, to the Registered
10 Owners of such Bonds so called, at their respective addresses as
11 the same shall last appear on the Bond Register; but the mailing
12 of such notice shall not be a condition precedent to such redemp-
13 tion, and failure so to mail such notice shall not affect the
14 validity of such call for redemption.

15

16 In case, by reason of the suspension of publication of
17 any authorized newspaper, or by reason of any other cause, it
18 shall be impracticable to make publication of any notice in an
19 authorized newspaper or authorized newspapers as required by
20 this Indenture, then such method of publication or notification
21 as shall be made with the approval of the Trustee shall consti-
22 tute a sufficient publication of such notice.

23

24 In case, by reason of the suspension of or irregulari-

25 ties in regular mail service, it shall be impractical to mail
26 notice to the Registered Owners of registered Bonds of any event
27 when such notice is required to be given pursuant to any provi-
28 sion of this Indenture, then any manner of giving such notice
29 as shall be satisfactory to the Trustee shall be deemed to be
30 a sufficient giving of such notice.

31

32 Anything in this Indenture contained to the contrary
33 notwithstanding, if and so long as all the Bonds called for
34 redemption are registered as to ownership, any notice herein
35 required to be given by publication with respect to the Bonds,
36 may, at the option of the County, in lieu of such publication,
37 be given by mailing the same by first class mail, in a sealed
38 envelope, postage prepaid, addressed to each Registered Owner
39 of Bonds as his address shall last appear on the Bond Register,
40 such notice to be so mailed on or before the date upon which the
41 first publication would have been required if notice by publica-
42 tion had been given, and any notice in this Indenture required
43 may be omitted if the holders of all the Bonds called for redemp-
44 tion give to the Trustee a written waiver of such notice.

45

46 SECTION 7.04. If notice of redemption has been given
47 as provided in Section 7.03 of this Indenture, the Bonds called
48 for redemption shall be due and payable on the date fixed for

00 redemption at the redemption price, together with accrued inter-
01 est to the date fixed for redemption. Payment of the redemption
02 price, together with accrued interest, shall be made by the
03 Trustee upon surrender of such Bonds. The redemption price shall
04 be paid out of the Bond Fund. The expense of giving notice and
05 any other expenses of redemption shall be paid by the Corpora-
06 tion. Accrued interest shall be paid out of the Bond Fund,
07 subject to the limitation contained in Section 4.05 of this
08 Indenture, as provided in Section 5.04 of this Indenture,
09 whichever Section is applicable. If there shall be called for
10 redemption less than the principal amount of a Bond, the County
11 shall execute and deliver and the Trustee shall authenticate,
12 upon surrender of such Bond, and without charge to the Registered
13 Owner thereof, at the option of the Registered Owner, Bonds of
14 like Series and maturity date for the unredeemed portion of this
15 principal amount of the Bond so surrendered.

16

17 From and after the date fixed for redemption desig-
18 nated in such notice (deposit of redemption moneys having been
19 made with the Trustee and notice having been given or waived as
20 aforesaid), notwithstanding that any Bonds so called for redemp-
21 tion shall not have been surrendered for cancellation, no further
22 interest shall accrue upon the principal of any of such Bonds so
23 called for redemption; and such Bonds so to be redeemed shall
24 cease to be entitled to any lien, benefit or security under this

25 Indenture, and the holders thereof shall have no rights in respect
26 of such Bonds except to receive payment of the redemption price
27 thereof and interest accrued to the date fixed for redemption.

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ARTICLE VIII.

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02

PARTICULAR COVENANTS OF THE COUNTY

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SECTION 8.01. The County will promptly pay or cause to be paid, but solely from the Revenues and other funds pledged under this Indenture, the principal of and the interest on every Bond issued under and secured by this Indenture and any redemption premium required to be paid for the retirement of said Bonds by redemption at the places, on the dates and in the manner specified in this Indenture and in said Bonds according to the true intent and meaning thereof.

SECTION 8.02. The County will use its best efforts to maintain, preserve and renew all its rights, powers, privileges and franchises; and it will comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the Project the Lease Agreement and this Indenture.

SECTION 8.03. So long as any of the Bonds are outstanding, the County will require the Corporation to pay, or cause to be paid, all the payments and other costs and charges payable by the Corporation under the Lease Agreement. The Lease Agreement may not be amended, changed, modified, altered or

25 terminated so as to affect adversely the interests of the holders
26 of outstanding Bonds without the prior written consent of the
27 holders of at least sixty-six and two-thirds percent (66-2/3%) in
28 aggregate principal amount of the Bonds then outstanding, pro-
29 vided, however, that no such amendment, change, alteration or
30 termination will reduce the percentage of the aggregate principal
31 amount of outstanding Bonds the consent of the holders of which
32 is a requirement for any such amendment, change, modification,
33 alteration or termination, or permit the creation by the Corpora-
34 tion of any lien prior to or on a parity with the lien of this
35 Indenture upon the Project, or receipts and revenues of the
36 County derived from or in connection with the Lease Agreement,
37 and any other lease or the sale of the Project or decrease the
38 amount of any payment required to be made under the Lease Agree-
39 ment or extend the time of payment thereof without the consent of
40 the holder of each Bond. The County will not agree to any amend-
41 ment of the Lease Agreement without the prior written consent of
42 the Trustee. The Lease Agreement may be amended, changed, modi-
43 fied, altered or terminated without the consent of the holders of
44 each Bond affected thereby to provide changes which will not
45 adversely affect the interest of such holders.

46

47 The County will require the Corporation to observe
48 faithfully all of its covenants and agreements under the Lease

00 Agreement; and, in case the Corporation shall fail to make such
01 payments or observe said covenants and agreements, the County
02 will institute and prosecute, upon direction of the Trustee, all
03 such legal proceedings as may be appropriate for the protection
04 of the holders of the Bonds.

05

06 The County will not take any action or omit to take
07 any action, which action or omission will cause the loss of the
08 exclusion of the interest on the Bonds from the gross income of
09 the holders thereof (except such holders as are principal users
10 of the Project, or related persons to such principal users) for
11 Federal income tax purposes.

12

13 SECTION 8.04. The County shall at all times cause the
14 Corporation to maintain, preserve and keep, or cause to be main-
15 tained, preserved and kept, the Project, in good repair, working
16 order and condition, in accordance with the requirements of the
17 Lease Agreement.

18

19 SECTION 8.05. The County covenants that it has or
20 shall acquire title to the Project and shall provide the Trustee
21 with a policy or policies of title insurance covering the Project
22 insuring the interest of the Trustee as mortgagee and the prior-
23 ity of its lien thereupon in the aggregate amount equal to the
24 lesser of \$2,000,000 or the full insurable value of the Project.

25

26 SECTION 8.06. The County shall cause the Corporation,
27 so long as any of the Bonds are outstanding, to keep the Project
28 continuously insured against such risks as are customarily in-
29 sured against by businesses of like size and type, paying as the
30 same become due and payable all premiums with respect thereto.
31 In lieu of the separate insurance policies, such insurance may be
32 in the form of a blanket insurance policy or policies of the
33 Corporation. Insurance policies may be written with deductible
34 amounts and exceptions and exclusions comparable to those of
35 businesses of like size and type.

36

37 So long as any of the Bonds are outstanding all proceeds
38 of insurance against property damage or loss in excess of \$25,000
39 shall be made payable to the Trustee under a standard mortgagee
40 loss payable clause as the interest of the Trustee may appear.
41 Any claims under any such policies of insurance shall be adjusted
42 by and at the expense of the corporation.

43

44 If the Corporation notifies the Trustee that it is
45 practicable and desirable to rebuild, repair or restore the
46 Project after such damage or loss, all proceeds of insurance in
47 respect of such loss shall be credited by the Trustee to the
48 Construction Fund to be used for such rebuilding, repair or

49

00 restoration. Immediately upon receipt of notice from the Corpo-
01 ration of the completion of the rebuilding, repair or restoration
02 pursuant to Section 4.08 of the Lease Agreement, the Trustee
03 shall transfer from the Construction Fund to the Bond Fund any
04 such insurance proceeds not required to effect such rebuilding,
05 repair or restoration. In the event the Corporation notifies the
06 Trustee that it is impracticable or undesirable to rebuild,
07 repair or restore the Project all proceeds of insurance resulting
08 from such damage or loss shall be deposited with the Trustee for
09 credit to the Bond Fund, and the Corporation shall buy the Project
10 in accordance with the provision of Section 8.02 of the Lease
11 Agreement.

12

13 SECTION 8.07. The County covenants that it will from
14 time to time execute and deliver such further instruments and
15 take such further action as may be reasonable and as may be
16 required to carry out the purpose of this Indenture; provided,
17 however, that no such instruments or actions shall result in any
18 pecuniary liability of the County or pledge the credit or taxing
19 power of the County, the State of South Carolina, or any political
20 subdivision of said State.

21

22 SECTION 8.08. In the event that title to or the tempor-
23 ary use of the Project, or any part thereof, shall be taken in
24 condemnation or by the exercise of the power of eminent domain by

25 any governmental body or by any Person acting under governmental
26 authority, there shall be no abatement or reduction in the
27 payments required under the Lease Agreement to be made by the
28 Corporation. Immediately after the occurrence of any such loss
29 of the Project, the Corporation shall notify the County and the
30 Trustee as to the nature and extent of such loss of the Project
31 and as soon as practicable thereafter, notify the County and
32 the Trustee whether it is practicable and desirable to restore
33 such loss. If the Corporation shall determine that such restor-
34 ation is practicable and desirable, the Corporation shall forth-
35 with proceed with such restoration and shall notify the County
36 and the Trustee upon the completion thereof. In such case, any
37 proceeds received from any award or awards in respect of the
38 Project or any part thereof made in such condemnation or eminent
39 domain proceedings, after payment of all expenses incurred in
40 the collection thereof, shall be paid to the Trustee for deposit
41 to the Construction Fund and used by the Corporation for pay-
42 ment of, or reimbursement for, the costs of restoring the Project
43 or any portion thereof and any excess proceeds from such award or
44 awards shall, in accordance with Section 4.08 of the Lease Agree-
45 ment, be paid to the Trustee for deposit in the Bond Fund within
46 thirty (30) days of the completion of such restoration. In the
47 event the Corporation determines not to restore the Project, all
48 proceeds received from any award or awards in respect of the
49

00 Project or any part thereof made in such condemnation or eminent
01 domain proceedings after reimbursing the County or the Corpora-
02 tion for the expenses of the collection thereof shall be paid to
03 the Trustee for deposit in the Bond Fund immediately upon receipt
04 of such award or awards, and the Corporation shall buy the Pro-
05 ject in accordance with the provisions of Section 8.02 of the
06 Lease Agreement.

07

08 SECTION 8.09. In order to prevent any accumulation of
09 claims for interest after maturity, the County will not directly
10 or indirectly extend or assent to the extension of the time of
11 payment of any claims for interest on any of the Bonds and will
12 not directly or indirectly be a party to or approve any such
13 arrangement by purchasing or funding such claims for interest or
14 in any other manner. In case any such claim for interest
15 shall be extended or funded in violation of this Section
16 8.09, such claim for interest shall not be entitled, in case of
17 any default under this Indenture, to the benefit or security of
18 this Indenture except subject to the prior payment in full of the
19 principal of all Bonds issued and outstanding under this Inden-
20 ture, and of all claims for interest which shall not have been
21 so extended or funded.

22

23 SECTION 8.10. The County agrees that there will prompt-
24 ly be filed in accordance with the provisions of the Uniform
25 Commercial Code of the State of South Carolina or any jurisdic-

26 tion the laws of which may be applicable, or any similar statu-
27 tory provision, Financing Statements executed on behalf of the
28 Corporation, the Project, the County and the Trustee covering the
29 assignment and pledge of the Project, the Lease Agreement, and
30 all amounts payable on account thereof including the Revenues,
31 and all moneys held by the Trustee under and pursuant to this
32 Indenture and that the County and the Trustee will file or cause
33 to be filed from time to time such necessary Financing Statements
34 as may be required to continue the perfection of the security
35 interests described in such Financing Statements. On or before
36 January 1, 1983, and on or before January 1 of every fifth year
37 thereafter, unless the hereinafter mentioned opinion shall indi-
38 cate a shorter period, so long as this Indenture remains in
39 effect, the Corporation will deliver to the Trustee an opinion of
40 Counsel to the effect that the filings then required to continue
41 the perfection of such security interests have been accomplished
42 in accordance with the foregoing provisions and specifying the
43 period of time under the then applicable law that such perfection
44 will continue to be in effect.

45

46 SECTION 8.11. The County covenants that so long as any
47 Bonds are outstanding hereunder neither the County nor the Corpo-
48 ration shall create nor permit to remain any encumbrances against
49 any portion or all of the Project except Permitted Encumbrances
50 on a parity with or prior to the lien of this Indenture.

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ARTICLE IX

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02

DEFAULTS AND REMEDIES

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

(a) payment of the principal of any of the Bonds and redemption premium (if any) shall not be made when the same shall become due and payable at maturity, upon redemption or otherwise; or

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(b) payment of an installment of interest on any Bonds shall not be made when the same shall become due and payable; or

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(c) an event of default under the Lease Agreement shall occur; or

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(d) the Guarantor fails to observe and perform and covenant, condition or agreement in the Guaranty Agreement on its part to be observed or performed; or

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(e) there shall occur the dissolution or liquidation of

25 the Guarantor or the filing by the Guarantor of a voluntary
26 petition in bankruptcy, or failure by the Guarantor promptly
27 to lift any execution, garnishment or attachment of such
28 consequence as will impair its ability to carry out its
29 obligations under the Guaranty Agreement, or the commission
30 by the Guarantor of any act of bankruptcy, or adjudication
31 of the Guarantor as a bankrupt, or an assignment by the
32 Guarantor for the benefit of its creditors, or the entry by
33 the Guarantor into an agreement of composition with its
34 creditors, or the approval by a court of competent jurisdic-
35 tion of a petition applicable to the Guarantor in any pro-
36 ceeding for its reorganization instituted under the provi-
37 sions of any bankruptcy act, or under any similar act which
38 may hereafter be enacted. The term "dissolution or liquida-
39 tion of the Guarantor," as used in this subsection, shall
40 not be construed to include the cessation of the corporate
41 existence of the guarantor resulting either from a merger or
42 consolidation of the Guarantor into or with another corpora-
43 tion or a dissolution or liquidation of the Guarantor fol-
44 lowing a transfer of all or substantially all its assets as
45 an entirety, under the conditions permitting such actions
46 contained in Section 4.1 of the Guaranty Agreement;

47

48 then, in each such case, unless the principal of all the bonds
49 shall have become due and payable otherwise than by acceleration,

50

00 the Trustee may, and upon written request of the holders of at
01 lease twenty-five per cent (25%) in aggregate principal amount of
02 all bonds then outstanding shall, by written notice given to the
03 County, the Corporation and the guarantor by the Trustee and pro-
04 vided that the default has not theretofore been cured, declare
05 the principal of all Bonds then outstanding to be due and payable
06 immediately, and upon such declaration the said principal, toge-
07 ther with interest accrued thereon, shall become due and payable
08 immediately at the place of payment provided in the said notice,
09 anything in this Indenture or in said Bonds to the contrary not-
10 withstanding.

11

12 The above provisions, however, are subject to the con-
13 ditions that if, after the principal of all Bonds then outstand-
14 ing shall have been so declared to be due and payable, all arrears
15 of interest upon such Bonds, and interest on overdue installments
16 of interest (to the extent permitted by law) at a rate per annum
17 which is equal to the highest rate per annum borne by the Bonds
18 and the principal and redemption premium, if any, on all Bonds
19 then outstanding which shall have become due and payable other-
20 wise than by acceleration, and all other sums payable under this
21 Indenture, except the principal of, and interest, on the Bonds
22 which by such declaration shall have become due and payable,
23 shall have been paid by or on behalf of the County together with
24 the reasonable expenses of the Trustee and of the holders of such

25 Bonds, including reasonable attorneys' fees paid or incurred,
26 then and in every such case, such default shall be waived and
27 such declaration and its consequences rescinded and annulled by
28 the Trustee by written notice given to the County, the Corpora-
29 tion and the Guarantor by registered mail, which waiver, rescis-
30 sion and annulment shall be binding upon all Bondholders; but no
31 such waiver, rescission and annulment shall extend to or affect
32 any subsequent default or impair any right or remedy consequent
33 thereon.

34

35 SECTION 9.02. In any case in which under the provisions
36 of Section 9.01 of this Indenture the Trustee has the right to
37 declare the principal of all Bonds then outstanding to be due and
38 payable immediately, or when the Bonds by their terms mature (upon
39 redemption or otherwise) and are not paid, the Trustee, as the
40 assignee and pledgee of all the right, title and interest of the
41 County in and to the Lease Agreement, may enforce each and every
42 right granted to the County under the Lease Agreement.

43

44 SECTION 9.03. Upon the happening and continuance of any
45 Event of Default, then and in every such case the Trustee in its
46 discretion may, and upon the written request of the holders of
47 at least twenty-five per cent (25%) in aggregate principal amount
48 of the Bonds then outstanding shall:

49

50

00 (a) by mandamus, or other suit, action or proceeding
01 at law or in equity, enforce all rights of the Bondholders and
02 require the County, the Corporation or the Guarantor to carry out
03 any agreements with or for the benefit of the Bondholders and to
04 perform its or their duties under the Act, the Lease Agreement,
05 the Guaranty and this Indenture;

06

07 (b) bring suit upon the Bonds;

08

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

12

13 (d) by action or suit in equity enjoin any acts or
14 things which may be unlawful or in violation of the rights of
15 the Bondholders.

16

17 SECTION 9.04. In case any proceeding taken by the
18 Trustee on account of any default shall have been discontinued or
19 abandoned for any reason, or shall have been determined adversely
20 to the Trustee, then and in every such case the County, the Trustee
21 and the Bondholders shall be restored to their former positions
22 and rights under this Indenture, respectively, and all rights,
23 remedies and powers of the Trustee shall continue as though no
24 such proceeding had been taken.

25

26 SECTION 9.05. Anything in this Indenture to the con-
27 trary notwithstanding, the holders of a majority in aggregate
28 principal amount of the Bonds then outstanding shall have the
29 right, by an instrument in writing executed and delivered to the
30 Trustee, to direct the method and place of conducting all remedial
31 proceedings to be taken by the Trustee under this Indenture.

32

33 SECTION 9.06. No holder of any of the Bonds shall have
34 any right to institute any suit, action or proceeding in equity
35 or at law for the enforcement of any trust under this Indenture,
36 or any other remedy under this Indenture or on said Bonds, unless
37 such holder previously shall have given to the Trustee written
38 notice of an Event of Default as hereinabove provided and unless
39 also the holders of not less than twenty-five per cent (25%) in
40 aggregate principal amount of the Bonds then outstanding shall
41 have made written request of the Trustee so to do, after the right
42 to exercise such power or rights of action, as the case may be,
43 shall have accrued, and shall have afforded the Trustee a
44 reasonable opportunity either to proceed to exercise the powers
45 in this Indenture granted, or to institute such action, suit or
46 proceeding in its or their name; nor unless there also shall have
47 been offered to the Trustee security and indemnity satisfactory
48 to it against the costs, expenses and liabilities to be incurred

00 therein or thereby, and the Trustee shall not have complied with
01 such request within a reasonable time; it being understood and
02 intended that no one or more holders of the Bonds secured by this
03 Indenture shall have any right in any manner whatever by his or
04 their action to affect, disturb or prejudice the security of this
05 Indenture, or to enforce any right under this Indenture or under
06 the Bonds, except in the manner in this Indenture provided, and
07 that all proceedings at law or in equity shall be instituted,
08 had and maintained in the manner in this Indenture provided and
09 for the equal benefit of all holders of outstanding Bonds subject
10 however, to the provisions of Section 8.09 of this Indenture.
11 Notwithstanding the foregoing provisions of this Section 9.06 or
12 any other provision of this Indenture, the obligation of the
13 County shall be absolute and unconditional to pay, but solely
14 from the Revenues and other funds and the Project pledged and
15 mortgaged under this Indenture, the principal of and redemption
16 premium (if any) and interest on the Bonds to the respective
17 holders thereof at the respective due dates thereof, and nothing
18 herein shall affect or impair the right of action, which is
19 absolute and unconditional, of such holders to enforce such
20 payment.

21

22 SECTION 9.07. All rights of action under this Indenture
23 or under any of the Bonds secured by this Indenture which are
24 enforceable by the Trustee may be enforced by it without the

25 possession of any of the Bonds or the production thereof on the
26 trial or other proceedings relative thereto, and any such suit,
27 action or proceeding instituted by the Trustee shall be brought
28 in its own name, as trustee, for the equal and ratable benefit of
29 the holders of the Bonds, subject to the provisions of this
30 Indenture.

31

32 SECTION 9.08. No remedy in this Indenture conferred
33 upon or reserved to the Trustee or to the holders of the Bonds
34 is intended to be exclusive of any other remedy or remedies, and
35 each and every such remedy shall be cumulative, and shall be in
36 addition to every other remedy given under this Indenture or now
37 or hereafter existing at law or in equity or by statute.

38

39 SECTION 9.09. No delay or omission of the Trustee or of
40 any holder of the Bonds to exercise any right or power accruing
41 upon any default shall impair any such right or power or shall be
42 construed to be a waiver of any such default, or an acquiescence
43 therein; and every power and remedy given by this Article IX to
44 the Trustee and to the holders of the Bonds, respectively, may be
45 exercised from time to time and as often as may be deemed expedient.

46

47 SECTION 9.10. Any moneys received by the Trustee or by
48 any receiver pursuant to this Article IX shall, after payment of
49 all Administration Expenses, be applied as follows:

50

51

00 (a) Unless the principal of all the Bonds shall have
01 become or shall have been declared due and payable, all such
02 moneys shall be applied to the payment to the Persons entitled
03 thereto of all installments of interest then due on the Bonds,
04 with interest on overdue installments subject to Section 8.09 of
05 the Indenture (to the extent permitted by law) at a rate per annum
06 which is equal to the highest rate per annum borne by any of the
07 Bonds, in the order of the maturity of the installments of such
08 interest and, if the amount available shall not be sufficient to
09 pay in full any particular installment with such interest then to
10 the payment ratably, according to the amounts due on such install-
11 ment, to the Persons entitled thereto, without any discrimination
12 or privilege.

13

14 (b) If the principal of all the Bonds shall have become
15 or shall have been declared due and payable, all such moneys shall
16 be applied to the payment of the principal, redemption premium (if
17 any) and interest then due and unpaid upon the Bonds, with interest
18 on overdue principal, redemption premium (if any) and interest, as
19 aforesaid, without preference or priority of principal and redemp-
20 tion premium (if any) over interest or of interest over principal
21 and redemption premium (if any), or of any installment of interest
22 over any other installment of interest, or of any Bond over any
23 other Bond, ratably, according to the amounts due respectively for
24 principal, redemption premium (if any) and interest, to the Persons

25 entitled thereto without any discrimination or privilege.

26

27 (c) If the principal of all the Bonds shall have been
28 declared due and payable, and if such declaration shall thereafter
29 have been rescinded and annulled under the provisions of this
30 Article IX, then, subject to the provisions of paragraph (b) of
31 this Section 9.10 which shall be applicable in the event that
32 the principal of all the Bonds shall later become due or be
33 declared due and payable, the moneys shall be applied in accord-
34 ance with the provisions of paragraph (a) of this Section 9.10.

35

36 Whenever moneys are to be applied pursuant to the pro-
37 visions of this Section 9.10, such moneys shall be applied at
38 such times, and from time to time, as the Trustee shall deter-
39 mine, having due regard to the amount of such moneys available
40 for application and the likelihood of additional moneys becoming
41 available for such application in the future. Whenever the
42 Trustee shall apply such funds, it shall fix the date (which
43 shall be an interest payment date unless it shall deem another
44 date more suitable) upon which such application is to be made and
45 upon such date interest on the amounts of principal to be paid on
46 such dates shall cease to accrue. The Trustee shall give such
47 notice by publication or mailing as it may deem appropriate of the
48 deposit with it of any such moneys and of the fixing of any such

00 date, and shall not be required to make payment to the holder of
01 any Bond until such Bond shall be presented to the Trustee for
02 appropriate endorsement or for cancellation if fully paid.
03
04

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ARTICLE X

01

02

CONCERNING THE TRUSTEE

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SECTION 10.01. The Trustee hereby accepts and agrees to the trusts hereby created, but only upon the additional terms set forth in this Article X, to all of which the County agrees and the respective holders of the Bonds, by their purchase and acceptance thereof, agree.

SECTION 10.02. The recitals, statements and representations in this Indenture or in the Bonds contained, save only the Trustee's certificate of authentication upon the Bonds, shall be taken and construed as made by and on the part of the County, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any hereof or thereof.

SECTION 10.03. The Trustee may execute any of the trusts or powers of this Indenture and perform the duties required of it under this Indenture by or through attorneys, agents, receivers or employees, and shall be entitled to advice of counsel concerning all matters of trust and its duty under this Indenture. The Trustee shall not be answerable for the exercise of any discretion or power under this Indenture or for anything whatever in

25 connection with the trusts in this Indenture created, except only
26 for its own misconduct or negligence.

27

28 SECTION 10.04. The County shall pay or cause the Cor-
29 poration to pay to the Trustee and the Paying Agents reasonable
30 compensation for all services rendered by it under this Indenture
31 and also all its reasonable expenses, charges and other disburse-
32 ments and those of its attorneys, agents and employees incurred in
33 and about the administration and execution of the trusts by this
34 Indenture created and the performance of its powers and duties
35 under this Indenture. In default of such payment, the Trustee and
36 the Paying Agents may deduct the same from any moneys coming into
37 their hands and shall be entitled to a preference in payment over
38 any of the Bonds and coupons outstanding under this Indenture.
39 The Trustee shall be entitled to be indemnified for, and to be
40 held harmless against, any loss, liability or expense incurred
41 without negligence or bad faith on the part of the Trustee, aris-
42 ing out of or in connection with the acceptance or administration
43 of the trusts hereunder.

44

45 SECTION 10.05. The Trustee shall be under no duty to
46 effect or to renew any policies of insurance or under any liabil-
47 ity for the failure of the County or the Corporation to effect or
48 renew insurance; or to report or file claims or proofs of loss for

00 any loss or damage insured against or which may occur; nor shall
01 the Trustee be liable as an insurer.

02

03 SECTION. 10.06. The Trustee shall not be required to
04 take notice, or to be deemed to have notice, of any default under
05 this Indenture other than a default under Section 9.01(a) or
06 Section 9.01(b) of this Indenture, unless specifically notified
07 in writing of such default by the holders of at least twenty-
08 five percent (25%) in aggregate principal amount of the Bonds
09 then outstanding. The Trustee may, however, at any time, in
10 its discretion, require of the County full information and
11 advice as to the performance of any of the covenants, condi-
12 tions and agreements contained in this Indenture.

13

14 SECTION 10.07. The Trustee shall be under no obliga-
15 tion to exercise any of the rights or powers vested in it by this
16 Indenture upon the request or direction of the holders of Bonds
17 outstanding, unless such holders shall have offered to the Trustee
18 reasonable security or indemnity against the costs, expenses and
19 liabilities which might be incurred by it in compliance with such
20 request or direction; but the foregoing provisions are intended
21 only for the protection of the Trustee, and shall not affect any
22 discretion or power given by any provisions of this Indenture to
23 the Trustee to take action in respect of any default without such
24 notice or request from the Bondholders, or without security or

25 indemnity.

26

27 SECTION 10.08. The Trustee shall be protected and
28 shall incur no liability in acting or proceeding upon any resolu-
29 tion, notice, telegram, request, consent, waiver, certificate,
30 statement, affidavit, voucher, bond, coupon, requisition or other
31 paper or document which it shall in the exercise of reasonable
32 care believe to be genuine and to have been authorized or signed
33 by the proper board or person or to have been prepared and fur-
34 nished pursuant to any of the provisions of this Indenture, and
35 the Trustee shall be under no duty to make any investigation or
36 inquiry as to any statements contained or matters referred to in
37 any such instrument, but may accept and rely upon the same as
38 conclusive evidence of the truth and accuracy of such statements.
39 The Trustee shall not be bound to recognize any person as a holder
40 of any Bond or coupon or to take any action at his request unless
41 such Bond or coupon shall be deposited with the Trustee or evidence
42 satisfactory to the Trustee of the ownership of such Bond or
43 coupon shall be furnished to the Trustee.

44

45 SECTION 10.09. The Trustee may in good faith buy,
46 sell, own, hold and deal in any of the Bonds or coupons issued
47 under and secured by this Indenture, and may join in any action
48 which any Bondholder may be entitled to take with like effect as

00 if the Trustee were not a party to this Indenture. The Trustee,
01 either as principal or agent, may also engage in or be interested
02 in any financial or other transaction with the County or the
03 Corporation, and may act as depository, trustee or agent for any
04 committee or body of holders of the Bonds issued under or secured
05 by this Indenture or other obligations of the County as freely
06 as if it were not the Trustee under this Indenture.

07

08 SECTION 10.10. The Trustee may at any time and for any
09 reason resign and be discharged of the trusts created by this
10 Indenture by executing an instrument in writing resigning such
11 trusts and specifying the date when such resignation shall take
12 effect, and mailing the same to the Chairman of the County
13 Council not less than thirty (30) days before the date specified
14 in such instrument when such resignation shall take effect, and
15 by giving notice of such resignation by publication at least once
16 a week for two consecutive weeks in a newspaper of general
17 circulation in the City of New York which carries financial
18 news, is printed in the English language and is customarily
19 published on each business day, the first publication of said
20 notice to appear not less than three weeks prior to the date
21 specified in such notice when such resignation shall take effect.
22 Such resignation shall take effect upon the later of (a) the
23 appointment of a successor trustee pursuant to this Article X
24 or (b) the date set forth in said notice. If a successor

25 Trustee has not been appointed as provided in this Article X,
26 the resigning Trustee shall make the application provided in
27 Section 10.14 of this Indenture.

28

29 SECTION 10.11. The Trustee at any time and for any
30 reason may be removed by an instrument in writing appointing
31 a successor filed with the Trustee so removed and executed by
32 the holders of a majority in aggregate principal amount of the
33 Bonds then outstanding.

34

35 SECTION 10.12. In case at any time the Trustee shall
36 resign, or shall be removed, or be dissolved or if its property
37 or affairs shall be taken under the control of any state or
38 federal court or administrative body because of insolvency or
39 bankruptcy, or for any other reason, a vacancy shall forthwith
40 and ipso facto exist in the office of Trustee and a successor
41 may be appointed by the holders of a majority in aggregate
42 principal amount of the Bonds then outstanding, by an instrument
43 or instruments in writing filed with the Chairman of the County
44 Council, signed by such Bondholders or by their attorneys-in-fact
45 duly authorized in writing. Copies of each instrument shall be
46 promptly delivered by the County to the predecessor Trustee and
47 to the Trustee so appointed.

00 Until a successor shall be appointed by the Bondholders
01 as authorized by this Section 10.12, the County, by an instrument
02 authorized by resolution, shall appoint a Trustee to fill such
03 vacancy. After any appointment by the County, it shall cause
04 notice of such appointment to be published once in each of two
05 consecutive weeks in a newspaper of general circulation in the
06 City of New York which carries financial news, is printed in
07 the English language and is customarily published on each
08 business day. Any new Trustee appointed by the County shall
09 immediately and without further act be superseded by a Trustee
10 appointed by the Bondholders in the manner hereinabove in this
11 Section 10.12 provided.

12

13 SECTION 10.13. Every successor in the trust hereunder
14 appointed pursuant to Section 10.12 of this Indenture shall be
15 a bank or trust company organized and doing business under the
16 laws of the United States or any state or territory thereof
17 with trust powers, having a combined capital and surplus of at
18 least \$50,000,000 if such a bank or trust company willing and
19 able to accept the trust on customary terms can, with reasonable
20 effort, be located.

21

22 SECTION 10.14. In case at any time the Trustee shall
23 resign and no appointment of a successor Trustee shall be made
24 pursuant to the foregoing provisions of this Article X prior to

25 the date specified in the notice of resignation as the date when
26 such resignation shall take effect, the holder of any Bond
27 or the resigning Trustee may apply to any court of competent
28 jurisdiction to appoint a successor Trustee. Such court may
29 thereupon, after such notice, if any, as it may deem proper,
30 appoint a successor Trustee.

31

32 SECTION 10.15. Any successor Trustee appointed under
33 this Article X shall execute, acknowledge and deliver to the
34 County and the predecessor Trustee an instrument accepting such
35 appointment under this Indenture, and thereupon such successor
36 Trustee, without any further act, deed or conveyance, shall
37 become duly vested with all the estates, property, rights, powers,
38 trusts, duties and obligations of its predecessor in the trust
39 under this Indenture, with like effect as if originally named
40 Trustee in this Indenture. Upon request of such successor Trustee,
41 the Trustee ceasing to act and the County shall execute and
42 deliver an instrument transferring to such successor Trustee all
43 the estates, property, rights, powers and trusts under this
44 Indenture of the Trustee so ceasing to act, and the Trustee
45 so ceasing to act shall pay over to the successor Trustee all
46 moneys and other assets at the time held by it under this
47 Indenture.

00 Any Trustee ceasing to act shall nevertheless retain
01 a lien upon all property and funds held or collected by such
02 Trustee to secure any amount then due it pursuant to the
03 provisions of Section 10.04 of this Indenture.

04

05 SECTION 10.16. Any corporation into which any Trustee
06 under this Indenture may be merged, converted, or with which it
07 may be consolidated, or any corporation resulting from any mer-
08 ger, conversion or consolidation to which any Trustee under this
09 Indenture shall be a party, or any corporation to which any Trus-
10 tee under this Indenture may transfer substantially all of its
11 assets, shall be the successor Trustee under this Indenture,
12 without the execution or filing of any paper or any further act
13 on the part of the parties hereto, anything in this Indenture
14 to the contrary notwithstanding.

15

16 SECTION 10.17. Notwithstanding any other provisions of
17 this Article X, the Trustee shall, during the existence of an
18 Event of Default known to the Corporate Trust Office of the Trustee,
19 exercise such of the rights and powers vested in it by this Inden-
20 ture and use the same degree of skill and care in their exercise
21 as a prudent man would use and exercise under the circumstances in
22 the conduct of his own affairs.

23

24 SECTION 10.18. Upon the occurrence of an Event of

25 Default known to the Corporate Trust Office of the Trustee, the
26 Trustee shall within thirty (30) days give written notice thereof
27 by mail to each Registered Owner of registered Bonds then out-
28 standing at his last address appearing upon the Bond Register,
29 unless such Event of Default shall have been cured before the
30 giving of such notice.

31

32 SECTION 10.19. In any judicial proceeding to which
33 the County is a party and which in the opinion of the Trustee
34 and its counsel has a substantial bearing on the interests of
35 holders of the Bonds, the Trustee may in its own name and as
36 trustee of an express trust intervene on behalf of the holders
37 of the Bonds and shall, upon receipt of indemnity satisfactory
38 to it, do so if requested in writing by the holders of at least
39 twenty-five per cent (25%) in aggregate principal amount of
40 Bonds then outstanding if permitted by the court having
41 jurisdiction in the premises.

42

43 SECTION 10.20. The Trustee is hereby appointed as
44 Paying Agent for the Bonds. The County may at any time or from
45 time to time appoint one or more other Paying Agents for the
46 Bonds, in the manner and subject to the conditions set forth in
47 Section 10.21 of this Indenture for the appointment of a suc-
48 cessor Paying Agent. Each Paying Agent (other than the Trustee)

00 shall signify its acceptance of the duties and obligations imposed
01 upon it by written instrument of acceptance deposited with the
02 County and the Trustee.

03

04 SECTION 10.21. Any Paying Agent may at any time
05 resign and be discharged of the duties and obligations created
06 by this Indenture by giving at least sixty (60) days' written
07 notice to the County and the Trustee. Any Paying Agent may be
08 removed at any time by an instrument filed with such Paying
09 Agent and the Trustee and signed by the County. Any successor
10 Paying Agent shall be appointed by the County, with the approval
11 of the Trustee, and shall be a bank or trust company duly organized
12 under the laws of the United States or any state or territory
13 thereof, having a capital stock and surplus aggregating at least
14 \$25,000,000, and willing and able to accept the office on
15 reasonable and customary terms and authorized by law to perform
16 all the duties imposed upon it by this Indenture.

17

18 In the event of the resignation or removal of any
19 Paying Agent, such Paying Agent shall pay over, assign and deliver
20 any moneys held by it as Paying Agent to its successors, or if
21 there be no successor, to the Trustee. In the event that for
22 any reason there shall be a vacancy in the office of any
23 Paying Agent, the Trustee shall act as such Paying Agent.

00

ARTICLE XI

01

02

EXECUTION OF INSTRUMENTS BY BONDHOLDERS AND

03

04

PROOF OF OWNERSHIP OF BONDS

05

06

SECTION 11.01. Any request, direction, consent or

07

other instrument in writing required or permitted by this

08

Indenture to be signed or executed by Bondholders may be in

09

any number of concurrent instruments of similar tenor and may be

10

signed or executed by such Bondholders in person or by agent ap-

11

pointed by an instrument in writing. Proof of the execution of

12

any such instrument and of the ownership of Bonds shall be

13

sufficient for any purpose of this Indenture and shall be

14

conclusive in favor of the Trustee and any Paying Agent with

15

regard to any action taken, suffered or omitted by any of them

16

under such instrument if made in the following manner:

17

18

(a) The fact and date of the execution by any

19

Person of any such instrument may be proved by the certificate

20

of any officer in any jurisdiction who, by the laws thereof,

21

has power to take acknowledgments within such jurisdiction, to

22

the effect that the Person signing such instrument acknowledged

23

before him the execution thereof, or by an affidavit of a wit-

24

ness to such execution.

25

26 (b) The ownership of registered Bonds shall be proved
27 by the Bond Register.

28

29 Nothing contained in this Article XI shall be construed
30 as limiting the Trustee to such proof, it being intended that
31 the Trustee may accept any other evidence of the matters in
32 this Article XI stated which to it may seem sufficient. Any
33 request or consent of the holder of any Bond shall bind every
34 future holder of the same Bond and any Bond or Bonds issued in
35 exchange or substitution therefor or upon the registration of
36 transfer thereof in respect of anything done by the Trustee
37 in pursuance of such request or consent.

38

39

00

ARTICLE XII

01

02 MODIFICATION OF INDENTURE AND SUPPLEMENTAL INDENTURES;

03 RELEASE OF PROPERTY FROM THIS INDENTURE;

04 AMENDMENTS TO LEASE AGREEMENT

05

06 SECTION 12.01. Subject to the conditions and restric-
07 tions in this Indenture contained, the County, when the execution
08 thereof is consented to in writing by the Corporation, may,
09 without the consent of the Bondholders, enter into a Supple-
10 mental Indenture or Supplemental Indentures which thereafter
11 shall form a part of this Indenture, for any one or more of
12 the following purposes:

13

14 (a) to add to the covenants and agreements of the
15 County in this Indenture contained other covenants and agreements
16 thereafter to be observed, and to surrender any right or power
17 in this Indenture reserved to or conferred upon the County;

18

19 (b) to modify any of the provisions of this Indenture
20 or relieve the County from any of the obligations, conditions
21 or restrictions in this Indenture contained; provided that no
22 such modification shall adversely affect the rights of the
23 Bondholders or the Trustee;

24

25 (c) to cure any ambiguity or to cure, correct or

26 supplement any inconsistent provision contained in this Indenture
27 or in any Supplemental Indenture;

28

29 (d) to make such provisions in regard to matters or
30 questions arising under this Indenture as may be necessary or
31 desirable and not inconsistent with this Indenture and which
32 shall not adversely affect the interests of the Bondholders;

33

34 (e) to provide for the issuance of Additional Bonds;

35

36 and the County hereby covenants that it will perform all the
37 requirements of any such Supplemental Indenture which may be
38 in effect from time to time; but no restriction or obligation
39 imposed by this Indenture upon the County in respect of any of
40 the Bonds outstanding under this Indenture may, except as other-
41 wise provided in Section 12.03 of this Indenture, be waived
42 or modified by such Supplemental Indenture, or otherwise.

43 Nothing in this Article XII contained shall affect or limit the
44 right or obligation of the County to execute and deliver to the
45 Trustee any instrument of further assurance or other instrument
46 which elsewhere in this Indenture it is provided shall be
47 delivered to the Trustee.

48

49

00 SECTION 12.02. The Trustee is hereby authorized to
01 enter into with the County any Supplemental Indenture authorized
02 or permitted by the terms of this Indenture, and to make the
03 further agreements and stipulations which may be therein
04 contained, and the Trustee, in entering into any Supplemental
05 Indenture, shall be fully protected in relying on an opinion
06 of Counsel, in form and substance satisfactory to the Trustee,
07 to the effect that such Supplemental Indenture is authorized
08 or permitted by the provisions of this Indenture and is not
09 inconsistent with this Indenture.

10

11 SECTION 12.03. Any modification or alteration of this
12 Indenture or of the rights and obligations of the County or of
13 the holders of the Bonds in any particular may be made with the
14 consent of the Corporation and (a) the holders of not less than
15 sixty-six and two-thirds per cent ($66\frac{2}{3}\%$) in aggregate principal
16 amount of the Bonds of each Series then outstanding, or (b)
17 in case less than all of the several Series of Bonds then out-
18 standing are affected by the modifications or amendments, the
19 holders of not less than sixty-six and two-thirds per cent
20 ($66\frac{2}{3}\%$) in aggregate principal amount of the Bonds of each
21 Series so affected then outstanding; provided, however, that if
22 such modification or amendment will, by its terms, not take
23 effect so long as any Bonds of any specified Series remains
24 outstanding, the consent of the holders of such Bonds shall not

25 be required and such Bonds shall not be deemed to be outstanding
26 for the purpose of any calculation of outstanding Bonds under
27 this Section 12.03. No such modification or alteration shall be
28 made which will reduce the percentage of aggregate principal
29 amount of Bonds the consent of the holders of which is required
30 for any such modification or alteration, or permit the creation
31 by the County of any lien prior to or, except to secure Addi-
32 tional Bonds, on a parity with the lien of this Indenture upon
33 the Revenues or the Project or which will affect the times,
34 amounts and currency of payment of the principal of, or interest
35 or redemption premium (if any) on, the Bonds.

36

37 For the purposes of this Indenture, a Series shall be
38 deemed to be affected by a modification or amendment of this
39 Indenture if the same adversely affects or diminishes the rights
40 of the holders of Bonds of such Series. The Trustee may in its
41 discretion determine whether or not in accordance with the fore-
42 going provisions Bonds of any particular Series would be affected
43 by the modification or amendment of this Indenture and any such
44 determination shall be binding and conclusive on the County and
45 all holders of Bonds.

46

47 For all purposes of this Article XII, the Trustee shall
48 be entitled to rely upon an opinion of Counsel with respect to

49

00 the extent, if any, that any action proposed hereunder affects
01 the rights under this Indenture of the holders of Bonds or of any
02 Series of Bonds then outstanding.

03

04 SECTION 12.04. Upon application by the Corporation
05 and the County for release of any portion of the Project pursuant
06 to the provisions of and in compliance with Sections 8.04 and
07 8.05 of the Lease Agreement, the Trustee shall review such
08 application together with any supporting documents or certi-
09 ficates and, if the application is in order, shall release from
10 the lien of this Indenture the property described in such appli-
11 cation. Upon receipt of the payments required to be made the
12 Trustee shall execute such amendments or supplements to the
13 Lease Agreement and this Indenture such other documents as may
14 be necessary or proper to release the property subject of such
15 application from the lien of this Indenture and shall deposit
16 any payments into the Bond Fund.

17

18 SECTION 12.05. In recognition of the assignment of its
19 rights under the Lease Agreement, the County hereby consents to
20 the amendment of the Lease Agreement by the Corporation and the
21 Trustee without the necessity of the prior approval or signature
22 of the County subject to the following conditions:

23

24 (a) No such amendment shall alter the rights of the

25 County to indemnification payments under Sections 4.12, ~~4.13,~~
26 and 7.06 of the Lease Agreement, payment of Administration
27 Expenses under Section 4.13 of the Lease Agreement, or in any
28 way diminish the obligations of the Corporation to the County
29 which are not assigned to the Trustee hereunder;

30

31 (b) No such amendment shall be made without the consent
32 of the holders of all the Bonds Outstanding of each Series which
33 are or may be affected thereby;

34

35 (c) No such amendment shall be made which affects the
36 obligation of the Corporation to make payments in lieu of taxes
37 as provided in Section 4.14 of the Lease agreement; and

38

39 (d) No such amendment shall be effective until: (i)
40 it shall have been filed in the office of the Clerk of Court for
41 the County with the transcript of the proceedings of which this
42 Indenture is a part and in the office where records of real
43 property are maintained in the County; and (ii) a copy thereof
44 has been received by the County Council of the County together
45 with an opinion of counsel experienced in matters relating to
46 the validity of obligations of state and local governments that
47 such amendment complies with the terms hereof.

48

49

00

ARTICLE XIII

01

02

DEFEASANCE

03

04

SECTION 13.01. If and when the Bonds secured hereby shall become due and payable in accordance with their terms or through redemption proceedings as provided in this Indenture, or otherwise, and the whole amount of the principal and the interest so due and payable upon all of the Bonds shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable under this Indenture by the County, and all Administration Expenses shall have been paid or provided for, then and in that case, this Indenture and the lien created hereby shall be discharged and satisfied and the County shall be released from the covenants, agreements and obligations of the County contained in this Indenture and the Trustee shall assign and transfer to or upon the order of the Corporation all property (in excess of the amounts required for the foregoing) then held by the Trustee (including the Lease Agreement and all payments thereunder and all balances in any Fund created under this Indenture) and shall execute such documents as may be reasonably required by the Corporation in this regard.

22

23

When all of the Bonds of a particular Series shall have been paid and if, at the time of such payment, the County shall

24

25 have kept, performed and observed all the covenants and promises
26 in such Bonds and in this Indenture required or contemplated to
27 be kept, performed and observed by the County or on its part on
28 or prior to that time, then this Indenture shall be considered to
29 have been discharged in respect of such Bonds and such bonds shall
30 cease to be entitled to the lien of this Indenture.

31

32 Notwithstanding the satisfaction and discharge of this
33 Indenture with respect to all Bonds or the discharge of this
34 Indenture in respect of a particular Series of Bonds, the Trustee
35 shall continue to be obligated to hold in trust any moneys or
36 investments then held by the Trustee for the payment of the
37 principal of and interest on the Bonds, to pay to the holders of
38 Bonds and coupons the funds so held by the Trustee as and when
39 such payment becomes due, and on demand of the Corporation, shall
40 assign and transfer to or upon the order of the Corporation all
41 property (in excess of the amounts required for the foregoing)
42 then held by the Trustee (including the Lease Agreement and all
43 payments thereunder and all balances in any Fund created under
44 this Indenture) and shall execute such documents as may be re-
45 quired by the County and Corporation in this regard.

46

47 SECTION 13.02. Provision for the payment of all outstand-
48 ing Bonds of any one or more Series shall, prior to the maturity

00 or redemption date thereof, be deemed to have been made within
01 the meaning and with the effect expressed in Section 13.01 of
02 this Indenture if (a) in case said Bonds are to be redeemed on
03 any date prior to their maturity, the County shall have given to
04 the Trustee in form satisfactory to it irrevocable instructions
05 to publish on a date in accordance with the provisions of Section
06 7.03 of this Indenture notice of redemption of such Bonds on said
07 redemption date, such notice to be given in accordance with the
08 provisions of Section 7.03 of this Indenture, (b) there shall
09 have been deposited with the Trustee either moneys in an amount
10 which shall be sufficient, or obligations of or guaranteed as to
11 principal and interest by the United States of America, which
12 shall not contain provisions permitting the redemption thereof at
13 the option of the issuer, the principal of and the interest on
14 which when due, and without any reinvestment thereof, will provide
15 moneys which, together with the moneys, if any, deposited with or
16 held by the Trustee and available for such purpose at the same
17 time, shall be sufficient to pay when due the principal of and
18 and interest due and to become due on said Bonds on and prior to
19 the redemption date or maturity date thereof, as the case may be,
20 and (c) in the event all the Bonds are not by their terms subject
21 to redemption within the next succeeding sixty (60) days, the
22 County shall have given the Trustee in form satisfactory to it
23 irrevocable instructions to publish, as soon as practicable in
24 the same manner as a notice of redemption is published pursuant

25 to Section 7.03 of this Indenture, a notice to the holders of
26 such Bonds and coupons which are not by their terms subject to
27 redemption within the next succeeding sixty (60) days that the
28 deposit required by (b) above has been made with the Trustee and
29 that provision for the payment of said Bonds has been made in
30 accordance with this Section and stating such maturity or re-
31 demption date upon which moneys are to be available for the
32 payment of the principal of, and premium, if any, and interest on
33 said Bonds. Neither the obligations nor moneys deposited with
34 the Trustee pursuant to this Section nor principal or interest
35 payments on any such securities shall be withdrawn or used for
36 any purpose other than, and shall be held in trust for, the
37 payment of the principal of and premium, if any, and interest on
38 said Bonds; provided that any cash received from such principal
39 or interest payments on such obligations deposited with Trustee,
40 if not then needed for such purpose, shall, to the extent prac-
41 ticable, be reinvested in obligations of the type described in
42 clause (b) of this paragraph maturing at times and in amounts
43 sufficient to pay when due the principal of and interest to
44 become due on said Bonds on and prior to such redemption date or
45 maturity date thereof, as the case may be, and interest earned
46 from such reinvestments shall be paid over to the Corporation, as
47 received by the Trustee, free and clear of any trust, lien or
48 pledge.

49

50

00 Any release under this Section 13.02 shall be without
01 prejudice to the right of the Trustee to be paid reasonable
02 compensation for all services rendered by it under this
03 Indenture and all its reasonable expenses, charges and other
04 disbursements and those of its attorneys, agents and employees,
05 incurred on and about the administration of trusts by this
06 Indenture created and the performance of its powers and duties
07 under this Indenture; provided however, that such right shall
08 not entitle the Trustee to payment from any funds necessary for
09 such release.

10

11 For the purposes of this Article XIII, the Trustee
12 shall be entitled to obtain an opinion of Counsel as to the
13 discharge and satisfaction of the lien of this Indenture with
14 respect to all the Bonds or a Series of Bonds.

15

16

00

ARTICLE XIV

01

02

MISCELLANEOUS

03

04

SECTION 14.01. In the event of the dissolution of the
County, all the covenants, stipulations, promises and agreements
in this Indenture contained, by or on behalf of, or for the
benefit of, the County, shall bind or inure to the benefit of
the successors of the County from time to time and any officer,
board, commission, agency or instrumentality to whom or to which
any power or duty of the County, shall be transferred.

11

12

SECTION 14.02. Except as in this Indenture otherwise
specifically provided, nothing in this Indenture expressed or
implied is intended or shall be construed to confer upon any
Person other than the Corporation, the County, the Trustee and
the holders of the Bonds issued under this Indenture, any right,
remedy or claim under or by reason of this Indenture, this
Indenture being intended to be for the sole and exclusive
benefit of the Corporation, the County, the Trustee and the
holders of the Bonds issued under this Indenture.

21

22

SECTION 14.03. In case any one or more of the pro-
visions of this Indenture or of the Bonds issued under this
Indenture shall, for any reason, be held to be illegal or

24

25 invalid, such illegality or invalidity shall not affect any
26 other provisions of this Indenture or of said Bonds, and this
27 Indenture and the Bonds shall be construed and enforced as if
28 such illegal or invalid provisions had not been contained
29 herein or therein.

30

31 SECTION 14.04. No covenant or agreement contained in
32 the Bonds or in this Indenture shall be deemed to be the
33 covenant or agreement of any member, agent, or employee of
34 the County or the governing body of the County in his individual
35 capacity, and neither the members of the County or the governing
36 body of the County nor any official executing the Bonds shall be
37 liable personally on the Bonds or be subject to any personal
38 liability or accountability by reason of the issuance thereof.

39

40 SECTION 14.05. All notices, certificates, requests or
41 other communications under this Indenture shall be sufficiently
42 given and shall be deemed given, unless otherwise required by
43 this Indenture, when mailed by first class mail (except as other-
44 wise provided in this Indenture), postage prepaid, addressed as
45 follows: if to the County, Anderson County, Post Office Box
46 4046, Anderson, South Carolina 29621, Attention: County Super-
47 visor or; if to the Corporation, Schmid Laboratories, Inc.,

48

00 Route 46 West, Little Falls, New Jersey 07424, Attention: Office
01 of the Treasurer; if to the Trustee, Wachovia Bank & Trust Company,
02 N.A., Post Office Box 2667, Charlotte, North Carolina 28285,
03 Attention: Corporate Trust Department; and if to the Guarantor,
04 Midland Bank Limited, _____, United Kingdom
05 _____, Attention: _____. A duplicate copy
06 of each notice, certificate, request or other communication given
07 under this Indenture to the County, the Corporation, the Guarantor or the Trustee shall also be given to the others. The Corporation, the County, the Guarantor and Trustee may, by notice
08 given under this Section 14.05, designate any further or different
09 addresses to which subsequent notices, certificates, requests
10 or other communications shall be sent.
11
12

13

14 SECTION 14.06. This Indenture may be executed in any
15 number of counterparts, each of which, when so executed and
16 delivered, shall be an original; but such counterparts shall
17 together constitute but one and the same instrument.
18

18

19 SECTION 14.07. In any case where the date of maturity
20 of principal of the Bonds, or an interest payment date, or the
21 date fixed for redemption of any Bonds, shall be a Saturday,
22 Sunday, or a legal holiday or a day on which banking institutions in the city where the Corporate Trust Department of the
23 Trustee is located or the city where any Paying Agent is located
24

25 are authorized by law or executive order to close, then payment
26 of interest or principal (and premium, if any) need not be made
27 on such date but may be made on the next succeeding business
28 day not a Saturday, Sunday or a legal holiday or a day upon
29 which such banking institutions are authorized by law or executive
30 order to close in such city with the same force and effect as if
31 made on the date of maturity, interest payment date or the date
32 fixed for redemption, as the case may be, and no interest shall
33 accrue for the period after such date and prior to the date of
34 payment as aforesaid.

35

36 SECTION 14.08. This Indenture shall be governed by,
37 and construed in accordance with, the laws of the State of
38 South Carolina.

39

40

00 IN WITNESS WHEREOF, Anderson County, South Carolina,
01 party of the first part, has caused this Indenture to be executed
02 by the County Supervisor as Chairman of the County Council and
03 the seal of the County to be hereunto affixed, attested by the
04 Clerk of the County Council, and Wachovia Bank & Trust Company, N.A.,
05 party of the second part, has caused this Indenture to be executed
06 by one of its Vice Presidents and its corporate seal to be here-
07 unto affixed, attested by one of its corporate trust officers,
08 all as of the day and year first above written.

09
10 ANDERSON COUNTY, SOUTH CAROLINA

11 (SEAL)

12 By _____
13 C. Edward Poore, County
14 Supervisor and Chairman of the
15 County Council

16 Attest:

17
18
19 _____
20 Gerlinda E. Witcher
21 Clerk, County Council

22 In the presence of:

23 _____
24 _____
25 _____
26 _____

27
28 WACHOVIA BANK & TRUST COMPANY, N.A.
29 AS TRUSTEE

30
31 (SEAL)

32 By _____
33 Vice President and Trust Officer

34 Attest:

35 _____
36 _____
37 _____
38 _____

39
40 In the presence of:

41 _____
42 _____
43 _____
44 _____
45 _____

00 STATE OF SOUTH CAROLINA)
01)
02 COUNTY OF ANDERSON)
03
04

05 PERSONALLY appeared before me _____,
06 who being duly sworn says that he saw the corporate seal of
07 Anderson County, South Carolina, affixed to the foregoing and
08 that he also saw C. Edward Poore as County Supervisor and Chair-
09 man of the County Council, and Gerlinda E. Witcher, as Clerk of
10 the County Council, sign and attest the same and that he with
11 _____ witnessed the execution and delivery thereof as
12 the act and deed of the said Anderson County, South Carolina.
13
14 _____
15
16

17 SWORN to before me
18
19 this ____ day of January, A.D. 1978
20
21

22 _____ (L.S.)
23 Notary Public for South Carolina
24

25 My commission expires: _____
26
27

28 STATE OF _____ CAROLINA)
29)
30 COUNTY OF _____)
31
32

33 PERSONALLY appeared before me _____, who
34 being duly sworn says that she saw the corporate seal of Wachovia
35 Bank & Trust Company, N.A., as Trustee, affixed to the foregoing
36 Trust Indenture, and that she also saw _____, as Vice
37 President and Trust Officer, and _____, as Vice
38 President, sign and attest the same, and that she with _____
39 _____, witnessed the execution and delivery thereof as the
40 act and deed of said Wachovia Bank & Trust Company, N.A., as Trustee.
41
42 _____
43
44

45 SWORN to before me this
46
47 ____ day of January, A.D. 1978
48
49

50 _____ (L.S.)
51 Notary Public for the State of
52 _____ Carolina
53

54 My commission expires :
55

EXHIBIT "A"
TO
LEASE AGREEMENT BETWEEN
SCHMID LABORATORIES INC., AND
ANDERSON COUNTY, SOUTH CAROLINA
AND
WACHOVIA BANK & TRUST COMPANY, N.A. AS TRUSTEE
ALL
DATED AS OF JANUARY 1, 1978

\$2,000,000

ANDERSON COUNTY, SOUTH CAROLINA

FIRST MORTGAGE INDUSTRIAL REVENUE BONDS,
1978 SERIES (SCHMID LABORATORIES, INC., PROJECT)

BOND PURCHASE AGREEMENT

January , 1978

Draft of December __, 1977

00 Interstate Securities Corporation
01 221 South Tryon Street
02 Charlotte, North Carolina 28202
03

04 Dear Sirs:
05

06 The County of Anderson, South Carolina (the "County"),
07 proposes to issue its First Mortgage Industrial Revenue Bonds,
08 1978 Series (Schmid Laboratories, Inc., Project), in the aggre-
09 gate principal amount of Two Million Dollars (\$2,000,000) (the
10 "Bonds"), in accordance with and pursuant to the provisions of an
11 ordinance adopted by the County on January 17, 1978, (the "Ordi-
12 nance"). The Bonds shall mature, bear interest, be subject to
13 redemption, payment of the principal thereof, premium (if any)
14 and interest thereon, and shall be secured as provided in the
15 Trust Indenture dated as of January 1, 1978 (the "Indenture"),
16 between the County and Wachovia Bank & Trust Company, N.A., as
17 Trustee (the "Trustee").
18

19 I.
20

21 The County hereby agrees to sell to Interstate Securi-
22 ties Corporation (the "Underwriter") and the Underwriter, upon
23 the basis of the representations, warranties and covenants herein
24 contained and contained in the Letter of Representation referred
25 to below, but subject to the conditions hereinafter stated, agrees
26 to purchase from the County, Two Million Dollars (\$2,000,000) of
27 Bonds, at _____% of their principal amount (the "Purchase Price")
28 and accrued interest thereon from January 1, 1978 to the date of
29 payment and delivery.
30

31 II.
32

33 The County understands that the Underwriter proposes
34 to make an offering of the Bonds as soon as in the Underwriter's
35 judgment is advisable. The County further understands that the
36 Bonds will initially be offered at 100% of the principal amount
37 (the "Offering Price") and accrued interest, pursuant to the
38 offering memorandum dated _____, 1977. Such offering
39 memorandum, as supplemented or amended on or prior to the Closing
40 Date referred to below, is hereinafter called the "Offering
41 Memorandum". The County hereby confirms the authority of the
42 Underwriter to use the Offering Memorandum in connection with the
43 offering and sale of the Bonds.
44

45 III.
46

47 Payment for the Bonds shall be made by certified or
48 official bank check payable to the County or its order in Charlotte
49

00 Clearing House funds at the office of Wachovia Bank & Trust
01 Company, N.A., Charlotte, North Carolina, at 10:00 Eastern Stand-
02 ard time, January __, 1978, or at such other time on the same or
03 such other date, not later than January 31, 1978, as shall be
04 designated by the Underwriter, upon delivery to the Underwriter
05 of the Bonds in fully registered form in denominations of \$5,000.00
06 or integral multiples thereof registered in such names as the
07 Underwriter shall request in writing not less than two full
08 business days prior to the date of delivery. The date and time
09 of such payment and delivery are herein referred to as the "Clos-
10 ing Date".

11
12 IV. .
13

14 The County represents and warrants to the Underwriter
15 that:
16

17 (a) The County is a body politic and corporate and a
18 political subdivision of the State of South Carolina created
19 pursuant to and existing under Article VII of the Constitu-
20 tion of the State of South Carolina, 1895. The County is
21 authorized and empowered by the provisions of South Carolina
22 Code Annotated, Title 4, Chapter 29 (1976), (the "Act"): (i)
23 to acquire certain land, buildings and improvements thereon,
24 and other machinery, apparatus, equipment, office facilities
25 and furnishings (the "Project"), to be used as an industrial
26 facility in the manufacture, process and distribution of
27 over the counter drugs, toiletries, and health and beauty
28 aids; (ii) to lease the Project in the manner and under the
29 terms set forth in the Lease Agreement between the County and
30 Schmid Laboratories, Inc., a New Jersey corporation (the
31 "Corporation"), dated as of January 1, 1978, (the "Agree-
32 ment"); and (iii) to issue the Bonds for the purpose of
33 defraying the cost of acquiring, by construction and pur-
34 chase, the Project and to secure the payment of the Bonds in
35 the manner provided for in the Indenture of Mortgage and
36 Deed of Trust between the County and Wachovia Bank & Trust
37 Company, N.A., as Trustee (the "Trustee"), dated as of
38 January 1, 1978 (the "Indenture").

39
40 (b) The Count has full legal right, power and author-
41 ity (i) to adopt the Ordinance, (ii) to enter into this Bond
42 Purchase Agreement, the Indenture and the Agreement, (iii)
43 to issue, sell, execute and deliver the Bonds to the Under-
44 writer as provided herein, and (iv) to carry out and consum-
45 mate all other transactions contemplated by the Ordinance
46 and each of such documents, and the County has complied with
47 all applicable provisions of law, including the Act, in all
48 matters relating to such transactions.

00 (c) The County has duly authorized (i) the execution,
01 delivery and due performance of this Bond Purchase Agree-
02 ment, the Bonds, the Indenture and the Agreement, (ii) the
03 taking of any and all such action as may be required on the
04 part of the County to carry out, give effect to and consum-
05 mate the transactions contemplated by such instruments
06 (including the execution and filing of any financing state-
07 ments in connection therewith) and (iii) the issuance and
08 sale of the Bonds to the Underwriter on the terms set forth
09 herein and in the Indenture.

10
11 (d) The Ordinance has been duly adopted by the County
12 and is in full force and effect. This Bond Purchase Agree-
13 ment, the Indenture and the Agreement have each been duly
14 authorized by the County and, when duly executed and deliv-
15 ered by the parties thereto will constitute legal, valid and
16 binding obligations of the County in accordance with their
17 respective terms. The Indenture and the Agreement will be
18 duly executed and delivered by the County.

19
20 (e) When delivered to and paid for by the Underwriter
21 at the closing in accordance with the provisions of this
22 Bond Purchase Agreement, the Bonds will have been duly
23 authorized, executed and delivered and will constitute
24 legal, valid and binding limited obligations of the County
25 in conformity with the Act and entitled to the benefit and
26 security of the Indenture.
27

28 (f) No approval, permit, consent, or authorization of,
29 or registration or filing with, any governmental or public
30 agency, authority or person not already obtained or made
31 (other than any approvals that might be required under the
32 securities laws of any jurisdiction) is required on the part
33 of the County in connection with the issuance and sale of
34 the Bonds or the execution and delivery by the County of, or
35 the performance of its obligations under, the Bonds, the
36 Indenture, the Agreement and this Bond Purchase Agreement.

37
38 (g) The adoption of the Ordinance, the execution and
39 delivery by the County of this Bond Purchase Agreement, the
40 Bonds, the Indenture and the Agreement, and compliance with
41 the provisions of each of such instruments, will not con-
42 flict with or constitute a breach of, or a default under,
43 any indenture, commitment, agreement or other instrument to
44 which the County is a party or by which it is bound, or
45 under any provision of the South Carolina Constitution or
46 any existing law, rule, regulation, ordinance, judgment
47 order or decree to which the County (or any of its officers
48 in their respective capacities as such) is subject or any

00 provision of South Carolina law relating to counties or
01 their affairs.

02
03 (h) The County is solvent and has not, since _____,
04 been in default in the payment of principal of, premium (if
05 any) or interest on, or otherwise been in default with
06 respect to, any bonds, notes or other obligations which it
07 has issued, assumed or guaranteed as to payment of princi-
08 pal, premium (if any) or interest.

09
10 (i) The Bonds and the income therefrom, the Inden-
11 ture and the Agreement, including revenues derived there-
12 from, are exempt from all taxation in the State of South
13 Carolina except for presently applicable inheritance, estate
14 and transfer taxes. The Indenture and the Agreement are
15 exempt from South Carolina stamp and transfer taxes. No
16 legislation, ordinance, rule or regulation has been enacted
17 or favorably reported for passage by any legislative commit-
18 tee, governmental body, department or agency of the State of
19 South Carolina, nor has any decision been rendered by any
20 court of competent jurisdiction of the State of South Caro-
21 lina, which would adversely affect the exemption from all
22 taxation in the State of South Carolina (except for present-
23 ly applicable South Carolina inheritance, estate and trans-
24 fer taxes) of (i) all payments under the Indenture, the
25 Agreement and the Bonds and the interest on the Bonds or
26 (ii) all bonds and obligations of the general character of
27 the Bonds. There are no stamp, documentary or transfer
28 taxes within the State of South Carolina that would be
29 applicable to the original issuance or subsequent transfers
30 of the Bonds.

31
32 (j) There is no action, suit, proceeding, inquiry or
33 investigation, at law or in equity, or before or by any
34 court, public board or body, or which, to the best of the
35 knowledge of the County, is threatened against the County
36 (nor to the best of the knowledge of the County is there any
37 basis therefor), which in any way questions the validity of
38 the Act, the powers of the County referred to in paragraph
39 (c) above, or the validity of any proceeding taken by the
40 County in connection with the issuance and sale of the
41 Bonds, or wherein an unfavorable decision, ruling or finding
42 would in any way adversely affect the transactions contemplated
43 by this Bond Purchase Agreement or which in any way would
44 adversely affect the validity or enforceability of the
45 Bonds, the Indenture, the Agreement, or this Bond Purchase
46 Agreement (or of any other instrument required or contem-
47 plated for use in consummating the transactions contemplated
48 thereby), or the exemption of the interest on the Bonds from

00 Federal income taxation, or the present exemption from all
01 taxation in the State of South Carolina (except for applic-
02 able South Carolina inheritance, estate and transfer taxes)
03 of the interest on the Bonds, or payments under, or income
04 of the character to be derived under, the Indenture, the
05 Agreement or the Bonds.

06
07 (k) Any certificate signed by any official of the
08 County and delivered to the Underwriter shall be deemed a
09 representation and warranty by the County to the Under-
10 writer as to the truth of the statements therein contained.

11
12 V. .
13

14 The obligations of the Underwriter hereunder shall be
15 subject to (i) the compliance with and performance by the County
16 of its obligations and agreements to be complied with and per-
17 formed under the Indenture, the Agreement and this Bond Purchase
18 Agreement at or prior to the Closing Date; (ii) the compliance
19 with and performance by the Company of the obligations and agree-
20 ments to be complied with and performed by it, at or prior to the
21 Closing Date, under the Letter of Representation dated the date
22 hereof and previously delivered to the Underwriter (the "Letter
23 of Representation"); (iii) the compliance with and performance
24 by the Company of its obligations and agreements to be complied
25 with and performed by it, at or prior to the Closing Date, under
26 the Agreement; and (iv) the accuracy and completeness as of the
27 date hereof of the representations and warranties of the Company
28 contained herein and in the Agreement, of the representations and
29 warranties of the Company contained in the Letter of Representa-
30 tion and of the representations and warranties of the Company
31 contained in the Agreement, respectively; and (v) the accuracy
32 and completeness of such representations and warranties as if
33 made on and as of the Closing Date.

34
35 The obligations of the Underwriter hereunder are
36 subject to the following further conditions:

37
38 (a) On or prior to the Closing Date, the Underwriters
39 shall have received:

40
41 (i) Opinions, dated as of the Closing Date, of
42 (A) Robert T. Lusk, Esquire, counsel for the County, in
43 the form attached hereto as Appendix A; (B) McNair,
44 Konduros, Corley, Singletary & Dibble, and Wood Dawson
45 Love & O'Brien, Bond Counsel, each in the forms attached
46 hereto as Appendices B-1 and B-2; and (C) _____,
47 Esq., counsel for the Company, in the form attached
48 hereto as Appendix C; in each case with such changes as
49 the Underwriter shall approve.

50
51

00

(ii) A certificate, dated the Closing Date, signed by the Chairman of the County Council of the County or other appropriate official satisfactory to you, to the effect that each of the representations and warranties of the County set forth in Article IV hereof is accurate and complete as if made on and as of the Closing Date and that all agreements to be complied with and obligations to be performed by the County hereunder and under the Agreement and the Indenture on or prior to the Closing Date have been complied with and performed.

11

12

(iii) A certificate, dated the Closing Date, of the Chairman of the County Council of the County or other appropriate official satisfactory to the Underwriter to the effect that on the basis of the facts, estimates and circumstances (including the covenants of the County and the Company in the Agreement and the Indenture) in existence on the date of issue of the Bonds, it is not expected that the proceeds of the Bonds will be used in a manner that would have caused the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended to the date of such certificate, Temporary Treasury Regulations § 13.4 and Proposed Treasury Regulations §§ 1.103-13, 1.103-14 and 1.103-15, had such use been reasonably expected on the date of issuance of the Bonds, and such certificate shall set forth such facts, estimates and circumstances (including the covenants of the County and the Company in the Agreement and the Indenture), which may be in brief and summary terms, and shall state that to the best of the knowledge and belief of the officer signing such certificate there are no other facts, estimates or circumstances that would materially change such expectation;

35

36

(iv) A copy of the Ordinance and the form of Bond, each certified by the Chairman of the County Council of the County or other appropriate official satisfactory to the Underwriter, and an executed copy of the Agreement and the Indenture, which shall be in form and substance satisfactory to the Underwriter.

42

43

(v) Such additional certificates (including appropriate no litigation certificates and certified copies of ordinances adopted by the County) instruments or other documents as the Underwriter may reasonably request to evidence the authority of the Trustee to act under the Indenture, and the truth and accuracy,

00 as of the Closing Date, of the representations and warran-
01 ties of the County contained herein and in the Letter of
02 Representation, respectively, and the due performance and
03 satisfaction by the County and the Company at or prior to
04 such time of all agreements then to be performed and all
05 conditions then to be satisfied by each of them in connec-
06 tion with this Bond Purchase Agreement, the Letter of Repre-
07 sentation, the Agreement and the Indenture.

08
09

(b) Between the date hereof and the Closing Date,
10 legislation shall not have been enacted by the Congress of
11 the United States (the "Congress") or be actively considered
12 for enactment by Congress, or recommended to Congress for
13 passage by the President of the United States, or introduced
14 and favorably reported for passage to either House of Con-
15 gress by any Committee of such House to which such legisla-
16 tion has been referred for consideration, nor a decision
17 rendered by a Federal court or the Tax Court of the United
18 States, nor an order, ruling, regulation or official state-
19 ment made by the United States Treasury Department or the
20 Internal Revenue Service, with the purpose or effect of
21 imposing Federal income taxation upon revenues from, or
22 other income of the character derived under, the Agreement
23 or the Indenture or upon the interest to be paid on the
24 Bonds or on bonds of the general character of the Bonds to
25 persons other than a "substantial user" of the Project or a
26 "related person" as defined in the Internal Revenue Code of
27 1954, as amended.

28
29

(c) Between the date hereof and the Closing Date,
30 legislation shall not have been enacted by Congress or be
31 actively considered for enactment by Congress, or recom-
32 mended to Congress for passage by the President of the
33 United States, or be introduced or favorably reported for
34 passage to either House of Congress by any Committee of
35 such House to which such legislation has been referred
36 for consideration, and neither a decision, order or
37 decree of a court of competent jurisdiction, nor an
38 order, ruling, regulation or official statement of or on
39 behalf of the Securities and Exchange Commission or its
40 Municipal Securities Rulemaking Board, shall have been
41 rendered or made, with the purpose or effect that the
42 issuance, offering or sale of the Bonds or obligations of
43 the general character of the Bonds, as contemplated
44 hereby, is or would be in violation of any provision of
45 the Securities Act of 1933, as amended, or the Securities
46 Exchange Act of 1934, as amended, or the Trust Indenture
47 Act of 1939, as amended, or with the purpose or effect of
48 otherwise prohibiting the issuance, offering or sale of
49 the Bonds as contemplated hereby or of obligations of the
50 general character of the Bonds.

51
52

00 (d) Between the date hereof and the Closing Date, no
01 legislation, ordinance, rule or regulation shall have been
02 enacted or favorably reported for passage by any legislative
03 committee, governmental body, department or agency of the
04 State of South Carolina, nor shall any decision have been
05 rendered by any court of competent jurisdiction of the State
06 of South Carolina, which would adversely affect the present
07 exemption from all taxation in the State of South Carolina
08 (except for applicable South Carolina inheritance, estate
09 and transfer taxes) of (i) all payments under the Indenture,
10 the Agreement and the Bonds and the interest on the Bonds or
11 (ii) all bonds and obligations of the general character of
12 the Bonds.

13 (e) The State Budget and Control Board of South Caro-
14 lina (the "State Board") shall have approved the Project and
15 the proposal of the County to issue the Bonds, which approval
16 shall remain in full force and effect; notice of such ap-
17 proval shall have been published at least once by the State
18 Board in a newspaper having general circulation in Anderson
19 County; at least twenty days shall have elapsed since the
20 date of publication of such notice during which no inter-
21 ested party shall have, by appropriate legal proceedings,
22 challenged the validity of such approval; and a copy of such
23 approval and an affidavit of such publication shall have
24 been furnished to the Underwriter together with a certifi-
25 cate of the President or a Vice President of the Company
26 that the description of the Project upon which such approval
27 is based does not deviate in any material respect from the
28 description of the Project contained in the Agreement.

30 (f) The County shall have registered and recorded the
31 Agreement and the Indenture and filed financing statements
32 under the Uniform Commercial Code of the State of South
33 Carolina, if such are required, in such manner and in such
34 places as may be required in order to establish, protect or
35 preserve the interest of the Trustee in the rights assigned
36 to it under the Indenture, and evidence of such filings,
37 registrations and recordations shall have been furnished to
38 the Underwriter.

40 (g) All matters relating to this Bond Purchase Agree-
41 ment, the Offering Memorandum including any amendments or
42 supplements thereto, the Bonds and the sale thereof, the
43 Indenture, the Agreement and the Letter of Representation,
44 and the consummation of the transactions, contemplated by
45 this Bond Purchase Agreement shall be satisfactory to and
46 approved by the Underwriters.

48
49

00
01 VI.
02

03 The County covenants as follows:
04

05 (a) To furnish or cause to be furnished to the Under-
06 writer on or prior to the Closing Date a specimen of the
07 form of Bond, a certified copy of the Ordinance and an
08 executed copy of the Indenture and the Agreement (which
09 documents shall be in the forms previously delivered to you,
10 subject to such changes as you shall approve).

11 (b) To cooperate with the Underwriter in endeavoring
12 to qualify the Bonds for offer and sale under the securi-
13 ties or Blue Sky laws of such jurisdictions as the Under-
14 writer may reasonably request and in determining their
15 eligibility for investment under the laws of such jurisdic-
16 tions as the Underwriter may reasonably request; provided
17 that the County shall not be obligated to file any general
18 consent to service of process or to qualify as a foreign
19 corporation or as a dealer in securities in any jurisdiction
20 in which it is not so qualified.
21

22 (c) To apply the proceeds from the sale of the Bonds
23 as provided in and subject to all of the terms and provi-
24 sions of the Indenture, the Ordinance and the Agreement and,
25 except as provided in the Indenture, not to issue or sell
26 any bonds or obligations other than the Bonds, the princi-
27 pal, premium (if any) and interest on which are payable in
28 whole or in part from payments or revenues derived under the
29 Agreement.
30

31 (d) Not to take or omit to take any action which will
32 adversely affect the exemption from Federal income taxation
33 of the interest on the Bonds (or the revenues to be derived
34 under the Agreement) or the existing exemption from taxation
35 by or in the State of South Carolina of the Bonds and the
36 income therefrom (or the revenues to be derived under the
37 Agreement).
38

39 (e) To deliver to the Trustee, on or prior to the
40 Closing Date, the instruments referred to in Section 3.02
41 of the Indenture.
42

43 (f) Promptly to register and record, or reregister
44 and rerecord, the Agreement, the Indenture, any amendments
45 or supplements to any thereof, and file or refile financ-
46 ing statements or continuation statements under the Uniform
47 Commercial Code of the State of South Carolina, at such
48

00 times and in such places as may be required, in order to
01 maintain, protect or preserve the interest of the Trustee
02 in the rights assigned to it under the Indenture.

03
04 The agreements contained in this Article VI and the
05 representations and warranties of the County set forth in this
06 Bond Purchase Agreement shall remain operative and in full force
07 and effect regardless of (i) any termination of this Bond Pur-
08 chase Agreement, (ii) any investigation made by or on behalf of
09 the Underwriter or any person controlling the Underwriter and
10 (iii) acceptance of and payment for the Bonds.

11
12 VII.
13

14 All expenses incident to the performance of the obliga-
15 tions of the County hereunder (including the fees and disburse-
16 ments of Bond Counsel) are to be paid out of the proceeds of the
17 Bonds, or, if the Bonds are not sold, such expenses shall be paid
18 by the Company. The Underwriter, unless its defaults in its
19 obligations hereunder, shall have no obligation to pay any such
20 expenses.

21
22 This Bond Purchase Agreement is made solely for the
23 benefit of the Underwriter, persons controlling the Underwriter,
24 the County, and their respective successors and assigns, and no
25 other person, partnership, association or corporation shall
26 acquire or have any right under or by virtue of this Bond Purchase
27 Agreement. The terms "successors" and "assigns" shall not include
28 any purchaser of Bonds from the Underwriter merely because of
29 such purchase.

30
31 This Bond Purchase Agreement shall be governed by and
32 construed in accordance with the laws of the State of South
33 Carolina.

34
35 This Bond Purchase Agreement may be executed in several
36 counterparts, each of which shall be an original and all of which
37 shall constitute but one and the same instrument.

00 If the foregoing is in accordance with the Under-
01 writer's understanding of the agreement between with the County,
02 kindly sign and return to the County the enclosed copy hereof,
03 whereupon it will constitute a binding agreement between the
04 Underwriter and the County in accordance with its terms.

05
06 Very truly yours,

07
08 ANDERSON COUNTY, SOUTH CAROLINA
09

10
11 By: _____
12 C. Edward Poore, County
13 Supervisor and Chairman, County
14 Council of Anderson County,
15 County, South Carolina

16 (SEAL)

17
18 ATTEST:

19
20
21
22 _____
23 Gerlinda E. Witcher, Clerk

24
25 Accepted this _____ day of
26
27 _____, 1977.

28
29
30 INTERSTATE SECURITIES CORPORATION
31

32
33 By: _____
34 Vice President
35

STATE BUDGET AND CONTROL BOARD

POLL OF December 21, 1977

POLL ITEM NUMBER 3

EXHIBIT III

12/21/77

Agency: Employment Security Commission

Subject: Selection of A&E Firm

Commission Executive Director David advises that the following firms, listed in preference order, have been selected, after following the required procedure, to provide the services required in connection with adding about 1,100 square feet and making minor modifications to the existing E S Building in Orangeburg:

- (1) Architects Boudreaux;
- (2) William Anderson, Architects Planners; and
- (3) Molten Architects.

Board Action Requested:

Approve the selection of Architects Boudreaux for the referenced project, pursuant to 1976 Code Sections 10-5-10 et seq.

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:

David 12/6/77 letter to McPherson plus attachments.

South Carolina
Employment Security Commission



COMMISSION

W. Marshall Comer, Chairman
Frank E. Baldwin, Vice-Chairman
C. Lem Harper, Commissioner

1550 Gadsden Street
P. O. Box 995
Columbia, S.C. 29202

EXECUTIVE DIRECTOR

Robert E. "Jack" David

December 6, 1977

Mr. John A. McPherson, Jr.
Chief Engineer
State Auditor's Office
P. O. Box 11333
Columbia, SC 29201

Dear Mr. McPherson:

In accordance with procedures for requesting Budget and Control Board's approval of an architectural services contract, we are submitting the following information:

1. List of firms interviewed:

- A. Architects Boudreaux
- B. Molten Architects
- C. William Anderson - Architects Planners

2. List of three firms in order of preference:

- A. Architects Boudreaux - John A. Boudreaux, AIA
- B. William Anderson - Architects Planners -
William Anderson, AIA
- C. Molten Architects - Richard W. Molten, Jr., AIA

- 3. In selection of these firms consideration was given to the amount of State projects the firms have had in the past two years.
- 4. Attached are two (2) copies of the tentative contract which has been negotiated with the No. 1 firm, Architects Boudreaux.
- 5. Attached are copies of the newspaper advertisements which included the following statement:

"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."

RECEIVED

DEC 7 1977

S. C. BUDGET AND
CONTROL BOARD

Page Two
Mr. McPherson
12-6-77

6. Attached are copies of certification that the advertisements were printed in the newspapers.
7. Listing of firms responding to the advertisement with total of amount of contracts they have executed on State work over the past two years:
 - A. Architects Boudreaux - None
 - B. William Anderson-Architects Planners -
\$550,000.00
 - C. Molten Architects - None
8. Listing of all architectural contracts the Employment Security Commission has awarded in the past three years:
 - A. Henry D. Boykin, Architect, Camden, S.C., 1975
Construction costs for office building -
\$110,046.93

We will appreciate very much approval of the attached tentative contract with Architects Boudreaux, John A. Boudreaux, President.

Sincerely,


Robert E. David
Executive Director

Attachments
REF: AS-2

The South Carolina Employment Security Commission is accepting resumes of qualifications from architectural firms interested in providing architectural services to the Commission for the construction of an addition, comprising approximately 1,000 square feet, to the Employment Service Office in Orangeburg, South Carolina.

Firms submitting resumes of qualifications should include a list of all contracts, including construction costs, the firm has executed on State work in the past two (2) years. Resumes will be received in the office of the Executive Director, at 1550 Gadsden Street, P.O. Box 995, Columbia, South Carolina 29202 no later than fifteen days from the date of publication of this notice.

Robert E. David
Executive Director
South Carolina Employment
Security Commission

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,

Notice - Architectural firms for the construction of an addition
comprising approximately 1,000 square feet

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

September 30, 1977

Carl M. Regal

Subscribed and sworn to before me
this 30th day of September 19 77.

Emma Lee Sautter Notary Public

STATE OF SOUTH CAROLINA,
COUNTY OF ORANGEBURG:

Legal Notice

NOTICE

The South Carolina Employment Commission is accepting resumes of qualifications from architectural firms interested in providing architectural services

to the Commission for the construction of an addition comprising approximately one thousand (1,000) square feet to the Employment Service office in Orangeburg, South Carolina.

Firms submitting resumes of qualifications should include a list of all contracts, including construction costs, the firm has executed on state work in the past two (2) years. Resumes will be received in the office of the Executive Director at 1550 Gadsden Street, P.O. Box 995, Columbia, South Carolina 29202 no later than fifteen (15) days from the date of publication of this notice.

Robert E. David
Executive Director
S.C. Employment
Security Commission
Sept.30

Personally appeared before me, Conrad A. Martin, Adv. Director of The Times and Democrat, a newspaper published at Orangeburg, County of Orangeburg, State of South Carolina, who declares that the attached Notice was published in said newspaper on the following dates:

Sept. 30

Conrad A. Martin

Sworn to and subscribed before me

.....30 day of September.....1977

David A. Dunning (L.S.)

Notary Public, S. C.

My Commission Expires January 21, 1985

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 Sixth day of December in the year of Nineteen
Hundred and Seventy Seven

BETWEEN the Owner: S. C. Employment Security Commission
1550 Gadsden Street
Columbia, South Carolina

and the Architect: Architects Boudreaux, Ltd.
2221 Devine Street, Suite 307
Columbia, South Carolina 29205

For the following Project:

(Include detailed description of Project location and scope)

An addition of approximately 1100 square feet to the existing Employment Security Building in Orangeburg, South Carolina, and minor modifications to the existing building.

RECEIVED
DEC 7 1977
S. C. BUDGET AND
CONTROL BOARD

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
Five Thousand Two Hundred dollars (\$ 5,200.00).
 - B. FOR ADDITIONAL SERVICES, as described in Paragraph 1.3, compensation computed as follows:
 1. Principals' time at the fixed rate of Thirty-Five dollars (\$ 35.00) per hour.
For the purpose of this Agreement, the Principals are:

John A. Boudreaux
 2. Employees' time (other than Principals) at a multiple of two and one-half
(2.5) times the employees' Direct Personnel Expense as defined in Article 4.
 3. Services of professional consultants at a multiple of one and one-quarter
(1.25) times the amount billed to the Architect for such services.
 - C. AN INITIAL PAYMENT of
Eight Hundred dollars (\$ 800.00)
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 fifteen
(15) 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

See attached sheets, 8-1, 8-2, 8-3, and 8-4.

This Agreement executed the day and year first written above.

OWNER S. C. EMPLOYMENT SECURITY COMM. ARCHITECT ARCHITECTS BOUDREAUX, LTD.


John A. Boudreaux, President

ARTICLE 14

OTHER CONDITIONS OR SERVICES

In the TERMS AND CONDITIONS OF AGREEMENT BETWEEN OWNER AND ARCHITECT add to or delete from as follows:

14.1 Add new Subparagraph 1.1.3.1 as follows:

"1.1.3.1 Upon completion of SCHEMATIC DESIGN PHASE, the DESIGN, OUTLINE SPECIFICATIONS, and PROBABLE CONSTRUCTION COST shall be approved by the OWNER in writing."

14.2 Add new Subparagraph 1.1.5.1 as follows:

"1.1.5.1 Upon completion of DESIGN DEVELOPMENT PHASE, the DESIGN and PROBABLE CONSTRUCTION COST shall be approved by the OWNER in writing."

14.3 Add new Subparagraph 1.1.8.1 as follows:

"Prior to advertising for bids for construction, the Architect shall obtain written approval from the OWNER of the PROJECT DESIGN AND PROBABLE CONSTRUCTION COST."

14.4 Following Subparagraph 1.1.9 add the following:

"ADDITIONAL BASIC SERVICES

"1.1.9 Review Documents as required by OWNER in Subparagraphs 1.1.3.1, 1.1.5.1 and 1.1.8.1 shall also be submitted to the State Engineer's Office for approval.

"1.1.9.1 Prior to advertising for bids for construction, the Architect shall obtain written approval of the PROJECT DESIGN from the STATE ENGINEER.

"1.1.9.2 Ownership of Documents shall be as described in Article 9.

"1.1.9.2.1 Upon completion of the CONSTRUCTION PHASE, the ARCHITECT shall correct the original drawing to "record drawings" showing all significant changes in the Work made during construction. Such changes to the drawings shall be made in a professional manner, and drawings shall be stamped and signed by the ARCHITECT as said drawings being "record drawings", based on marked-up prints, drawings and other data furnished by the CONTRACTOR and/or representative of the OWNER and/or ARCHITECT.

"1.1.9.3 One month prior to the expiration of the one-year warranty period as called for in the CONSTRUCTION DOCUMENTS, the ARCHITECT shall inspect the project for any deficiencies that may have developed under the one-year warranty. Upon completion of inspection a written report shall be furnished to the OWNER, the STATE ENGINEER and the CONTRACTOR, and the

ARCHITECT shall assist the OWNER in taking necessary action to see that the deficiencies are corrected."

- 14.5 In Subparagraph 1.1.14, fifth line following "---on site" delete "observations" and substitute therefor "inspections."

- 14.6 Add new Subparagraph 1.1.14.1 and 1.1.14.2 as follows:

"1.1.14.1 Periodic visit by the ARCHITECT may vary with the progress of the work and other conditions, but shall average not less than one visit by the ARCHITECT or his representative to the project per week during the course of construction. The ARCHITECT shall submit to the OWNER a written report of his periodic visit, at least once a month, of his findings and progress of the project.

"1.1.14.2 Should the CONTRACTOR fall behind in his construction schedule by more than four weeks, the ARCHITECT shall notify the OWNER in writing.

- 14.7 In Subparagraph 1.1.15, first line following "based on such" delete "observations and substitute therefor "inspections."

- 14.7.1 In Subparagraph 1.1.15, seventh line following "Architects" delete "observations" and substitute therefor "inspections."

- 14.8 Delete Subparagraph 1.1.16 in its entirety and substitute therefor new Subparagraph 1.1.16 as follows:

"1.1.16 The ARCHITECT shall be the interpreter of the requirements of the CONTRACT DOCUMENTS and judge of the performance thereunder by both the OWNER and the CONTRACTOR. The ARCHITECT shall render written interpretations necessary for the proper execution or progress of the work within fifteen days on written request of either the OWNER or the CONTRACTOR, unless such interpretation can only be made after testing, in which case an interpretation must be rendered within fifteen days after completion of such test, and shall render written decisions, within fifteen days, on all claims, disputes and other matters in question between the OWNER and the CONTRACTOR relating to the execution or progress of the work or the interpretation of the CONTRACT DOCUMENTS.

- 14.9 In Subparagraph 1.1.18, following "---Contract Documents" add new sentence:

"Such action shall be taken with reasonable promptness so as not to delay the project.

- 14.10 Under Paragraph 1.3, delete Sub-paragraph 1.3.15 in its entirety.

- 14.11 Delete Subparagraph 1.3.11 in its entirety and substitute therefor new Sub-paragraph 1.3.11 as follows:

"1.3.11 Preparing supporting data, and other services in connection with change orders requested by the OWNER. Where a change order

is required because of a design error, the change order shall be prepared at no cost to the OWNER.

- 14.12 Add new Subparagraph 3.1.3.1 as follows:

"3.1.3.1 Compensation to the Architect shall be as set forth in Paragraph II. When compensation is based on "Percentage of Construction Cost," the establishing of the percentage shall be the amount of the Construction Contract awarded. Once established, the same percentage figure shall apply to any recomputation of fee occasioned by Change Order, and only Change Orders that increase the contract amount shall be used in recomputation. Where a Change Order is required because of a design error, the amount of that Change Order shall not apply toward computation of Architect's compensation."

- 14.13 Add new Subparagraph 3.5.0.1 as follows:

"Fixed limit of Construction Cost shall be the Probable Construction Cost as defined in Subparagraph 1.1.8.1."

- 14.14 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."

- 14.15 In Paragraph 6.4, page 7, fourth line following ---then due add "." (period) and delete remaining of sentence.

- 14.15.1 In Paragraph 6.4, page 7, delete last line in its entirety and substitute therefor the following:

"Compensation may be subject to negotiation."

- 14.16 Delete Paragraph 6.5 in its entirety and substitute new Paragraph 6.5 as follows:

"6.5 Payment due the Architect under this Agreement shall bear interest at six percent per annum commencing forty-five days after date of billing.

- 14.17 In Paragraph 8.2 in fourth line following Reimbursable Expense add "." (period) and delete remaining of sentence.

- 14.18 In Article 9 - OWNERSHIP OF DOCUMENTS delete in its entirety and add new Article 9 as follows:

" ARTICLE 9 "

"OWNERSHIP OF DOCUMENTS"

"9.1 The Owner shall have unlimited rights in the ownership of all drawings, designs, specifications, notes and other work developed in the performance of the AGREEMENT, including the right to use same on any other Owner's projects without additional

cost to the Owner, and with respect thereto the Architect agrees to and does hereby grant to the Owner a royalty-free license to all such data which he may cover by copy right and to all designs as to which he may assert any rights or establish any claim under the design patent or copyright laws.

"9.2 In the case of future reuse of the documents the Owner reserves the right to negotiate with the Architect for compensation for the acceptance of any professional liability."

"9.3 In the event the Owner does not exercise the option to negotiate with the Architect for the Architect's acceptance of any professional liability, it is understood that the Architect is no longer liable in the reuse of the documents.

- 14.19 Delete Article 11 - Arbitration in its entirety.
- 14.20 Under Article 13 - Governing Laws second line following "---law of", delete remaining of sentence and substitute therefor the following:
"-----South Carolina."
- 14.21 It is the Owners responsibility to provide the Architect with accurate drawings and specifications on the existing building and related site improvements.

EXHIBIT IV
12/21/77

STATE BUDGET AND CONTROL BOARD

POLL OF December 21, 1977

POLL ITEM NUMBER

4

Agency: Highways and Public Transportation

Subject: Selection of A&E Firm

Chief Commissioner Cobb advises that the following firms, listed in preference order, have been selected, after following the required procedure, to provide the services required in connection with the development of plans for two to five license sales and patrol office buildings:

- (1) William O. Fulmer, Architect;
- (2) McMillian Associates; and
- (3) Carlisle Associates, Inc.

Board Action Requested:

Approve selection of William O. Fulmer, Architect, for the referenced project, as recommended by Commissioner Cobb, pursuant to 1976 Code Sections 10-5-10, et seq.

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 12/9/77 letter to Putnam; Brooks 12/15/77 letter to Putnam;
plus attachments.



SOUTH CAROLINA

DEPARTMENT OF HIGHWAYS AND PUBLIC TRANSPORTATION

BOX 191

COLUMBIA, S. C. 29202

December 9, 1977

RECEIVED
DEC 14 1977
S. C. BUDGET AND
CONTROL BOARD

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

Dear Mr. Putnam:

On Monday, October 31, 1977, a notice was published in The State newspaper requesting resumes of qualifications from architectural firms interested in developing plans for two to five license sales and partol office buildings to be located in Lexington, Marion, Chesterfield, St. George and Summerville. The proposed buildings are to be identical in design and the schedule for construction of said buildings will depend on available funding.

Resumes were received from the following eight firms:

William Anderson, AIA
Columbia, S. C.

Lafaye Associates, Inc.
Columbia, S. C.

Bultman, Coulter, Gasque, Assocs.
Columbia, S. C.

McMillan Associates
Greenville, S. C.

Carlisle Associates, Inc.
Columbia, S. C.

Rast & Associates
Charleston, S. C.

William O. Fulmer
Columbia, S. C.

Jeffrey Marc Rosenblum, AIA
Charleston, S. C.

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) William O. Fulmer, Architect
- (2) McMillan Associates
- (3) Carlisle Associates, Inc.

Mr. Willaim T. Putnam

-2-

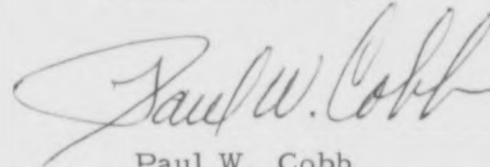
December 9, 1977

The Department now plans to construct the above mentioned buildings identical to the license sales and patrol office building constructed in Rock Hill several years ago. The architect for the Rock Hill building was William O. Fulmer and Mr. Fulmer has agreed to complete drawings and furnish construction supervision on the new proposed work for a total of 4.8% of construction cost. The 4.8% is quoted because he will use much of the old drawings of the Rock Hill Building.

The Department recommends that the Budget and Control Board approve its employing William O. Fulmer, Architect, to design the proposed buildings.

With kind regards,

Yours very truly,

A handwritten signature in cursive script, reading "Paul W. Cobb". The signature is fluid and elegant, with the first letters of the first and last names being capitalized and prominent.

Paul W. Cobb
Chief Commissioner



SOUTH CAROLINA

DEPARTMENT OF HIGHWAYS AND PUBLIC TRANSPORTATION

BOX 191

COLUMBIA, S. C. 29202

December 15, 1977

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

RECEIVED
DEC 15 1977
S. C. BUDGET AND
CONTROL BOARD

Dear Mr. Putnam:

In reference to Mr. Cobb's letter to you dated December 9, Mr. McPherson, State Engineer, has requested that I furnish additional information regarding architects who furnished resumes for developing plans on license sales and patrol office buildings to be located in Lexington, Marion, Chesterfield, St. George and Summerville. Attached is a copy of a contract which has been negotiated with William O. Fulmer, Architect, for design of the above buildings. Also enclosed is a copy of the legal notice that was in The State paper on Monday, October 31, 1977, asking for submission of resumes from interested architectural firms.

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

William Anderson Columbia, S. C.	\$250,000	Lafaye Assocs. Inc. Columbia, S. C.	\$ - 0 -
Bultman, Coulter, Gasque Columbia, S. C.	\$ - 0 -	McMillan Assocs. Greenville, S. C.	\$ - 0 -
Carlisle Associates, Inc. Columbia, S. C.	\$ - 0 -	Rast & Assocs. Charleston, S. C.	\$2,430.44
William O. Fulmer Columbia, S. C.	\$ - 0 -	Jeffery M. Rosenblum Charleston, S. C.	\$ - 0 -

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

Mr. William T. Putnam

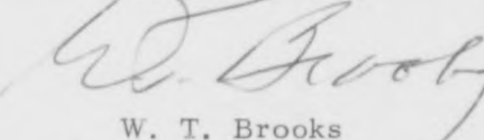
-2-

December 15, 1977

<u>Year</u>	<u>Firm</u>	<u>Construction Cost</u>
1975	William O. Fulmer Columbia, S. C.	\$ 129,068.58
1975	William O. Fulmer Columbia, S. C.	110,141.77
1975	Geiger, McElveen & Kennedy Columbia, S. C.	8,869,249.00
1975	William O. Fulmer Columbia, S. C.	177,347.61
1977	Craig & Gaulden Greenville, S. C.	245,159.00

If additional information is needed, please let me know.

Yours very truly,


W. T. Brooks
Secretary-Treasurer

Enclosures

cc

Mr. John A. McPherson, Jr.
Chief Engineer - Finance Division
State Budget and Control Board
Wade Hampton Office Bldg.
Columbia, S. C.

WILLIAM O. FULMER • ARCHITECT

1522 RICHLAND STREET

COLUMBIA, SOUTH CAROLINA 29201

252-4585

December 14, 1977

Mr. William T. Brooks, Secretary-Treasurer
The South Carolina Department of Highways
and Public Transportation
P. O. Box 191
Columbia, South Carolina 29202

RECEIVED

DEC 15 1977

Re: Architectural Services for
Proposed License Sales and Patrol Offices

S. C. BUDGET AND
CONTROL BOARD

Dear Mr. Brooks:

Our fee proposal for architectural and engineering services for proposed License Sales and Patrol Offices is as follows. This is based on repetitive use of drawings and specifications prepared by our office for previously constructed buildings with an estimated construction contract cost of one hundred thousand dollars (\$100,000.). Percentage fees shown are based on cost of construction and provide for no changes in the original documents.

1. Preparation of drawings and specifications and contract award:

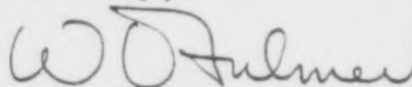
50% of normal 6.4% fee

3.2%

2. Job observation (supervision): normal fee of 1.6%

I reiterate that we have truthfully enjoyed working with the Department in the past and we earnestly request your consideration of our services for these proposed projects.

Sincerely,



William O. Fulmer

WOF/c

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 November 20, 1977 for the purpose of developing plans for 2 to 5 office buildings containing license sales and patrol office (approximately 5,000 sq.ft.) to be constructed on property located in Lexington, Marion, Chesterfield, St. George and Summerville.

This work will include development of plans, advertising for and construction and supervising construction.

All information should be addressed to: W.T. Brooks, Secretary-Treasurer, P.O. Box 191, Columbia, S.C. 29202.

RECEIVED

DEC 16 1977

STATE BUDGET AND
CONTROL BOARD

FILE 374-10

DEC 16 1977

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 sixteenth day of December in the year of Nineteen
Hundred and seventy-seven

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

and the Architect: William O. Fulmer, Architect
Columbia, S. C.

For the following Project:

(Include detailed description of Project location and scope)

Five Buildings - Based on drawings and specifications for previously constructed
license sales and patrol offices for the South Carolina State Highway Department.

RECEIVED
DEC 16 1977

S. C. BUDGET AND
CONTROL BOARD

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 | percent (3.2%) |
| Preparation of plans & specs | percent (3.2%) |
| Separate Stipulated Sum Construction Contracts | percent (1.6%) |
| Job supervision | percent (1.6%) |
| 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 Thirty dollars (\$ 30.00 per hour.
For the purpose of this Agreement, the Principals are:
William O. Fulmer
Charles R. Crawford, Jr.
 2. Employees' time (other than Principals) at a multiple of
(2 1/2) times the employees' Direct Personnel Expense as defined in Article 4.
 3. Services of Professional consultants at a multiple of
(1.0) times the amount billed to the Architect for such services.
- C. AN INITIAL PAYMENT of NONE dollars (\$)
shall be made upon the execution of this Agreement and credited to the Owner's account.
- D. FOR REIMBURSABLE EXPENSES, amounts expended as defined in Article 5.
- III. THE OWNER AND ARCHITECT agree in accordance with the Terms and Conditions of this Agreement that:
- A. IF SCOPE of the Project is changed materially, compensation shall be subject to renegotiation.
 - B. IF THE SERVICES covered by this Agreement have not been completed within
eighteen (18) 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.

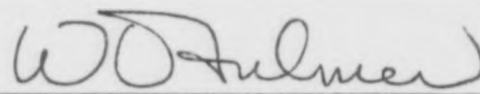
ARTICLE 14
OTHER CONDITIONS OR SERVICES

Article 14 Attached - Pages 8-1 thru 8-4

This Agreement executed the day and year first written above.

OWNER

ARCHITECT



William O. Fulmer

ARTICLE 14

OTHER CONDITIONS OR SERVICES

In the TERMS AND CONDITIONS OF AGREEMENT BETWEEN OWNER AND ARCHITECT add to or delete from as follows:

14.1 Add new Subparagraph 1.1.3.1 as follows:

"1.1.3.1 Upon completion of SCHEMATIC DESIGN PHASE, the DESIGN, OUTLINE SPECIFICATIONS, and PROBABLE CONSTRUCTION COST shall be approved by the OWNER in writing."

14.2 Add new Subparagraph 1.1.5.1 as follows:

"1.1.5.2 Upon completion of DESIGN DEVELOPMENT PHASE, the DESIGN and PROBABLE CONSTRUCTION COST shall be approved by the OWNER in writing."

14.3 Add new Subparagraph 1.1.8.1 as follows:

"Prior to advertising for bids for construction, the Architect shall obtain written approval from the OWNER of the PROJECT DESIGN AND PROBABLE CONSTRUCTION COST."

14.4 Following Subparagraph 1.1.9 add the following:

"ADDITIONAL BASIC SERVICES

"1.1.9 Review Documents as required by OWNER in Subparagraphs 1.1.3.1, 1.1.5.1 and 1.1.8.1 shall also be submitted to the State Engineer's Office for approval.

"1.1.9.1 Prior to advertising for bids for construction, the Architect shall obtain written approval of the PROJECT DESIGN from the STATE ENGINEER.

"1.1.9.2 Ownership of Documents shall be as described in Article 9.

"1.1.9.2.1 Upon completion of the CONSTRUCTION PHASE, the ARCHITECT shall correct the original drawing to "record drawings" showing all significant changes in the Work made during construction. Such changes to the drawings shall be made in a professional manner, and drawings shall be stamped and signed by the ARCHITECT as said drawings being "record drawings", based on marked-up prints, drawings and other data furnished by the CONTRACTOR and/or representative of the OWNER and/or ARCHITECT.

"1.1.9.3 One month prior to the expiration of the one-year warranty period as called for in the CONSTRUCTION DOCUMENTS, the ARCHITECT shall inspect the project for any deficiencies that may have developed under the one-year warranty. Upon completion of inspection a written report shall be furnished to the OWNER, the STATE ENGINEER and the CONTRACTOR, and the ARCHITECT shall assist the OWNER in taking necessary action to see that the deficiencies are corrected."

- 14.5 In Subparagraph 1.1.14, fifth line following "---on site" delete "observations" and substitute therefor "inspections".
- 14.6 Add new Subparagraph 1.1.14.1 and 1.1.14.2 as follows:
- "1.1.14.1 Periodic visit by the ARCHITECT may vary with the progress of the work and other conditions, but shall average not less than one visit by the ARCHITECT or his representative to the project per week during the course of construction. The ARCHITECT shall submit to the OWNER a written report of his periodic visit, at least once a month, of his findings and progress of the project.
- "1.1.14.2 Should the CONTRACTOR fall behind in his construction schedule by more than four weeks, the ARCHITECT shall notify the OWNER in writing.
- 14.7 In Subparagraph 1.1.15, first line following "based on such" delete "observations" and substitute therefor "inspections".
- 14.7.1 In Subparagraph 1.1.15, seventh line following "Architects" delete "observations" and substitute therefor "inspections".
- 14.8 Delete Subparagraph 1.1.16 in its entirety and substitute therefor new Subparagraph 1.1.16 as follows:
- "1.1.16 The ARCHITECT shall be the interpreter of the requirements of the CONTRACT DOCUMENTS and judge of the performance thereunder by both the OWNER and the CONTRACTOR. The ARCHITECT shall render written interpretations necessary for the proper execution or progress of the work within fifteen days on written request of either the OWNER or the CONTRACTOR, unless such interpretation can only be made after testing, in which case an interpretation must be rendered within fifteen days after completion of such test, and shall render written decisions, within fifteen days, on all claims, disputes and other matters in question between the OWNER and the CONTRACTOR relating to the execution or progress of the work or the interpretation of the CONTRACT DOCUMENTS.
- 14.9 In Subparagraph 1.1.18, following "---Contract Documents" add new sentence:
- "Such action shall be taken with reasonable promptness so as not to delay the project.
- 14.10 Under Paragraph 1.3, delete Sub-paragraph 1.3.15 in its entirety.
- 14.11 Delete Subparagraph 1.3.11 in its entirety and substitute therefor new Subparagraph 1.3.11 as follows:
- "1.3.11 Preparing supporting data, and other services in connection with change orders requested by the OWNER. Where a change order is required because of a design error, the change order shall be prepared at no cost to the OWNER.
- 14.12 Add new Subparagraph 3.1.3.1 as follows:
- "3.1.3.1 Compensation to the Architect shall be as set forth in Paragraph II. When compensation is based on "Percentage of Construction Cost," the establishing of the percentage shall be the amount of the Construction Contract

awarded. Once established, the same percentage figure shall apply to any recomputation of fee occasioned by Change Order, and only Change Orders that increase the contract amount shall be used in recomputation. Where a Change Order is required because of a design error, the amount of that Change Order shall not apply toward computation of Architect's compensation".

- 14.13 Add new Subparagraph 3.5.0.1. as follows:

"Fixed limit of Construction Cost shall be the Probable Construction Cost as defined in Subparagraph 1.1.8.1"

- 14.14 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"

- 14.15 In Paragraph 6.4, page 7, fourth line following-----then due add "." (period) and delete remaining of sentence.

- 14.15.1 In Paragraph 6.4, page 7, delete last line in its entirety and substitute therefor the following:

"Compensation may be subject to negotiation."

- 14.16 Delete Paragraph 6.5 in its entirety and substitute new Paragraph 6.5 as follows:

"6.5 Payment due the Architect under this Agreement shall bear interest at six percent per annum commencing forty-five days after date of billing.

- 14.17 In Paragraph 8.2 in fourth line following Reimbursable Expense add "." (period) and delete remaining of sentence.

- 14.18 In Article 9 - OWNERSHIP OF DOCUMENTS delete in its entirety and add new Article 9 as follows:

" ARTICLE 9 "

"OWNERSHIP OF DOCUMENTS"

"9.1 The Owner shall have unlimited rights in the ownership of all drawings, designs, specifications, notes and other work developed in the performance of the AGREEMENT, including the right to use same on any other Owner's projects without additional cost to the Owner, and with respect thereto the Architect agrees to and does hereby grant to the Owner a royalty-free license to all such data which he may cover by copy right and to all designs as to which he may assert any rights or establish any claim under the design patent or copyright laws.

"9.2 In the case of future reuse of the documents the Owner reserves the right to negotiate with the Architect for compensation for the acceptance of any professional liability."

"9.3 In the event the Owner does not exercise the option to negotiate with the Architect for the Architect's acceptance of any professional liability, it is understood that the Architect is no longer liable in the reuse of the documents.

14.19 Delete Article 11 - Arbitration in its entirety.

14.20 Under Article 13 - Governing Laws second line following "----law of", delete remaining of sentence and substitute therefor the following:

"-----South Carolina."

EXHIBIT V
12/21/77

STATE BUDGET AND CONTROL BOARD

POLL OF December 21, 1977

POLL ITEM NUMBER 5

Agency: Various

Subject: Consultant Services Contracts

(1) Division of Administration (Health & Social Development):

Consultant: Durham T. Harrison, Jr.

Maximum Dollars: \$14,000 (75% Federal, 25% State)

Contract Period: 11/15/77 - 9/30/78

Purpose: To update, expand and refine the data base of the current S. C. Developmental Disabilities State Plan by implementing the "Guide for Data Collection for Planning and Evaluation of the Developmental Disabilities Program." (See attachments.)

(2) Department of Education:

Consultant: National Evaluation Systems, Inc.

Maximum Dollars: \$10,675 (100% Federal)

Contract Period: Date addendum signed - 5/12/78

Purpose: To prepare summary of findings of survey of perceptions of State's vocational educational needs and to prepare a slide/tape presentation on same subject (see attachment 2).

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:

(1) Report on Consultants form; extract from contract; Zemaitis 12/9/77 memo to Pettiss.

(2) Dept. of Education form plus extract from contract.

STATE AUDITOR'S OFFICE

80705

REPORT ON CONSULTANTS

Name of State Agency: Office of the Governor, Health and Social Development,
South Carolina Developmental Disabilities Program

Date of Report: November 14, 1977 Prepared by: Martha S. Leath

Name of Consultant or Firm: Durham T. Harrison, Jr.

Address of Consultant or Firm: 148 Bridgewater Circle, Irmo, South Carolina 29063

Terms of Consultant Contract:

Beginning Date: 11/15/77 Ending Date: 9/30/78

Rate of Pay: \$ 1,272.73 per month; Maximum under this contract: \$ 14,000.
total of eleven installments

Source of Funds: 3,500. (25 %); 10,500. (75 %); (0 %).
(State) (Federal) (Other)

Purpose or Goal of Consultant:

Statistical services/technical assistance in implementing the "Guide for Data Collection in Planning and Evaluation of the Developmental Disabilities Program," (Sections II, III, IV) in the development of the South Carolina Developmental Disabilities State Plan for Fiscal Year 1978-79.

Was this Individual or Firm Selected through the Submission of Bids or Proposals?

Yes

No X Sole source

If yes, How many Bids or Proposals were Received?

3. Scope of Services

The Contractor shall do, perform, and carry out, in a satisfactory and proper manner, as determined by the Planning Agency, the following services:

Services of an in-house planner to work with the Planning Director of the South Carolina Developmental Disabilities Program for the period November 15, 1977 through June 15, 1978; plus preparation and presentation of the State Plan to the South Carolina Developmental Disabilities Council in late June or July, 1978; and the time required to incorporate into the State Plan document those changes required by the Council and/or the Regional Office of DHEW, to be completed no later than September 30, 1978. Office space, equipment, and secretarial support will be furnished in the Edgar A. Brown State Office Building in conjunction with the staff of the Developmental Disabilities Council, headquartered at Health and Social Development.

Work will entail updating, expanding, and refining the data base of the current South Carolina Developmental Disabilities State Plan by implementing the "Guide for Data Collection for Planning and Evaluation of the Developmental Disabilities Program" for formal submittal to the Atlanta Regional Office of DHEW no later than August 1, 1978 of the State Plan for Fiscal Year 1978-79.

This individual shall, in cooperation with the Planning Director in consultation with the Planning Committee of the Developmental Disabilities Council:

1. develop appropriate instruments and assist in collection of base data (from literature and service providers in the state), and analyse such data as required to satisfy the Guide, and actual development of Sections II, III and IV of the State Plan;
2. with computer time furnished by the State (not to exceed Program funds of \$500 budgeted for this purpose), perform the mathematical computations and analysis required by the Guide to produce and complete the data elements and other analytical presentations of the State Plan, and write necessary narrations to complement the figures;
3. coordinate and participate with appropriate parties throughout the planning process in the construction of the State Plan document.

The work shall be accomplished as specified in the Fiscal Year 1977-78 Design for Implementation of the current State Plan. Results of this work will produce the final written State Plan document, to be completed no later than June of 1978 for formal presentation and action by the Council, to be forwarded to the federal government by the established deadline date of August 1st to DHEW.

The planner to perform this work has been selected and services secured under mutual agreement between the parties to this contract.

MEMORANDUM

DATE: December 9, 1977

TO: Walter R. Pettiss

FROM: John J. Zemaitis *JJZ*

SUBJECT: Consultant Contract for Planning/Technical Assistance for the Developmental Disabilities State Plan.

On December 7, 1977, the Budget and Control Board deferred action on a DD Consultant Contract. My office requested this Contract because of the need for outside technical assistance to collect data and develop areas of next year's DD State Plan required under the new DHEW Federal Guidelines.

Last year, my office contracted for \$13,000 plus approximately \$1,000 in expenses for ten months with the Budget and Control Board to provide technical skills needed for similar work; however, the staff person who worked with us last year resigned. Since I do not have the in-house resources to satisfy the requirements placed on my office by the DD Council and DHEW, there was no one who had the expertise and time necessary to devote to this work at the Budget and Control Board, and my time was running out, I asked my staff to interview outside consultants and prepare a sole-source contract. Five out of six consultants interviewed were qualified to do the work, but four of them later withdrew their names from consideration due to the temporary nature of the contract and the full time requirement. Mr. Durham Harrison was the one I selected who had the necessary background, credentials, and could denote the time needed to get the job done professionally.

This contractual agreement enables my office to fulfill its responsibility under the new DHEW Guidelines without increasing my staff nor committing state resources beyond the date of the present contract. It should also be noted that the work to be performed under this contract was directed by the DD Council and approved by DHEW as part of this year's annual implementation plan. Any deviation or failure to fully comply with the Plan's requirements could result in a DHEW audit exception and run the risk of next year's Plan being disapproved. This would mean the loss of over half-million dollar formula grant for developmental disabilities services presently being provided in the State and the loss of the DD Protection and Advocacy grant.

JJZ/pf



FINANCE USE ONLY

Voucher No.

Date of Voucher

Amount

CONTRACTUAL AGREEMENTS

Section 1

Name of Contractor National Evaluation Systems, Inc. SSN 04-2524119
Address P.O. Box 226, Amherst, Massachusetts 01002 EIN 04-2524119
Description of Product or Service Executive Summary: Concise summary in booklet form, of findings of survey of perceptions of state's vocational educational needs, to be distributed to selected individuals; Slide-Tape Presentation: Approximately 70 slides & 10-minute cassette tape, content similar to that of Executive Summary, to be presented to selected group
Terms of Contract: Signing of Addendum to original Contract Ending Date May 12, 1978
Beginning Date May 12, 1978

Section 2 To be completed when competitive bidding is required (minimum of 3 bids)

Proposed Contractor (Name and Address)	Bid Method (Sealed Bid, Telephone Quotation)	Bid Price
A. <u>National Evaluation Systems, Inc.</u> <u>P. O. Box 226, Amherst, Mass.</u> <u>01002</u>		<u>\$10,675</u>
B. _____	_____	_____
C. _____	_____	_____

Rationale for Contractor Selection (use continuation sheet if necessary) Single source of product; Contractor has been awarded contract to design, conduct, and report surveys of public's, students', educators', and business & industry's perceptions of state's vocational educational needs. Contract provided for Department to purchase optional products, such as this summary and slide presentation, which are routinely provided by Contractor to its client.
(See Attached)

Section 3 Accounting Information

Budget	Voc. Ed. - Ancillary	Federal	Program Services	Research
	Office	Account	Transaction	Fund
Classification	<u>12241200</u>	<u>25070056</u>	<u>20207004</u>	<u>3667 & 3628</u>
	Code	Code	Code	Code

Accountant: _____ Date: _____

Section 4 Approval

Office Director: [Signature] Date: 12/7/77

Deputy Superintendent: Charles S. Williams Date: 12/2/77

Budget & Control Board: _____ Date: _____

contact with other staff within each school, as necessary; and distributing and collecting all survey instruments to and from the individuals and schools selected for the Student and Professional Educator samples, including one follow-up.

The Contractor will process, analyze, and report the data resulting from the four surveys as required in subsections 4.7, 4.8, and 4.9 of the RFP, and as described in Tasks 7, 8, and 9 (pp. 25-27 and 36) of the Proposal.

The Contractor will deliver to the Department a two-volume final report in the following format:

Volume I - All computer print-outs generated for the surveys, divided into four sections, one for each survey; three (3) copies will be submitted;

Volume II - Five separate interpretive reports, one for each survey, and one consisting of the comparisons of the four groups' responses to items common to the four surveys, as well as the Contractor's general conclusions; the original and four (4) copies will be submitted.

In addition, the Contractor will present an oral report of the survey results to selected Department staff and other interested parties at the time of submission of the drafts of the interpretive reports.

The Contractor will deliver to the Department four (4) separate data files containing all relevant data from the surveys; the Department will specify the tape content and format for each file at a date mutually acceptable to the Department and the Contractor.

The Department may, at its discretion, choose to purchase from the Contractor one or more of the following optional products and services, which are routinely made available by the Contractor to his clients:

- A. Question and Answer Brochure
- B. Highlights Brochure
- C. Executive Summary
- D. Personal Interviews (with survey respondents)
- E. Slide-Tape Presentation
- F. Oral Presentation (other than the one required by the Contract).

Should the Department choose to exercise this option, the specifications, costs, and delivery dates of the products and/or services chosen will be described in a separate agreement to be prepared and signed by the Department and the Contractor at a later date.

III

The Department will provide to the Contractor the following information, which the Contractor will use in selecting the Student and Professional Educator samples and in establishing contact with the schools involved:

- A. Enrollment data on the senior classes of all the state's high schools;
- B. Enrollment data on the adult vocational classes of all the state's vocational centers;
- C. The statewide TEC enrollment data (computer) tape for Spring, 1977;
- D. Lists of names, titles, and addresses of professional educators from the following sub-groups:
 - 1. Local Public Education
 - 2. Local Technical Education
 - 3. State Public Education
 - 4. State Technical Education
 - 5. Other State Agencies
- E. Lists of names, titles, addresses, and telephone numbers of the chief administrative officers of the schools concerned in the Student Survey, once the schools have been selected by the Contractor.

The Department will provide to the Contractor an original letter of endorsement for each of the three mail-out surveys, stating that the survey is being conducted pursuant to a contract with the Department, and requesting the cooperation of the respondent. The content of these letters will be mutually acceptable to the Department and the Contractor. The Contractor will duplicate the letters in the quantities necessary.

The Department will provide the necessary liaison between ESC and the Contractor, to include:

- A. Providing ESC with a copy of the draft Business and Industry survey instrument when received from the Contractor and providing the Contractor with any comments or recommendations ESC offers in response



EXHIBIT VI
12/21/77

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF MOTOR VEHICLE MANAGEMENT
P. O. BOX 633
COLUMBIA, S.C. 29202

ALLAN J. SPENCE
DIRECTOR
PHONE (803) 758-7818

STATE BUDGET AND CONTROL BOARD
AGENDA ITEMS
December 21, 1977

Mr. Allan J. Spence, Director, Division of Motor Vehicle Management (DMVM), request permission to appear before the State Budget and Control Board (SB&CB) to discuss the following items:

- ~~a. Item number 8 on the Agenda Index of the SB&CB meeting of December 7, 1977. This item was to be carried over and discussed at the next regularly scheduled meeting of the SB&CB.~~
- ~~b. Poll agenda items regarding vehicle purchases of the S.C. Tax Commission and the President, Clemson University. These items were removed from the poll agenda and were to be discussed at the next regularly scheduled meeting of the SB&CB.~~
- c. The following State agencies request permission to purchase vehicles:
 - (1) University of South Carolina (USC). USC request permission to purchase one (1) sub-compact station wagon for assignment to the regional campus at Aiken. This unit will be used by the staff and faculty as a general use vehicle. Please see enclosure (1).

Recommendation: Approval. Vehicles presently assigned to that location appear to be fully utilized.

- (2) S. C. Department of Mental Health (SCDMH). SCDMH request permission to purchase one (1) 15 passenger van to be assigned to the South Greenville Mental Health Center. State Commissioner Hall indicates that this is a new center and no other State vehicle is available to fill this need. Please see enclosure (2).

Recommendation: Approval.

- (3) Division of Administration (DA). DA request permission to purchase four (4) compact sedans for use by the Manpower Division to monitor the CETA program. The Director, Manpower Division, states he has approximately forty (40) employees with travel requirements and only three (3) vehicles available. Please see enclosure (3).

Recommendation: Approval.



intra-office memo

RECEIVED

NOV 28 1977

USC Purchasing Dept. ^{Date} November 23, 1977

From: George A. Gibson, Dean of Administration USC-A

To: Marion Dantzler, Director of Purchasing USC

Subject: Justification for Additional Vehicles

The University of South Carolina at Aiken has the following Vehicles:

<u>YEAR</u>	<u>MAKE</u>	<u>MILEAGE</u>
1970	Ford Bus	75,874
1972	Chevrolet Van	84,154
1974	Dodge Wagon	43,545
1976	Dodge Van	15,553
1976	Plymouth Wagon	33,708
1977	Chevrolet Vega Wagon	10,443

Background. The 1970 Ford Bus was originally purchased to transport our basketball team, cheerleaders and fans to away from home games. Additionally, it was utilized to haul supplies from the Columbia Campus to the Aiken Campus. We have recently had the upholstery on the seats repaired and the engine rebuilt. We presently plan to operate this vehicle 1-3 years and then replace it with (possibly) a rebuilt Greyhound or Continental bus.

The 1972 Chevrolet Van has done yeoman service in transporting small groups of students on field trips and hauling supplies from Columbia. Because of its condition (still safe but weary) we have restricted its use to not further than Columbia and return. Our plan is to further restrict the use of this vehicle to supply runs (only) to Columbia and to satisfy on-campus maintenance requirements. This vehicle will probably have to be replaced no later than a year from now.

Our 1974 Dodge Wagon was bought by our Nursing Division utilizing Nursing Capitation Grant funds. It is utilized primarily for transporting our Nursing faculty to Augusta, Georgia to supervise our nursing students on the job training in three Augusta hospitals.

ENCLOSURE (1)

Mr. Marion Dantzler

2

November 23, 1977

The 1976 Dodge Van was bought by Student Activities utilizing non appropriated funds. It's primary use is to support Student Activities and small groups of students engaged in Natural Sciences field trips.

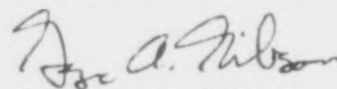
Our 1976 Plymouth Wagon is our only general support vehicle with which to support overall Institutional needs -- liaison trips to the Columbia Campus by our Division Chairmen, weekly meetings between our Vice President and the President of the University, Faculty Development transportation requirements (conferences, seminars, etc. within 300 miles of Aiken) and local area transportation needs.

The 1977 Vega Wagon was purchased primarily for use in the local community by our Education Division. Our professors must attend and observe our Education students during practice teaching sessions in local High Schools.

→ Current Situation & Requirements. USC at Aiken is an ever growing Institution. In shortly over five years since moving to our new Campus we have gained two major buildings and another is scheduled for completion next June (1978). We now have a total of 127 Full-time and Part-time faculty members, an Administrative Staff of 52 and a current enrollment of 1,546 undergraduate students. We also locally support an (on-campus) program of approximately 150 graduate students. We have set forth funds in our current (FY77-78) budget to purchase two additional general purpose vehicles. In this regard our analysis indicates, that of the vehicles currently on State Contract, we could best fullfill our needs by opting for another sub-compact station wagon (Chevrolet Monza) (primarily for local area needs) and a van (Chevrolet 8 passenger with cargo hauling area in the rear). The van will be utilized for field trips (to the ocean, mountains and locally) as well as hauling supplies and library books from the Columbia Campus. The purchase request for these two vehicles is attached and we believe our requested accessories are basic to intended utilization. (We do own a trailer and all vans are/will be utilized to pull the trailer).

Please advise if there is anyway in which we may further help to expedite purchase and delivery of requested vehicles.

Sincerely yours,


George A. Gibson

GAG/ke

Attachments

P. 223

Appendix D
REQUEST BY STATE AGENCY FOR APPROVAL
TO PURCHASE STATE-OWNED MOTOR VEHICLE

Date 11-10-77

FROM: S. C. Department of Mental Health

P. O. Box 485

Columbia, South Carolina 29202

TO: **STATE BUDGET & CONTROL BOARD**
Division of Motor Vehicle Management

(If multiple or fleet purchase, use additional
sheets and complete applicable sections)

1. Description of automobile for which approval to purchase is requested:

Make Dodge Body style Van Wagon Model B-300 Year make 1978

2. Number of vehicles owned _____ Number of vehicles leased _____

3. Number of vehicles assigned to individuals for exclusive use _____

4. Number of vehicles assigned to the agency motor pool _____

5. Number of vehicles authorized to be driven to and from home _____

6. Funds to purchase this automobile are available from following sources and amount(s):

State appropriation _____ other 10% State; 10% County; 80% Federal

7. Annual official miles 18,000

8. This automobile is to be assigned to:

Name and position _____ Motor Pool X - South Greenville Mental Health Center

9. Give justification for request in compliance with State Motor Vehicle Management Manual, applicable chapters.

This is a new center and no other state owned vehicle is available. Van will be used to transport patients in Aftercare Activities and the Aftercare Program and for appropriate professional travel.

10. Is this automobile to replace one presently assigned and operated as indicated above? Yes ☐ No ☒ Trade-in ☐ Sale ☐

If answer is yes, give the following information as to present automobile.

Make _____ Body style _____ Model _____ Year make _____

If answer is "no", complete justification must be given in accordance with the instructions contained in the State Motor Vehicle Management Manual, applicable chapters.

11. Cost (before trade-in) _____ Date of purchase _____ License No. _____

Title No. _____ Total miles to date _____

12. This automobile is assigned to:

Name and position _____ Motor Pool _____

For Budget and Control Board
Signed _____
Date _____

William S. Hall
William S. Hall, M. D.
State Commissioner of Mental Health
Department or Institution Head

SUBMIT IN TRIPLICATE

1. Original retained by Motor Vehicle Management
2. Duplicate returned to Agency
3. Triplicate retained by Central State Purchasing

D-1 ENCLOSURE (2)



State of South Carolina

Office of the Governor

JAMES B. EDWARDS
GOVERNOR

MANPOWER DIVISION
1800 St. Julian Place
Columbia, South Carolina 29204

November 4, 1977

Mr. Allan J. Spence, Director
Div. of Motor Vehicle Management
Post Office Box 633
Columbia, South Carolina 29202

Dear Mr. Spence:

We are hereby requesting authority to purchase four (4) Class VI automobiles. Federal funds available from the CETA program will cover 100% of the cost.

We currently have approximately forty (40) staff members who travel daily exceeding 20,000 miles per year in the administration of the CETA programs which will exceed \$200 million for FY 78.

The annual amount expended for mileage (approximately \$15,000) coupled with the fact that the state mileage allowance (14¢ per mile) has not increased, while gasoline and other costs have, increases the need and desire to utilize state owned vehicles.

We presently have three state owned vehicles for general use. No vehicles are assigned to individuals or driven to and from home to place of business.

We have obtained authority from the Department of Labor to use federal funds to purchase up to twelve (12) vehicles as needed (see attachment).

If there are further questions please contact George Martin at 758-8551.

Sincerely,

Charles T. Minshew

Charles T. Minshew, Director
Manpower Division

CTM:GM:lc

attachment

ENCLOSURE (3)

"Safety Belts — Save Lives and Reduce Injuries"

STATE BUDGET AND CONTROL BOARD

MEETING OF December 21, 1977

AGENDA ITEM NUMBER

EXHIBIT VII
12/21/77

2

Agency: Youth Services

Subject: Transfer of State Funds to Continue LEAA Grant

Director Decell requests Board approval of the transfer of \$40,147 of State appropriated funds from supplies (in the Dietary/Laundry Section of Supportive Division) to the operating budget of District I and II of the Youth Bureau Division. Decell states that these funds plus \$47,538 of State personal service funds budgeted for the grant and \$4,742 generated by a vacancy would provide the \$92,427 needed to match LEAA Deinstitutionalization of Status Offenders (Youth Bureau program) grant.

(See request #76 in the Finance Division Grants and Contracts Review Unit item. As indicated there, additional State OCJP matching funds in the amount of \$24,031 are involved. Thus, total State funds are \$116,458 plus \$216,280 Federal funds for a total of \$332,738. Note that this is the last period of Federal funding. After 6/30/78, the State will be asked to provide \$682,909 for FY 78-79.)

Board Action Requested:

(1) Consider request for approval of transfer of \$40,147 (relates to Request #76 in Grants & Contracts Review Unit item); and

(2) Consider previously-deferred request #137 included in 11/22/77 Grants & Contracts Review Unit package.

Staff Comment:

Director Decell and members of the Youth Services Board plan to appear.

(These requests also relate to request #137 included in the package of 164 requests dated 11/22/77 on which the Board deferred action at the 12/7/77 meeting. Request # 137 involves a Pee Dee Area Youth Bureau and 1977-78 funding of \$152,378 (\$15,238 State). The \$450,000 needed to continue its operation during 1978-79 has not been included in the Youth Services proposed 1978-79 budget.)

Attachments:

Decell 12/13 and 12/14 letters to Putnam.

Copy of 11/22/77 Request #137 and extract from G&CRU summary.

Ref # 76
128



Grady A. Decell
Director

Youth Services

P. O. Box 21487/Columbia, S. C. 29221
Telephone (803) 758-6592

December 14, 1977

William T. Putnam
State Budget and Control Board
P.O. Box 11333
Columbia, SC 29211

Dear Mr. Putnam:

The Department of Youth Services is attempting to secure Federal funds through LEAA for the continuation of the Deinstitutionalization of Status Offenders grant. The grant expires January 19, 1978 and if approved, the continuation grant would begin January 20, 1978.

The continuation grant totalling \$332,738 requires a State match of \$92,427. To meet the match, the Department of Youth Services has \$47,538 of State appropriated monies in personal service which has been budgeted for eight (8) positions on the original grant. A position which has been vacant (educational leave) has generated \$4,742 which we need in the personal service of the match. This is a total of \$52,280 of State appropriated funds in personal service to be used as match. It is requested that the remaining portion of the match (\$40,147) be transferred from supplies in the Dietary/Laundry section of the Supportive Division to the operating budget of District I and II of the Youth Bureau Division. If approved, the Department of Youth Services will submit a transfer indicating in which category these funds will be placed.

Without the approval of the above, the Department of Youth Services will not be able to match the Deinstitutionalization of Status Offenders grant and a valuable service to the State and its children will end. Since the end of the grant period is near, an early response to this request will be appreciated.

Sincerely,

Grady A. Decell
State Director

GAD:AFL:es



Grady A. Decell
Director

setup for
12/21

Youth Services

P. O. Box 21487/Columbia, S. C. 29221
Telephone (803) 758-6592

December 13, 1977

Mr. William T. Putnam, State Auditor
State Auditor's Office
205 Wade Hampton Office Building
P. O. Box 11333
Columbia, South Carolina 29211

Dear Mr. Putnam:

The Board of the Department of Youth Services and I would like to appear before the Budget and Control Board at its next meeting date (December 21, 1977) to discuss some funding and/or grant problems which are now confronting the Agency.

Please advise the Board if we might appear, where, and at what time.

Yours very truly,

Grady A. Decell
State Director

GAD/rbt

CC: All Board of Youth Services Members

11/22/77
(PACKAGE OF 164)

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

137

Name of Agency: Department of Youth Services
Title of Project: Pee Dee (Florence) Youth Bureau
Proposed Dates: Beginning: 10-1-77 Ending: 9-30-78
Date of Report: 10-25-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: Law Enforcement Assistance Administration
Control Number: 8-N12-002 Federal Catalog No. 16.501

I. Program

- a. Purpose: To provide delinquency prevention and treatment services in the Pee Dee area
- b. Public Benefit: To decrease rate of arrests and to provide alternate services without requiring institutionalization
- c. Permanence as to Federal Financing: Decreasing federal participation with the state to fund programs totally in the fourth year.

Year	First	Second	Third	Fourth
Federal	\$137,140	\$102,844	\$62,713	\$ 0
State	15,238	47,999	103,688	\$181,581

II. Financial

- a. Total Amount: \$ 152,378
- b. Amount Federal: \$ 137,140 90 % Amount State: \$ 15,238 10 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 15,238 (OCJP buy-in first year)
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 15,696
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 15,238
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 13 (90%)
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 10%
- d. Total amount for new positions: \$ 104,642
- e. Number of temporary positions: 0 Amount: \$ 0
13 new positions with \$94,170 federal and \$10,463 state

FEDERAL
GRANTS AND CONTRACTS

11/22/77

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
133 Department of Corrections	8-N04-026	4,509	6-6-77 9-6-77	4,509 100%	0	0	6 temporary	To provide internships to students interested in corrections	Approve	
134 Department of Corrections	8-N04-027	378,345	7-1-77 6-30-78	378,345 100%	0	0	0	To supplement and upgrade the education programs for disadvantaged grants	Approve	
135 Department of Corrections	8-N04-028	61,390	2-1-77 1-31-78	46,776 76%	14,614 24%	0	0	To provide for intense supervision of youthful offenders on probation and parole in Aiken and Charleston areas	Approve	
136 Department of Corrections	8-N04-029	122,403	7-1-77 6-30-78	84,576 69%	37,827 31%	0	0	To develop and implement a comprehensive academic program for adult education	Approve	
* 137 Youth Services	8-K12-002	152,378	12-1-77 11-30-78	137,140 90%	15,238 10%	0	13	To provide delinquency prevention and treatment services in the Pee Dee area	Defer *	*The recommendation for deferral is made for two reasons: (1)The Governor has requested the Office of Criminal Justice Programs to make a study of the impact of the Youth Bureaus. The funding of another Bureau should not proceed until the impact of the Bureau is known. (2) The Department of Youth Services will need \$450,000 in state funds in FY 78-79 to maintain existing Youth Bureaus. The \$450,000 has not been put into the proposed budget. Since the state has not made the financial commitment to continue the existing Youth Bureaus, a new Youth Bureau should not be developed until the commitment has been made to continue it.

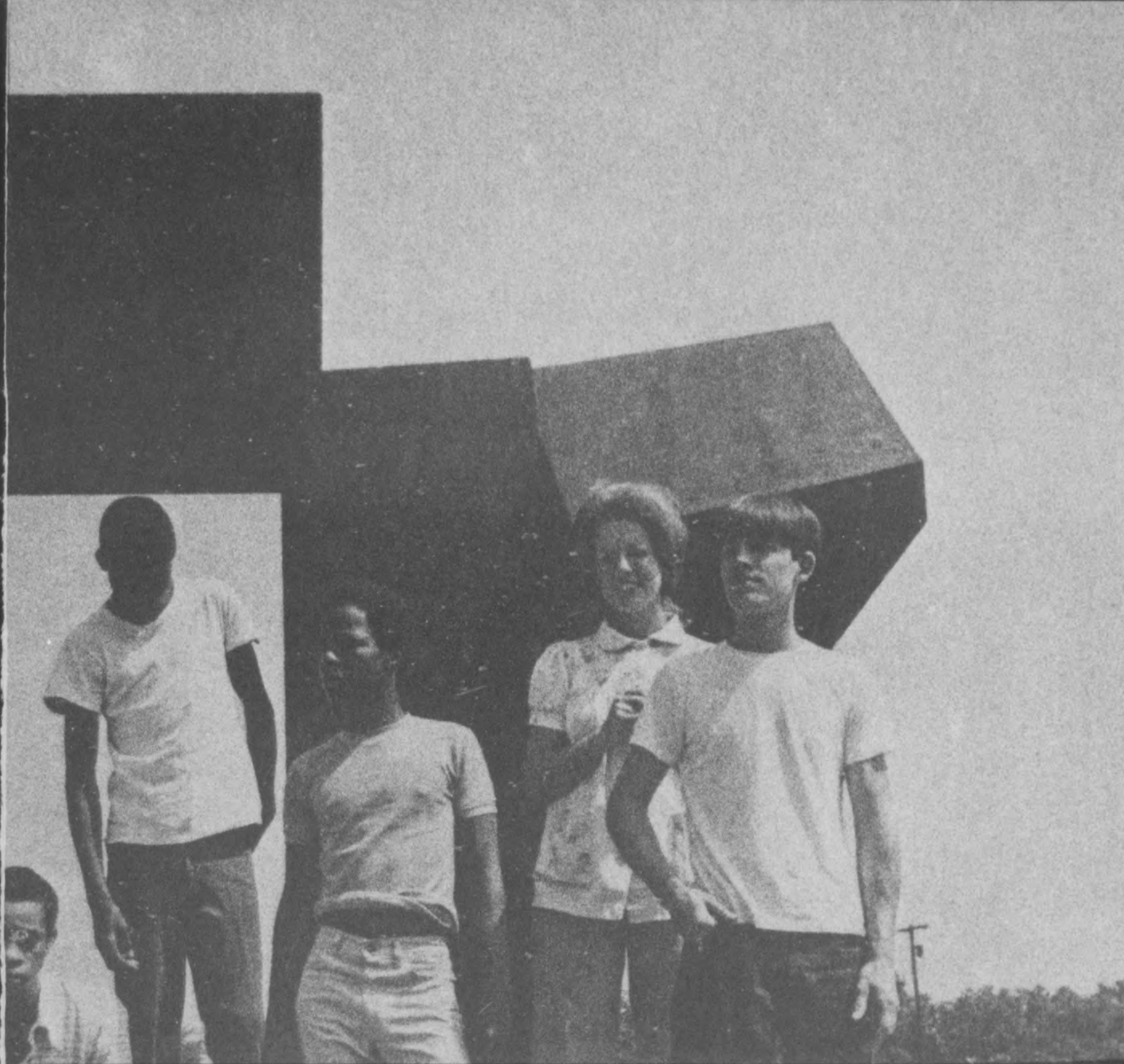
EXHIBIT VII
12/21/77

Youth Services



"Imagination in Space" is an environmental sculpture which was designed and erected by the students of the John G. Richards School for Boys and funded through a grant from the South Carolina Arts Commission. Constructed of welded cor-ten steel, the sculpture is a contemporary design employing angular geometric shapes. The concept is one of an arched form that frames space, but a space which is ever changing as one moves around the sculpture just as we as human beings and our society are constantly changing and developing.





The South Carolina Department of Youth Services, formerly the Department of Juvenile Corrections, is charged by State law with the responsibility of providing custodial treatment, care, and rehabilitation for youthful offenders. The charge provides, too, for an effective program of Delinquency Prevention throughout the State of South Carolina.

Thus, in pursuit of these objectives, the Department provides complete medical and psychological evaluation and treatment to those who are committed, and seeks out those problem-oriented youths in the community with the thought in mind that proper counseling and care may prevent delinquency. The Department of Youth Services is clearly the advocate of the child.

SOUTH CAROLINA DEPARTMENT OF YOUTH SERVICES
1720 Shivers Road, Post Office Box 3188
Columbia, South Carolina 29230
Telephone: (803) 758-6592

EXHIBIT VII
12/21/77

SUMMARY DATA CONCERNING YOUTH BUREAU
DEINSTITUTIONALIZATION OF STATUS OFFENDERS

December 21, 1977

Children Referred to Court Annually	17,000
Children Referred to Court Identified as Status Offenders	5,000
Children Identified as Status Offenders by Schools, Parents, and Agency Referrals	3,000 - 5,000 (Est.)
Status Offenders Accepted by Youth Bureau for 23 Months (152 Per Month)	3,505
Status Offenders Diverted from Court During Granting Period	1,611
Number of Status Offenders Referred and Diverted Through Police Departments	394
Status Offenders Referred (And Diverted) from Families, Schools, and Agencies	1,500
Cost for Serving Status Offenders in non-residential Setting Per Child	\$526
Number of Status Offenders Served In Residential Care through Youth Bureau Referrals - 1976/77	705
Average Daily Cost Per Child Per Year This Equals \$4,106 (This cost is less than Georgia's, Florida's, or Maryland's cost.)	\$11.37
Number of Children Removed from Jails Through Youth Bureau	40 to 45 per month
Per Capita Cost for Institutionalized Status Offenders	\$9,600
Reduction of Institutional Population from 1975/76 - 1976/77	18.06%
Current Average Daily Population Is Down at Least 125 Persons Per Day for the Last Quarter	

OVERVIEW OF STATUS OFFENDER STATISTICS IN SOUTH CAROLINA

Prepared by

South Carolina Department of Youth Services

December 20, 1977

Requested by
Governor James B. Edwards

Estimates vary, for very good reasons, on the number of status offenders in South Carolina. The figures are clouded by non-uniformity of data collection and reporting procedures through the juvenile justice system. However, the new Judicial Reform Act will begin to stabilize this problem to a degree. In giving any estimates, there is no valid way of giving non-reported numbers. For example, in the business world how many shoplifters go undetected or released before arrest or court each year. From our estimates, we used a fairly reliable formula for estimating known status offenders, i.e., ones who came in the purview of the judicial system. The number of status offenders coming in the purview of the judicial system is approximately 29% of the total number. Last year's total number of children before the courts was approximately 17,000. This would put the estimated number of status offenders court related at approximately 4900. This would not include the number of police contacts or arrests not court referred, referrals by family or self before court action, referrals by other agencies before court action. This estimate would increase conservatively to approximately 8000 to 10,000 status offender children each year in South Carolina. Many of these children are warned, released, etc., and not handled officially by an agency or court and do not need to be. Our definition for status offenses follows the "Juvenile Justice and Delinquency Prevention Act of 1974" as approved by the National Office of Criminal Justice Programs.

The number of status offenders accepted by the Youth Bureau Division from January 1, 1976 to November 30, 1977, were 3505. This accepted figure does not include many minor criminal offenders accepted in our programs from the courts. These children came from schools, courts, law enforcement, families, agencies, or self referral. The average number of children removed by our programs from jail and detention facilities on a monthly basis is 40 to 45 children. This

does not include parents, guardians or agencies who get their own children after contact. These figures do not cover criminal offender children. The amount of children jailed each year is presently highly suspect, but our removal figures are actual. The number of court referred status offenders to the Youth Bureau from January 1, 1976 to November 30, 1977 was 1611 children. The period from November 1, 1977 to November 30, 1977 were the dates of the original deinstitutionalization grant period. As of December 21, 1977, there are only four status offender children in our correctional schools. These children are from areas with no Youth Bureau programs. There are only 20 status offender children in the Reception and Evaluation Center. The present average daily population of the correctional schools are down approximately 125 per day.

The number of status offender children served in the Youth Bureau Residential Care System was 705 in fiscal year 1976/77. The average daily costs per child was \$11.37. The average yearly costs per child was \$4,106. This compares very favorable with costs computed on the same formula for last year in the Directory of Halfway Homes for Troubled Children.

For example, Florida Youth Services community residential care costs were \$15.70 per day and \$5730 per year. Georgia's costs were \$21.92 per day and \$8000 per year. Maryland's costs were \$20.37 per day and \$7434 per year. These figures are based on average daily costs per child and do not reflect costs of any one specific program. The South Carolina Department of Youth Services correctional schools costs approximately \$9600 per year per child.

The costs of the non-residential services are comparable to costs of other similar programs. The latest impact study's estimated formula reflected that the non-residential costs per child is approximately \$526.

The South Carolina Department of Youth Services is proud of the impact of the Youth Bureau Division along with many private, public, civic and individuals efforts. The Youth Bureau is meeting its South Carolina Legislative and National

Deinstitutionalization mandate in an effective, efficient and economical way.

If troubled children are not helped today, we will be helping them as adults in our prison and welfare systems.

IMPACT STUDY OF THE YOUTH BUREAU DIVISION

One of the major criticisms of the Youth Bureau Study as conducted by Jack Lieb and Associates for the Office of Criminal Justice Programs was that their measures of performance were meaningless. The Lieb Study attempted to measure global "rate fluctuations" in the juvenile justice system. Such rate fluctuations were not isolated as to whether the Youth Bureau or any other program was the true cause of these fluctuations.

Although not attempted in the Lieb Study, the most valid measurement of Youth Bureau performance is whether or not the Youth Bureau is successful with the child who receives treatment. Obviously, a definition of success is difficult to scientifically measure in any social service program. But, we have attempted to measure the extent to which the Youth Bureau service component influenced the behavior of its clients.

Also not addressed by the Lieb Study was whether the Youth Bureau was a cost effective program. The cost effectiveness measured by this study is not all encompassing. But, again, it is an attempt to measure the Youth Bureau in a manner for which it can be held responsible.

In a recent study conducted by the Youth Bureau, a sample of 130 cases was examined. This sample was drawn at random from a total of 3,427 cases discharged between January 1, 1976, and September 30, 1977. All of the 3,427 cases were for children who reached the active treatment stage in the Youth Bureau program. All of these children were status offenders as defined by agreement between the Department of Youth Services and the Law Enforcement Assistance Administration. This definition was decided for the basis of a national evaluation effort being conducted by LEAA on all projects which deinstitutionalized status offenders.

Although the sample was randomly drawn, certain intervening variables were controlled by way of the selection process. Cases were selected from only ten of the 23 offices currently operating in the Youth Bureau. No office was selected which had been in operation less than one year on July 1, 1977. This was done in order to reduce the effect of "start-up time" which occurs in any new program. Furthermore, a balance was attempted between rural and urban counties by assigning a ratio of four urban cases to one rural case. This ratio is an approximate number based on projected caseloads.

The sample was further restricted on the basis of amount of time the child had spent in the treatment program. A calculation of the mean length of stay in treatment was compiled on children who received the normal treatment program and on those children who received the crisis intervention treatment program. The mean stay for normal treatment was 122.87 days. The mean stay for crisis intervention treatment was 42.06 days. In order to avoid introduction of bias, it was decided that the sample should come from the middle of the normal distribution curve. In the normal distribution curve, it is known that 68% of all cases would fall between the approximate range of 90 days and 140 days. The cases on either end of this bell-shaped curve (those below 90 days and those above 140 days) are in all probability not characteristic of the vast majority of cases which do fall within the range. As an

example, a child who has spent less than 90 days may have been one who moved away before treatment was completed or one whose problem was so minor as to require little treatment. A child who exceeds 140 days is in all probability exhibiting some type of abnormality in program progress. This may be caused by the child exhibiting a severe problem or it could be caused by the child not being able to be located for a period of time. In either extreme, it was hypothesized that these children were not representative of the vast majority of Youth Bureau cases and were, therefore, selected out of the study.

There was an exception to the above described "selection out" process. As mentioned previously, cases studied included both those which received the normal treatment program and those which received the crisis intervention program. Of the 130 cases sampled, 30 were crisis intervention cases. The 30 cases represent 23% of the sample which falls within the ratio of 4.5 normal treatment cases to one crisis intervention case which occurs in the Youth Bureau. As stated previously, the mean length of stay in the treatment program for crisis intervention cases was 42.06 days. Because of this relatively short time no cases were "selected out" on the basis of treatment time. In future studies, we would hope to better control this factor.

It should be further noted that a number of variables which obviously affect the outcome of this study were not examined. For example, the socio-economic factors were not examined. It is possible that poor children have a greater likelihood of unsuccessful completion of services and subsequent reported community success. Also, the exact nature of the status offense charge, whether the case was formally adjudicated, or the actual source of referral was not examined. These factors will be closely examined in future studies of the effectiveness of the Youth Bureau treatment program.

The determination of successful versus unsuccessful status of a child was made by Youth Bureau personnel based on three factors: 1) adjudicated delinquency as re-

ported by Family Court records; 2) self-reported delinquent acts as reported by the client; and 3) social adjustment as determined by the professional treatment staff of the Youth Bureau, often in conjunction with reports from other agencies. Obviously, none of these methods are flawless. Some indications of unsuccessful behavior will go unreported. However, this system of determination is the best under current circumstances for collection of this information.

Three periods of time were examined in this study: 1) at three months after entry into the program; 2) at six months after termination of treatment; and 3) at 12 months after termination of treatment. A number of cases were still in treatment when the first measure of success was obtained. Six and 12 month time frames were chosen because these are currently used follow-up times in the Youth Bureau program.

Although this study does not attempt to measure "recidivism rates", many elements of a successful/unsuccessful determination are intricately linked to such a measure. Any client who had a new adjudication was considered an unsuccessful case. According to LEAA Guideline M4100.1F, the only valid measurement of recidivism is further conviction by a court of a client under supervision. If we used such a definition, our percentage of success would be even higher. We believe that the child's overall adjustment pattern should also be considered in determining success.

By examination of Tables I, II, and III, the following results are shown:

1. Ninety-eight percent (98%) of the sampled cases were successful at three months from entry into the treatment program.
2. Ninety-two percent (92%) of the sampled cases remained successful at a point of six months after termination of service.
3. Eighty-nine percent (89%) of the sampled cases remained successful at a point of 12 months after termination of service.
4. After three months from entry into the treatment program, only two percent of the cases were unsuccessful and one and one half percent had been further adjudicated.
5. After six months from termination of service delivery, only eight percent of the cases were unsuccessful and five percent had been further adjudicated.

6. After 12 months from termination of service, 11% were unsuccessful and 8.6% had been further adjudicated by the family courts.

Obviously, this study does not examine a number of factors and addresses itself to the more typical Youth Bureau client rather than the extremes. However, such high percentages of success are indicative of a positive trend that is demonstrating that the Youth Bureau treatment program is having a significant impact on the lives of the children who are receiving services. As with most research, the data simply suggests trends which need further exploration. During the coming year, we will design and complete a number of experimental programs to further test these encouraging trends.

A second important feature of the measurement of Youth Bureau effectiveness is an examination of the cost of this program. By a number of differing cost analyses, the program appears to be effective.

The most important time frame to examine the Youth Bureau from a cost effectiveness standpoint is beginning January 1, 1976. It is at this point that the Youth Bureau Division began implementation of the program for deinstitutionalization of status offenders. The point is significant not only for its implications for removal and/or blockage of cases from institutions, but also because it marks a point where expansion of community services was greatly increased. A second point is chosen to be September 30, 1977, because this time is the most currently available for statistical and cost data. Between the time from January 1, 1976, to September 30, 1977, 5,891 clients were provided active treatment services by the Youth Bureau Division. Of these 5,891 clients, 3,448 were status offenders as defined by agreement between the Department of Youth Services and the Law Enforcement Assistance Administration (LEAA). The remaining 2,443 cases include both minor criminal offenders and a small number of special service clients that might be non-offenders or unofficial status offenders.

During this period of time the Youth Bureau Division had total expenditures (Federal and State monies) of approximately \$3.1 million. By dividing the number

of cases into the total expenditure of funds, a cost per case is found to be \$526. By comparing this cost (\$526) to the cost of institutional care for a child for one year at \$9,600, one can easily see a remarkable saving by working with children in a community program versus an institutional program.

Obviously, not every child who is a client of the Youth Bureau would be placed in an institution. The exact number cannot be scientifically determined. However, in September, 1977, the two attached letters from Family Courts in Spartanburg and Greenville demonstrate that there are sufficient numbers of youth who were referred to the Youth Bureau in lieu of institutional placement. In the Spartanburg and Greenville statements, 66 youth were reported to have been deinstitutionalized. At an average cost of \$9,600 annually for the placement of a child in an institutional program, these 66 youth would have cost the state \$633,600. If the previously calculated cost of community placement (\$526 per case) is applied to these same 66 youth, they would cost the state only \$34,716.

These 66 youth are reported from only two programs in the state. There is further evidence of statewide savings. Prior to the deinstitutionalization of status offender project, there were 237 status offenders committed to the institutional program of the Department of Youth Services. At this time there are no status offenders in the institutional program except four from the Pee Dee area where no Youth Bureau services exist. Assuming that this number would have remained constant without the Youth Bureau program of deinstitutionalization, 233 youth would have been committed to the Department of Youth Services this past year. At the \$9,600 cost of commitment for a youth for one year, it would have cost the state \$2,236,800. It is noteworthy that the entire Youth Bureau program (including Federal and State monies) cost approximately \$1.8 million during the same year's period of time. This shows a saving of \$400,000 and does not consider the approximately 3,000 additional cases that the Youth Bureau provided services to during this time.

Like the previous study of the effectiveness of Youth Bureau treatment services,

the cost effectiveness study is not offered as the definitive statement on this issue. Rather, it is offered as an example of a positive trend that demonstrates a positive cost effectiveness outlook. Further, more detailed studies will be attempted in the coming months.

TABLE I

3 Months (From Entry into Treatment Program)

<u>Status</u>	<u>Number</u>	<u>Percentage</u>
Successful	127	98%
Unsuccessful	3	2%
Adjudicated	2	1.5%

Total Number in Sample - 130

Number and percentage may not total because a child could be unsuccessful and not adjudicated. However, any child adjudicated was included as an unsuccessful case.

TABLE II

6 Months (From Termination of Services)

<u>Status</u>	<u>Number</u>	<u>Percentage</u>
Successful	80	92%
Unsuccessful	7	8%
Adjudicated	5	5.7%

Total Number in Sample - 87

The total number was reduced from 130 to 87 because only 67% of the originally sampled cases had been discharged an insufficient amount of time in order to have completed a six month follow-up.

TABLE III

12 Months (From Termination of Services)

<u>Status</u>	<u>Number</u>	<u>Percentage</u>
Successful	31	89%
Unsuccessful	4	11%
Adjudicated	3	8.6%

Total Number in Sample - 35

The total number was reduced from 130 to 35 because 27% of the originally sampled cases had been discharged an insufficient amount of time in order to have completed a 12 month follow-up.

The Family Court

COUNTY COURTHOUSE
SPARTANBURG, SOUTH CAROLINA 29301

PAUL S. MCCHESNEY, JR.
JUDGE

September 9, 1977

TELEPHONE 333-42
EXT. 213 - 214 - 2

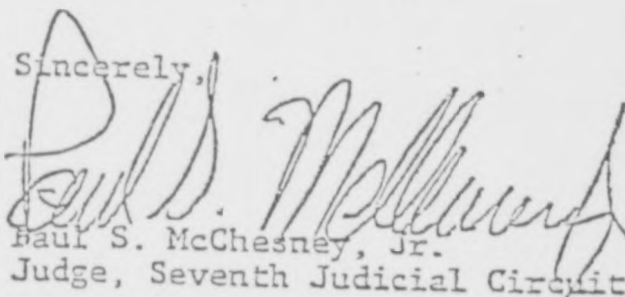
Mr. George Grogan, Deputy Director
Youth Bureau Division
S. C. Department of Youth Services
Post Office Box 21487
Columbia, South Carolina 29221

Dear Mr. Grogan:

During the fiscal year of July 1, 1976 - June 30, 1977 the Family Court referred a total of 87 cases to the Spartanburg Youth Bureau. The reasons for referral would range from runaway, truancy and ungovernability to shoplifting and minor drug violations.

After a review of 31 referred cases, I feel that in all probability without the Youth Bureau as a resource I would have had no alternative but to send these youth to institutional facilities for treatment services.

Sincerely,


Paul S. McChesney, Jr.
Judge, Seventh Judicial Circuit

PSMcjr/dal

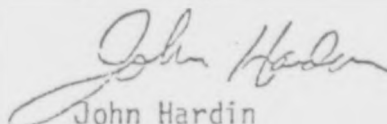
Family Court of Greenville
P. O. Box 757
Greenville, South Carolina 29601
September 14, 1977

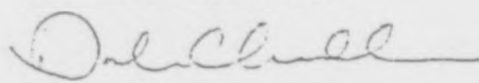
Mr. Leonard T. Lee, Regional Supervisor
Greenville Youth Bureau
1208 East Washington Street
Greenville, South Carolina 29601

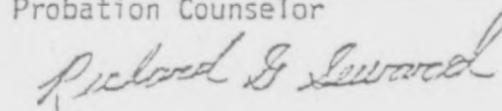
Dear Mr. Lee:

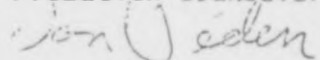
As per your request we would like to advise that the thirty-five (35) cases we discussed are youth who in all probability would have gone to South Carolina State industrial schools upon our recommendations to the judges had it not been for the availability of the Greenville Youth Bureau. We feel Greenville Youth Bureau has been a viable service in the Greenville community and has functioned as a diversionary factor for these children.

Sincerely,


John Hardin
Probation Counselor


Dale Chandler
Probation Counselor


Richard Seward
Probation Counselor


Don Peden
Probation Counselor

JH:DC:RS:DP:jb



City of Sumter

South Carolina

29150

LESLIE W. GRIFFIN
CHIEF OF POLICE

LAW ENFORCEMENT CENTER
107 E. HAMPTON AVE.
PHONE 775-1133
775-8822.

November 29, 1977

Governor James B. Edwards
State House
Box 11450
Columbia, SC 29211

Dear Governor Edwards:

The needs and welfare of our youth are of great concern to the members of the Criminal Justice Coordinating Council of Sumter. Because many of these needs are not met, there is a high influx of juveniles into the Criminal Justice System. We support the Youth Bureau concept of diversion of juveniles from this system.

The Sumter Youth Bureau, which has been in operation over one year in this community, is providing this diversion which is so necessary if crime is to be reduced and the heavy burden on our courts alleviated. We, the Criminal Justice Coordinating Council of Sumter, advocate your support and continuation of the Youth Bureau services.

For the Council,

s/L. W. Griffin
L. W. Griffin
Chairman

LWG:an

Copies to: Senator John C. Land, III
Senator John E. Miles

OCONEE COUNTY COUNCIL

PUBLIC SERVICE BUILDING
WALHALLA, S. C. 29591

JAMES M. PHINNEY, SR., CHAIRMAN
ROUTE 1, WALHALLA

HUGH F. ABLES
ROUTE 2, WESTMINSTER
LAMAR BAILES, JR.
BOX 19, WEST UNION
Cecil Cox
BOX 21, SENECA
NORMAN CRAIN
ROUTE 2, WESTMINSTER

W. H. FRADY
BOX 344, WALHALLA
BUDDY HERWING
ROUTE 1, MADISON
MERCIAL MOORE
ROUTE 1, WALHALLA
J. HAROLD THOMAS
BOX 309, WALHALLA

December 7, 1977

Mrs. Lucy T. Davis, Chairman
1201 Second Loop Road
Florence, South Carolina 29501

Dear Mrs Davis:

During a regularly scheduled meeting of the Oconee County Council on December 6, 1977, the Council was advised that the Oconee County Youth Bureau will be closed effective January 19, 1978.

A motion was made and unanimously carried that the Board of Director of Youth Services be advised that the Oconee County Council respectfully requests that the Oconee County Youth Bureau not be closed as planned. Further, in order to keep the Oconee Youth Bureau in operation the Oconee County Council agreed to provide free office space and utilities for this activity.

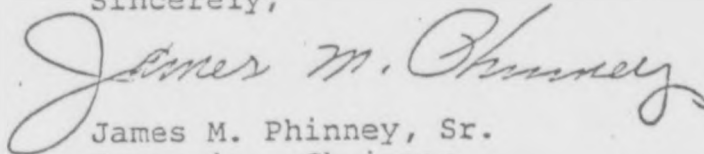
The Oconee Youth Bureau is providing an invaluable service in assisting in the prevention, treatment, care and rehabilitation of youthful offenders/delinquents. The operation of the Oconee Youth Bureau has been an outstanding success and to terminate its operation on January 19, 1978 would adversely affect our current programs and efforts to deter and reduce the youth delinquency problems in Oconee County.

The Oconee County Council stands ready to assist you and the members of Board of Director of Youth Services in

Mrs. Lucy T. Davis, Chairman
December 7, 1977
Page two

any way possible to keep the Oconee County Bureau in operation indefinitely. Please let us know what help and assistance we may provide.

Sincerely,



James M. Phinney, Sr.
Supervisor-Chairman
Oconee County Council

JMP:aa

cc: All Members of the Board of Directors of Youth Services

Mr. C. Marshall Cain
Governor's Commission on Crime and Delinquency

Members Oconee County Delegation

VB
November 15, 1977

TO: Mr. Grady Decell
FROM: St. Luke Youth Center Advisory Board

*Letter written by
Mrs. Progne Thak's
then for endorsement*
(D)

Dear Mr. Decell:

Enclosed is a letter that were sent to the following list of people:

Governor James B. Edwards
Senator Isadora Lourie
The Honorable Hudson L. Barksdale
" " Larry Blanding
" " Juanita Goggins
" " Benjamin J. Gordon
" " Atty. I. S. Leey Johnson
" " John Wesley Matthews
" " Earl M. Middleton
" " Theo W. Mitchell
" " Joseph R. Murry
" " Kay Patterson
" " McKinley Washington
" " George Wilson
" " Robert R. Woods

Thanking you for your attention, I am.

Sincerely,

Desma C. Mabry
(Ms.) Desma C. Mabry
Secretary of St. Luke Center

/dcm

Enc.

TO: Governor James B. Edwards
FROM: St. Luke Advisory Council Board
DATE: November 9, 1977

The Advisory Board of St. Luke's Youth Center strongly endorses the effectiveness of the Youth Bureau of the S.C. Department of Youth Services, particularly as it relates to the St. Luke Youth Center.

It is beyond our capability to refute each and every finding of the Lieb Report, though we too share some serious misgivings as to definitions of "performance measures", methodology, validity and evaluative procedures used in the study. We do know however, that whatever was it's data collection process, no member of the staff of St. Luke was interviewed and to our knowledge, none of the recipients of the services provided by the center was contacted in any way.

However one defines "performance measures", there is little doubt as to the effectiveness of the Youth Bureau as conducted by St. Luke Center. The center primarily reaches a population of young adults and children in an area where substantive agency contact and outreach is essential for the prevention of personal and social dysfunctioning. If one were to interview both the participants of St. Luke's program and the citizens who live in the area, one would expect to discover considerable positive response to the work of the center. As a citizen advisory board along with the participants of the center and the neighborhood residents, we stand ready to cooperate in any valid research effort to justify our strongly held beliefs regarding the effectiveness of the center's presence in that community. Our many educational and social programs are not duplicative and serve a discrete population which would not have alternative opportunities elsewhere.

Our major concern is that, if the apparently conflicting and contradictory reports of Lieb Associates are used as justification for cutbacks in the Youth Bureau, the St. Luke Youth Center would also be impacted with possible reduction of services.

We, as the Citizens Advisory Board of St. Luke Youth Center must strongly take issue with this possibility and support the program services of the Youth Bureau and it's quality programs as evidenced in the St. Luke Center.

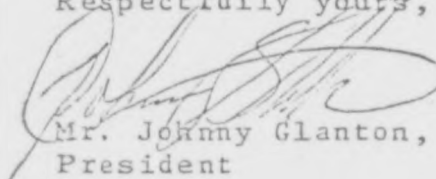
Board Members

Mr. Johnny Glanton
Ms. Shirley Furtick
Professor Leonard Tartaglia
Dr. Augustus Rodgers
Mr. Oliver Washington
Ms. Eleanor Williams
Mr. James Berry
Atty. Thomas D. Broadwater

Mr. Carl W. Fields
Ms. Barbara Robinson
Mr. Bernard Whitaker
Ms. Glades Cureyton
Corporal Joseph Hood
Mr. Winston Thomas
Mr. James McQueen
Atty. John Harper

Mr. Leroy Blakely

Respectfully yours,



Mr. Johnny Glanton,
President

JG:dcm

cc: Mr. Grady Decell
Mr. George Grogan

SUMTER COUNTY CHILD-FAMILY COMMUNITY STAFFING TEAM
108 North Magnolia Street
Sumter, South Carolina 29150

December 1, 1977

The Honorable James B. Edwards
Governor, State of South Carolina
Post Office Box 11450
Columbia, South Carolina 29211

RE: Sumter County Youth Bureau

Dear Governor Edwards:

We, the members of the Sumter County Child-Family Community Staffing Team wish to acknowledge the Sumter County Youth Bureau for its valuable contribution to the community.

The Child-Family Community Staffing Team is a social service inter-agency organization providing comprehensive professional skills and delivery of services to troubled children and their families. Each may have input in a social worker's, school officer's, or other case manager's method of handling a particular case. During our meetings, we also have discussions for development of programs to better benefit the community and to aid us in a more effective delivery of services within our respective agencies.

In the short period that the Youth Bureau has been here in Sumter, we have seen its staff work with other agencies in coordination of services for status offenders as well as clients not specifically designed for their program. They have been involved with neglect and abuse cases, criminal offenders and emotionally disturbed clients that have not cooperated with other agencies.

We can surely say that we initiated the Youth Bureau well as a novice agency with some of our toughest cases. The staff provided some workable solutions for these clients and relieved many agency's caseloads, freeing these agencies to better serve their remaining clients.

The Youth Bureau has established a volunteer emergency placement service that is unprecedented in Sumter County. Individual agency workers have seen the Youth Bureau follow up on cases that were lost and bring them to the attention of other agencies for continued delivery of needed services. The Youth Bureau has intervened in school truancy cases with success in getting the children to attend school more regularly.

In all, the Youth Bureau has provided comprehensive social work to children and their families. The staff has managed a lot of legwork that existing agency workers have been unable to do -- either because of huge caseloads or ill-defined job descriptions. As a Youth Bureau worker will say, "We'll do just about anything to help a kid -- if it helps -- administration won't get upset". The Sumter County Child-Family Community Staffing Team must largely collaborate this. The Youth Bureau does just that.

The Honorable James B. Edwards
December 1, 1977
Page 2

We, therefore, wish to formally state our support for the maintenance of the Youth Bureau in Sumter County. Its absence would constitute a definite gap in services for the youth of Sumter County. In our opinion, any assistance you may provide in upholding the Youth Bureau would be gratefully acknowledged by the community at large.

Respectfully yours,

James B. Edwards
Department of Social Services

James B. Edwards

Frances Anne Abbott
The Greenhouse for Children

Edwin N. Ostry
Juvenile Placement & Aftercare

Thomas H. H.
Santee-Wateree Mental Health Center

Patricia R. Williams
Sumter County Family Court

Irby P. Oricatt
Sumter County Health Department

Charles Chynear, Ph.D.
Sumter School District #2

Kenn W. Leames
Sumter School District #17

Kenn A. Manderville
Vocational Rehabilitation

WE CONCUR:

S. H. Belser
S. H. BELSER

L. L. Lelesne
L. L. LESESNE

B. J. Warshauer
B. J. WARSHAUER

JUDGES, THE FAMILY COURT OF THE THIRD
JUDICIAL CIRCUIT

cc: Senator John Miles
Senator John Land

ROBERT H. CURETON
OCONEE COUNTY COURTHOUSE
WALHALLA, S. C. 29691
634-5825

FOX B. CAHALY
ANDERSON COUNTY COURTHOUSE
ANDERSON, S. C. 29621
226-1553

MICHAEL D. GLENN
ANDERSON COUNTY COURTHOUSE
ANDERSON, S. C. 29621
226-1553

THE FAMILY COURT
TENTH JUDICIAL CIRCUIT

December 7, 1977

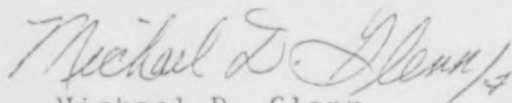
Mrs. Lucy T. Davis, Chairman
1201 Second Loop Road
Florence, South Carolina 29501

Dear Mrs. Davis,

I am informed that there is some question about the continuation of some Youth Bureau offices including the Oconee County office. It is my opinion that it would be a tragedy if the Oconee County office is closed. That office provides invaluable service to the Family Court in Oconee County and to the young people of that county. Jane Knapp does an excellent job and works very close with the Court.

I urge you to explore every available avenue in keeping this office open.

Yours very truly,



Michael D. Glenn
Judge, Tenth Judicial Circuit

MDG/pgf

CC: Mr. C. Marshall Cain

CITY OF ROCK HILL
ROCK HILL, SOUTH CAROLINA

December 6, 1977

C
O
P
Y
Mr. Marshall Cain, Chairman
Governor's Committee on Crime
and Delinquency
P.O. Box 939
Aiken, SC 29801

Dear Mr. Cain:

We have recently been informed that the satellite sites of the Youth Services Agency may be closed in January. This news greatly disturbs us. The City of Rock Hill established its own youth service agency in 1971 using Model City funds to match funds for an HEW grant. We worked closely with the Department of Youth Services in planning and implementing this project and in 1974 it became part of the State Youth Bureau network.

The City has followed the Youth Service Bureau closely from its inception and especially locally, have been very encouraged with the results. We strongly feel that the State will be doing an injustice to the youth of South Carolina if there is a cutback in services provided by the Youth Bureau.

Sincerely,

Gerald E. Schapiro
Gerald E. Schapiro
Finance Director

11

cc: Mr. Grady Decell
South Carolina Department of Youth Services
Director

THE FAMILY COURT
THIRTEENTH JUDICIAL CIRCUIT
PICKENS COUNTY

JOSEPH W. BOARD
Judge

P. O. Box 777
878-4702

December 6, 1977

Mrs. Lucy T. Davis
Chairman of the Board of Youth Services
1201 Second Loop Road
Florence, South Carolina 29501

Dear Mrs. Davis:

It has come to my attention that your Board is faced with a decision on keeping the Pickens Youth Bureau. I strongly urge you to take whatever action is necessary to keep the Youth Bureau. I would refer you to my letter of November 16, 1977, to Grady Decell requesting an additional worker. Now the case load exceeds 115 and over 140 referrals.

I must hasten to point out that the number of commitments from Pickens County will immediately increase three to four times the present rate. I have no Probation Officer and no other services available. I urgently insist that the Board strongly support the Youth Bureau in Pickens. It is obvious that the cost increase for juvenile commitments will soar if the Bureau is eliminated.

Thank you for your attention to this matter.

Very truly yours,

Joseph W. Board

JWB/tjp

CC: Members of the Board of Youth Services

Mr. Tom Bray
Pickens Youth Bureau

Mr. Grady A. Decell ✓
State Director of Youth Services



JOHNNY MACK BROWN
SHERIFF

GREENVILLE COUNTY SHERIFF'S DEPARTMENT

Greenville County Law Enforcement Center

4 McGee Street

Greenville, South Carolina 29601

Telephone: (803) 271-5100

September 23, 1977

Mr. Grady DeCell
P. O. Box 21487
Columbia, South Carolina 29221

Re: Greenville Youth Bureau

Dear Mr. DeCell:

This letter is intended to endorse the services and concept of the Greenville Youth Bureau. I feel that the Youth Bureau has been a valuable asset to the Greenville County Sheriff's Department in the past and feel that this will continue.

Our Juvenile Division has been regularly referring pre delinquents and those juveniles charged on minor offenses to the Youth Bureau in lieu of sending these people to Family Court.

We have found that the services rendered by the Youth Bureau have reduced juvenile referrals to Juvenile Court.

I appreciate the cooperation of Mr. Leonard Lee, Officer in charge of the Greenville Youth Bureau and the assistance rendered by his staff to this office and the Juvenile Division. Please accept this as a letter of appreciation and our continued support of the Greenville Youth Bureau.

Yours very truly,

Johnny Mack Brown
Sheriff

JNB:mg
cc: Mr. Leonard Lee
Mr. George Grogan



GREENVILLE COUNTY SHERIFF'S DEPARTMENT
Greenville County Law Enforcement Center
4 McGee Street
Greenville, South Carolina 29601
Telephone: (803) 271-5100

JOHNNY MACK BROWN
SHERIFF

September 22, 1977

Mr. Grady A. Decell, Director
S. C. Department of Youth Services
P. O. Box 21487
Columbia, South Carolina 29221

Dear Mr. Decell:

I understand that there is some question concerning the effectiveness of the Greenville Youth Bureau as a diversionary effort in working with youth of Greenville County. I would like to advise that since the inception of the Greenville Youth Bureau in November 1973, the Sheriff's Department has referred one-hundred thirty-five (135) juveniles who would have otherwise been sent to Greenville Juvenile Court on a petitioned basis.

I feel the efforts of the Greenville Youth Bureau staff have had a dramatic effect on the number of clients appearing before Family Court judges from this office. The counseling and follow-ups with juveniles of Greenville County have become a reliable integral part of our services to children. In my own opinion, the adverse publicity concerning Greenville Youth Bureau is certainly not factual.

If I can be of any service to you, please do not hesitate to get in touch with me.

Sincerely,

T. M. Stroud
Investigator
Juvenile Division

TMS:jb

cc Mr. George Grogan
Mr. John Kinchen



House of Representatives - State of South Carolina - Columbia

HENRY F. FLOYD
DISTRICT NO. 4-PICKENS COUNTY

HOME ADDRESS:
BOX 978
PICKENS, S. C. 29571

COMMITTEES:
JUDICIARY
RULES

September 14, 1977

①
Mr. Grady A. Decell, State Director
Division of Youth Services
4900 Broad River Road
Columbia, SC 29210

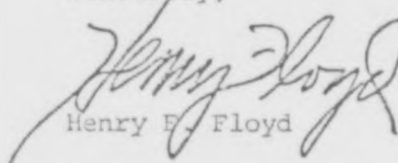
Dear Grady:

I have just completed an inspection of the Youth Services facilities and staff in Pickens County and I am impressed with Tom Bray and his operation.

It seems to me that the State Board should consider additional staffing for our office based on the population and case load. Since March 1977 the start update some 90 files have been opened of which 75 are still active. Based on community reports of the operation the people are very receptive to the operation and its efforts and I can't see anything but expansion. If its a matter of appropriations, I'll be glad to help with your section in the fiscal year 1978 budget, but in the meantime any discretionary shifts would be appreciated.

Thanks for your consideration and please feel free to call on me if I can be of help.

Sincerely,


Henry F. Floyd

HFF:kmw

cc Mr. George Grogan, Deputy Director
Youth Bureau Service
4900 Broad River Road
Columbia, SC 29210

WILLIAM J. CRAINE, JR.
JUDGE



P. O. BOX 325
LAURENS, S. C. 29360
TELEPHONE 984-6521

THE FAMILY COURT
EIGHTH JUDICIAL CIRCUIT

September 21, 1977

Grady A. Decell, Director
S. C. Department of Youth Services
1720 Shivers Road
Columbia, South Carolina 29210

Dear Mr. Decell:

Recently, I was handed an article that appeared in The State newspaper headlined "Youth Services Officials Charge Study Is Invalid", by Margaret N. O'Shea, Governmental Affairs Staff. In this article, there were several things mentioned with which I would like to take issue.

After this study was made, an opinion was given that Youth Bureau services throughout the State were not working and that the Youth Bureau agencies (1) had not reduced arrest rates in 1975 or 1976, (2) that counties with Youth Bureaus did not show any significant drop in juvenile petitions before the Court, (3) that the Bureaus did not reduce the rate of juvenile cases adjudicated in Court, and (4) that they had no significant effect on reducing probation rates. I feel that this was unjustified in my particular county (as I can not speak for other counties), but do assure you that the Youth Bureau Agency in my county has worked with outstanding success in numerous cases.

My Youth Bureau worker appears in Court on a regular basis or when we feel that he is needed for some recommendation or evaluation. We refer many cases to him that come to the attention of the Court which otherwise would be adjudicated. He also works very closely in helping the Intake and Probation Staff evaluate each case that goes before the Court to determine what necessary steps may be available to the Judge at a dispositional. He has also given us invaluable help in placement of children in group homes outside of our county. As you are aware, we have a group home that is operated by our county, but it becomes necessary on occasion to place a child outside of our county for many different reasons.

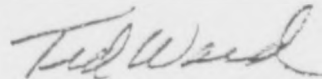
I think that we have looked at this situation from a number standpoint and not from the standpoint that we are dealing with children's lives. I become very upset when we give children numbers for statistics and let the chips fall where they will. I think the Youth

September 21, 1977
Grady A. Decell, Director
S. C. Department of Youth Services
Page 2

Bureau concept is a good idea and I wholeheartedly endorse such an operation. I would say to anyone, that would present statistics that the Youth Bureau Agency is not working, to come to our county and look at our programs that this Court in conjunction with the Youth Bureau Services have instigated and operate on a regular basis, and then to make a study. To my knowledge, no one from Jack J. Lieb and Associates of Columbia has come to our county and made any evaluation. I also think that we have programs that are working, and I would like to see someone comment in our State about programs that do work in dealing with children and not continually look on the negative side.

I just wanted to comment that my feelings and that of Youth Bureau workers within this State in regard to Youth Bureau Agencies has not been asked for an opinion. Social workers with the Youth Bureau Agencies and youth workers within each county are the people that are on the firing line; and I would like to have someone get our opinion before we scrap any program. I just wanted to be on record as saying that I endorse the Youth Bureau Service. At any time that this Court can be of any assistance to you or anyone else in the field of juvenile justice, we stand ready to do so.

Yours very truly,



Ted Ward, Probation Officer
The Family Court, Eighth
Judicial Circuit, Laurens, S.C.

TW/gsk

cc: Leonard Lee,
Greenville Youth Bureau Services
East Washington St., Greenville, S.C.

cc: Gerald Rice
Youth Bureau Services
Public Square
Laurens, S. C.



City of Spartanburg
South Carolina

POLICE DEPARTMENT

September 8, 1977

Mr. George Grogan, Deputy Director
Youth Bureau Division
S. C. Department of Youth Services
P. O. Box 21487
Columbia, S. C. 29221

Dear Mr. Grogan:

During fiscal year 1976-77 (July 1 - June 30) the Spartanburg Police Department referred 49 cases to the Spartanburg Youth Bureau for services. The majority were arrested for status offenses such as ungovernable or runaway, but some were also offenses such as shoplifting, drug use, etc.

I consider that in all probability if this resource was not available, I would have no alternative other than to send these youths to Family Court.

Sincerely,

W. C. Bain Jr.

W. C. Bain, Jr.
Chief of Police

WCBjr/ah

RECEIVED



GREENVILLE COUNTY SHERIFF'S DEPARTMENT

Greenville County Law Enforcement Center

4 McGee Street

Greenville, South Carolina 29601

Telephone: (803) 271-5100

JOHNNY MACK BROWN

SHERIFF

September 23, 1977

Mr. Grady Decell
Post Office Box 21487
Columbia, South Carolina 29221

Dear Mr. Decell:

As head of the Juvenile Division of the Greenville County Sheriff's Department I have become increasingly aware of the services provided by the Greenville Youth Bureau. It is my impression that the Youth Bureau is a significant resource in the community and fills the void for much needed services to troubled youth in Greenville County.

I have been with the Juvenile Division for only a short period of time, however, the Youth Bureau has repeatedly come to the aid of the Sheriff's Department during this time.

I enforce this program 100% and it is my hope that it may continue to serve the youth of Greenville as an alternative to Family Court or institutionalization.

Sincerely yours,

Sergeant Howell Clyborne
Juvenile Division
Greenville County Sheriff's Department

HC/sc

cc: Mr. George Grogan
Mr. Leonard Lee

The Family Court of the 13th Judicial Circuit

P. O. Box 757 - County Office Building
Greenville, South Carolina 29602

September 27, 1977

Mr. Leonard Lee
Ms. Linda Smith
Greenville Youth Bureau
1208 East Washington Street
Greenville, South Carolina 29601



Dear Linda and Leonard:

We would like to call to your attention the many ways in which your staff aids us in our work with the youth of this county. Dick Dougherty, Carol Martin, Jan Gravely, and David Wellborn have all been most prompt and enthusiastic in solving problems we've encountered. Each at different times has crossed the line between work duties and being a true advocate of the children. In obtaining evaluations, providing placement, and establishing stable counseling relationships: Dick, Carol, Jan, and Dave are all extremely cooperative with this Court. As new probation officers, we are truly in their debt.

We would especially hold up the following cases as worthy of commendation.

Dick Dougherty

Jerry McMahan
David Lawson
David Williams
Jerry Lee Ware
Roger Gates

Carol Martin

Roger Dale Smith
Paula Holiday
Debbie Jan Wood

Jan Gravely

Clifford Culpepper
Vickie Darlene Gillispie

David Wellborn

Billy Hunnicutt

We look forward to continuing professional contact with these counselors and your entire staff.

Sincerely,

Richard G. Seward
Richard G. Seward, Probation Officer

Don Peden
Don Peden, Probation Officer



LARRY SMITH, SHERIFF

SPARTANBURG, SOUTH CAROLINA 29301

TELEPHONE 585-
582-

September 8, 1977

Mr. George Grogan, Deputy Director
Youth Bureau Division
South Carolina Department of Youth Services
Post Office Box 21487
Columbia, South Carolina 29221

Dear Mr. Grogan:

During fiscal year 1976-77 (July 1 - June 30) the Spartanburg County Sheriff's Department referred 25 cases to the Spartanburg Youth Bureau for services. The majority were arrested for status offenses such as ungovernable or runaway but some were also offenses such as shoplifting, drug use etc.

I consider that in all probability if this resource was not available, I would have no alternative other than to send these youth to Family Court.

Sincerely,

Larry D. Smith
Larry D. Smith, Sheriff

ltb

A child in trouble in the community deserves help from all available resources.

As a voice for children, the Youth Bureau specializes in mobilizing resources to resolve problems that contribute to delinquency.

Why a Youth Bureau in the State of South Carolina?

Until recent times, our society did not recognize youth as persons with special needs for assistance in solving problems unique to their age. The few services available to youth were fragmented and difficult to locate.

The Youth Bureau will work directly with the child and family. The primary goal is to help the child in his own community.

That is why Youth Bureau programs are being made available in all areas of the State. Youth Bureau programs will provide a variety of services to youth, as needed, including:

Counseling and Referral Services
Residential Placement
Volunteer and Recreational Services



Youth Bureaus will evaluate problems and work for solutions along with the child and his parents.

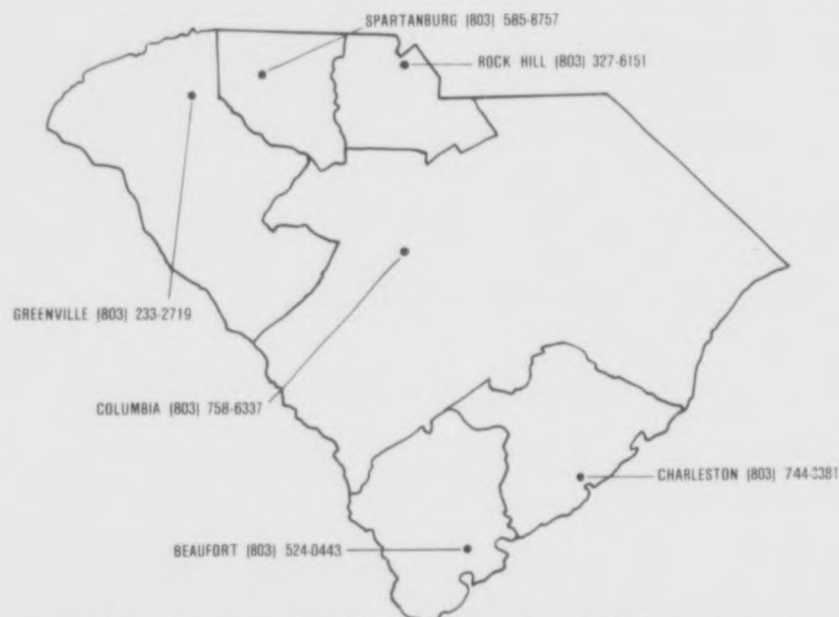
Referral for services will be made when necessary. Community residential facilities will provide a home away from home for the child unable to cope in his own home. Volunteers are members of the community to become friends of the children. A variety of recreational programs are offered.

The Youth Bureau provides an opportunity for the community as a whole to accept responsibility for assisting its troubled children.

**HAVE YOU HUGGED
YOUR KID TODAY?**

S.C. DEPT. OF YOUTH SERVICES - YOUTH BUREAU DIVISION

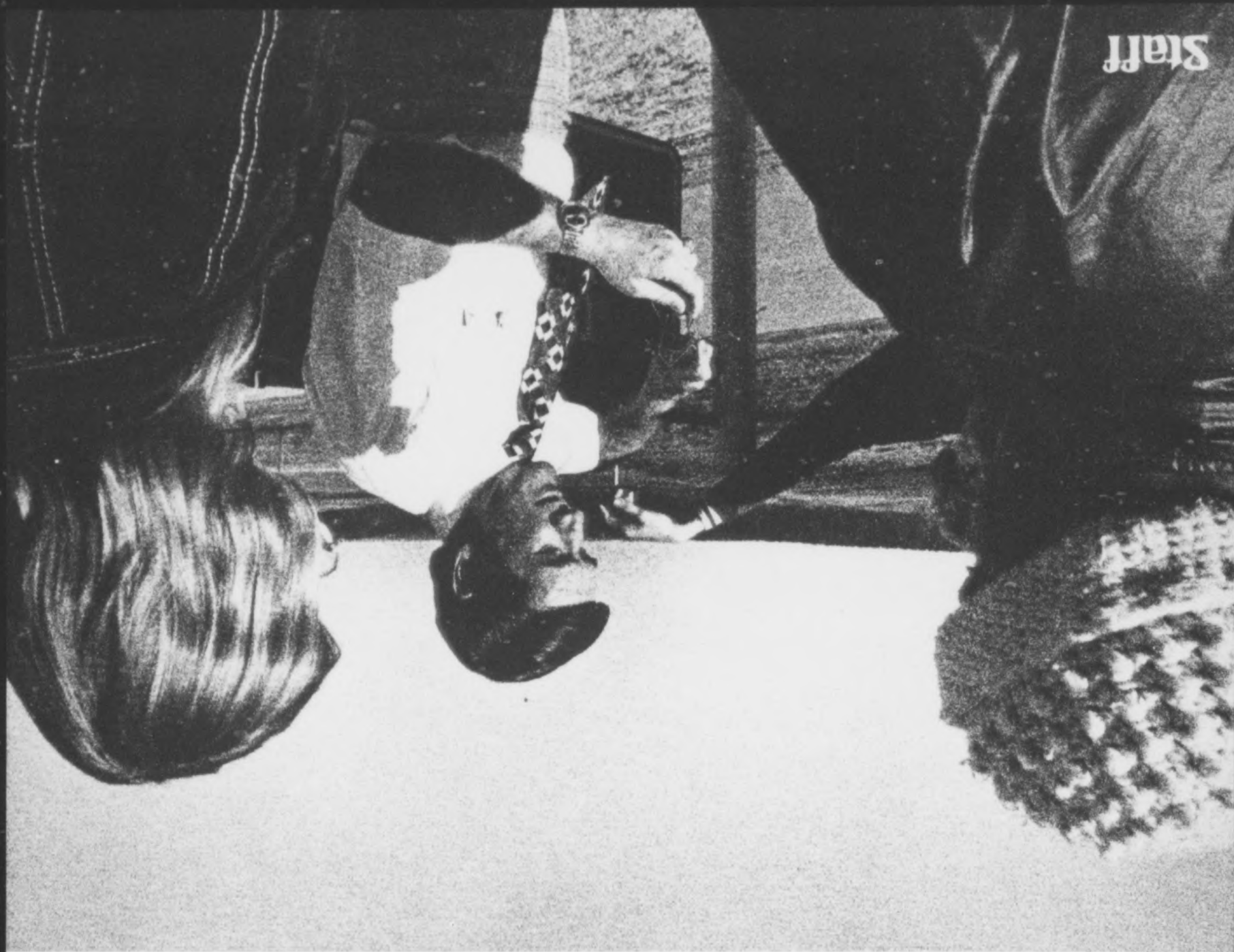
IT'S YOUR YOUTH BUREAU



FOR GENERAL INFORMATION CALL: 758-6337

For The Troubled Child and His Family

**THERE'S A
NEW
KIND OF HELP.**



SOUTH CAROLINA DEPARTMENT OF YOUTH SERVICES
1720 Shivers Road, Post Office Box 3188
Columbia, South Carolina 29230
Telephone: (803) 758-6592



These typify kinds of people who work at Youth Services. These are some of the dedicated people who make Youth Services work.

There's the research analyst involved in developing new tests of personality and intelligence. Tests that may one day uncover hidden skills in hundreds or thousands of children. The recreation director whose experience in supervising hundreds of females at a neighboring state institution qualifies her for her sensitive work at this facility. Individuals who have served on the National Council on Crime and Delinquency. Members of the Governor's Advisory Committee on Student Volunteerism. Specialists. Specialists in group therapy training, in child psychology and family counselling; with training in alcoholism, and neurological disorders. People whose lives have been spent working diligently with emotionally disturbed individuals, to help them obtain satisfactory social, educational, and occupational adjustments.

What makes it all work out all right at Youth Services?

Out of the host of talented employees let us discuss a couple dozen remarkable people.

When you meet some of the people who are responsible for the S. C. Department of Youth Services, you have met psychologists honored by national professional organizations. Social workers whose lives have been dedicated to the rehabilitation of disturbed children, not only in South Carolina, but in other states as well. A medical doctor specializing in psychiatry and child care. A man whose affiliations with associations dedicated to helping disturbed youth reads like a glossary of juvenile rehabilitations services.

These are busy and dedicated people. Chosen to participate in the Youth Services treatment oriented programs only after each could prove his or her effectiveness in other related endeavors. In similar programs in other states. In the military. In the ministry. Or in university field placement programs.

If you want to know why the S. C. Department of Youth Services is trying to build a thorough treatment program for troubled youth, stop and talk with some of the people who spend long hours here each day. Some of what you hear may not be encouraging. It may make you aware of things you would rather not know about. But there is hope, and pride in the progress at Youth Services. At Youth Services there are many people working together as a team, striving to help the young people they serve find their place in life.



Reception and Evaluation

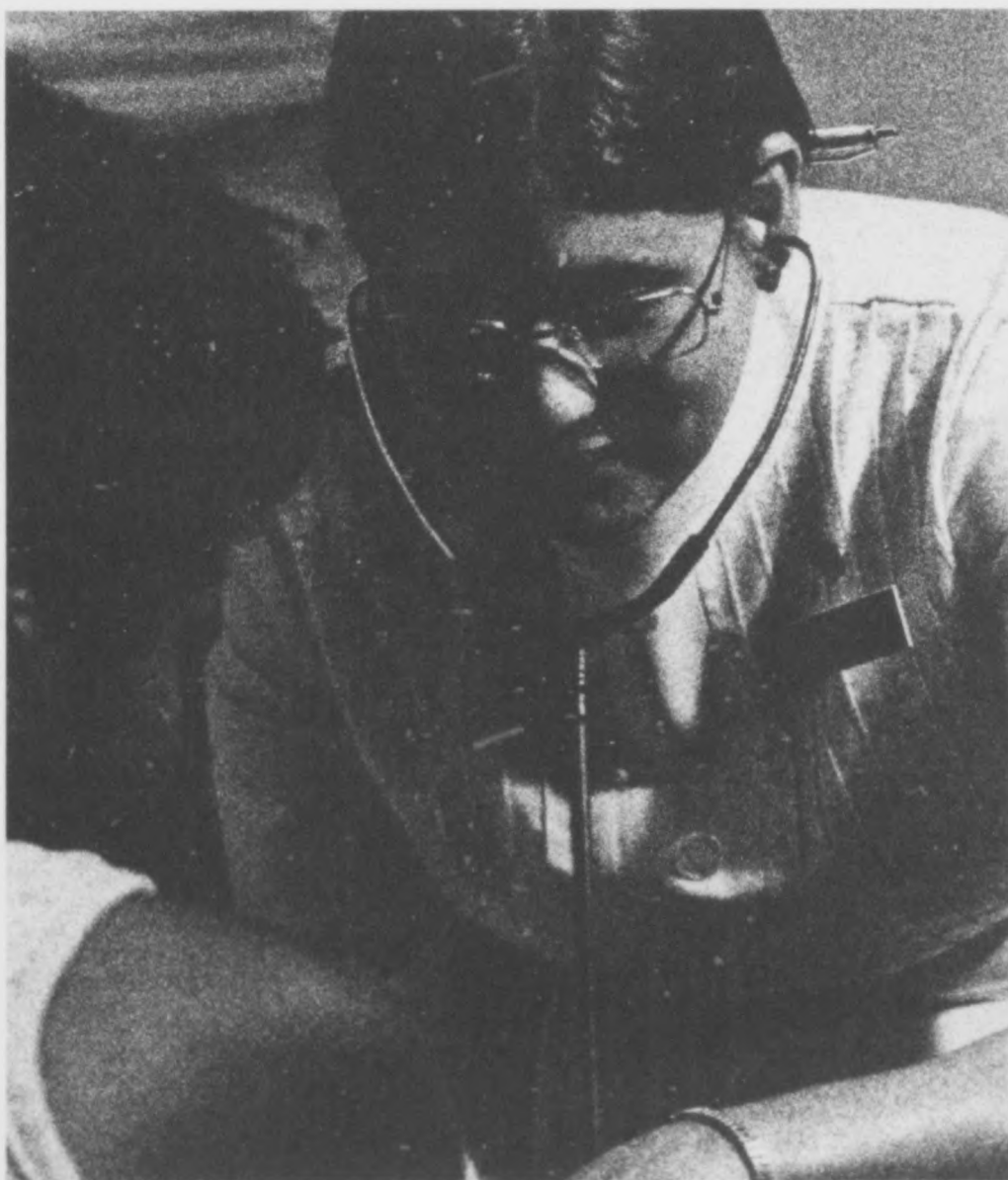
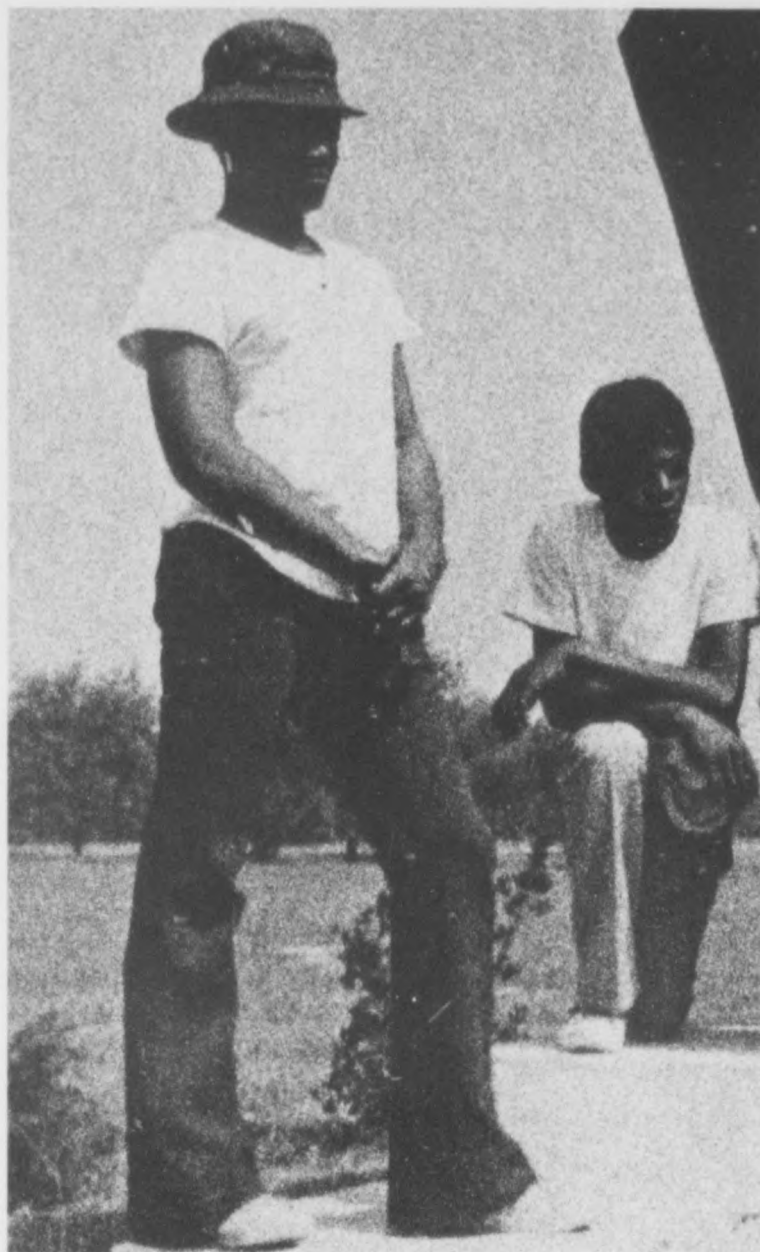


SOUTH CAROLINA DEPARTMENT OF YOUTH SERVICES
Wm. J. Goldsmith Reception and Evaluation Center
4900 Broad River Road
Columbia, South Carolina 29230
Telephone: (803) 758-6731

The William J. Goldsmith Reception and Evaluation Center. The first step in the diagnosis, evaluation and treatment of troubled youth.

Any court in South Carolina may refer a child to the William J. Goldsmith Reception and Evaluation Center. A child in trouble needs all the help he can get. The Reception and Evaluation Center is there to provide it for him. After 30 to 45 days, the Center recommends a personalized treatment plan for the child. It may be a community based program at one of the developing Youth Bureaus across the state. It may involve living at a supervised group home in the child's own community. It may be recommended that the child be returned to his own home, with periodic counseling and instructional sessions at his neighborhood Youth Center. It may, last of all, be institutionalized training.

The William J. Goldsmith Reception and Evaluation Center is the initial step at Youth Services in which the problems and recommended treatment for the maladjusted are defined.



While at the Reception and Evaluation Center he is given a complete medical, psychological, academic, social, and religious evaluation by professionals with special training in the handling of the disturbed child.

The child, in fact, is often given more individual attention than any child in the public school system. He needs it more. A network of social agencies throughout the state is called on to furnish additional information on the child's family, school, community, and pertinent court or police data.





SOUTH CAROLINA DEPARTMENT OF YOUTH SERVICES
1720 Shivers Road, Post Office Box 3188
Columbia, South Carolina 29230
Telephone: (803) 758-6592



The volunteer worker. Often doing for disturbed children what the professional worker can't.

Don't expect volunteer work with Youth Services to be something you just walk into. It takes someone special to do this kind of work. First of all, every prospective volunteer is carefully and individually screened. Once a volunteer is accepted, he is put through a comprehensive training program. We find out what specialized skills he or she has to offer, and we make every effort to work these skills into our program.

We look for individuals and groups interested in recreational programs, arts and crafts, sponsorships and visitations, tutoring, entertainment activities, religious programs, self-improvement programs, and counseling. There is really no end to the types and methods of volunteer involvement possible.

We encourage group-to-group programs, where several volunteers from a civic group may sponsor a group of children from an institution on a trip, in games, on a picnic, or in other group-to-group activities.

We promote group-to-group programs where a group of volunteers sponsor one student and visit him on a rotating basis. Many of these groups, besides providing small items of need and sponsoring the child off-campus, have indicated they would help the individual continue his education after his release.

There is also the person-to-group approach. A volunteer may teach a Sunday School group. Or, a doctor may lecture the entire institution on venereal diseases or drug addiction.

And, finally comes the most intensive relationship. Person-to-person. One volunteer worker assigned to one child.

Volunteers are needed because they make a unique contribution to the rehabilitation of troubled youth. Coming from the community where the child lives, they are usually able to establish a meaningful contact with the child.

Troubled youth become problems to the citizens of the community. Direct involvement of people from the community with these youngsters may promote an understanding of the delinquent child and may motivate more citizens to become involved in social problems which contribute to delinquency.

Volunteer if you can. But remember, we don't take just anybody. You have to be special to work with our special children.



For more information:
Telephone: (803) 758-6592
SOUTH CAROLINA DEPARTMENT
OF YOUTH SERVICES
Columbia, South Carolina

Youth Bureau



SOUTH CAROLINA DEPARTMENT OF YOUTH SERVICES
1720 Shivers Road, Post Office Box 3188
Columbia, South Carolina 29230
Telephone: (803) 758-6592

Youth Bureau Division Telephone: (803) 758-6337

Youth Bureau: Where a child doesn't have to be called a criminal before he seeks help.

The philosophy behind the Youth Bureau is very simple: Make a place in the community for the troubled child. Find a way to meet the child's needs, near his home if at all possible.

The Youth Bureau is an exciting new expression of the old adage, "an ounce of prevention is worth a pound of cure." The Youth Bureau people are eternally optimistic.

The Youth Bureau division of Youth Services operates on three levels in the community: Through Diagnostic and Field Services, Group Homes, and Neighborhood Youth Service Centers.

Group Homes

If for some reason, the child's own home will not aid in his rehabilitation, he may be referred to a group home in or near his community. These homes are staffed with professional social workers, youth counselors, and volunteers. While living at the group home, the youth will receive counseling and training, and will continue his education at the public schools while being guided in personal and social adjustment. When he is judged ready, he will be sent to his own home to complete his rehabilitation.



Diagnostic and Field Services

What does the child need? What are his problems? How can they best be solved right within his own community? These are some of the things the field division seeks answers for when a child is referred to the Youth Bureau. He is then thoroughly examined by a group of professionals and then a program for rehabilitation is prescribed.

Neighborhood Youth Service Centers

For a child who is in need of specialized services, but capable of remaining at home, the Youth Center is fulfilling a vital role in the overall Youth Services program. It's a place where representatives from all cooperating public and private social service agencies interested in working with disturbed youth can come together to give these youths the attention and services they need. At Youth Centers, the parent may be counseled along with the child. Crisis intervention hotline service is also available for on-the-spot consultation to families.

The primary goal of the Youth Bureau is simple: To keep a child in the community.





General Information

SOUTH CAROLINA DEPARTMENT OF YOUTH SERVICES
1720 Shivers Road, Post Office Box 3188
Columbia, South Carolina 29230
Telephone: (803) 758-6592



**The S.C. Department of Youth Services
Institutional and Youth Bureau Divisions:
What they are. And what they are not.**

When John was 11, he stole ten dollars from a piggy bank in a neighbor's home. He smashes car windows when the mood strikes him, and causes a commotion wherever he goes. His parents can't cope with him. He doesn't listen, and he doesn't seem to care. At one time, he might have been sent by the courts of this State to a house of corrections where the onus of juvenile delinquency might have left a lifelong scar.

Today in South Carolina, there is a better answer: Youth Services. Let's get one thing straight about Youth Services right away. Youth Services is opportunity for the troubled child. It is education. A highly specialized education tailored on a child-by-child basis. Youth Services is where a child who never knew he had a skill can learn one that suits him best. He can learn skills in typing, automobile repair, nurses' aide, masonry and many other areas.

Youth Services is teachers and counselors, psychologists and psychiatrists, chaplains, social workers, physicians, and nurses, all working together to discover a child's natural abilities and to teach him how to make the most of them.

Youth Services is help and rehabilitation, taking many different forms. For example,

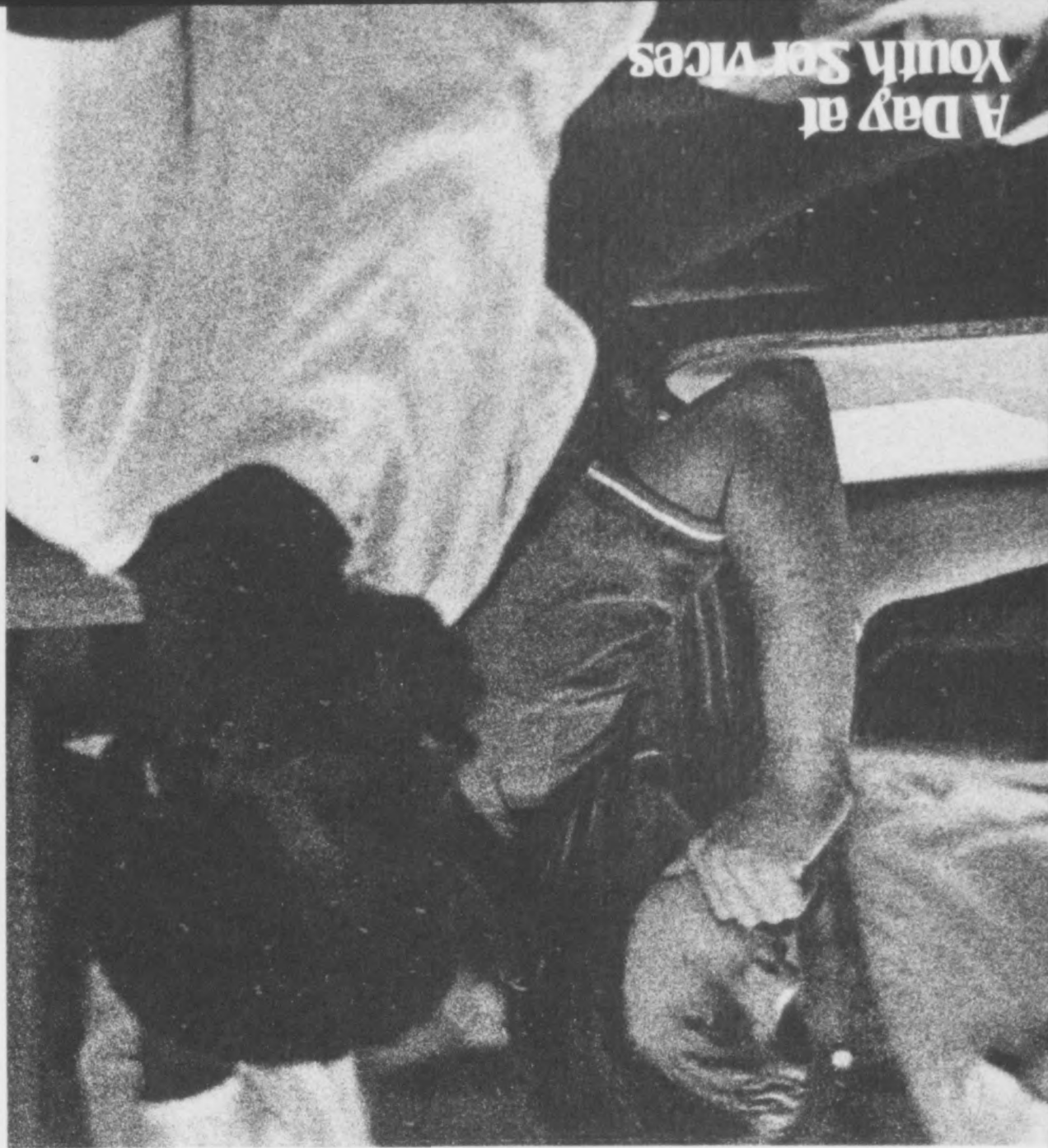
a child may be sent to a special school, where he lives in a room with two or three other children, spending his days learning English, math, science, social studies. Getting familiar with a trade he likes and has talent for. He would enjoy organized recreation and physical training. He would attend chapel. Most of all he would be treated with understanding.

The Youth Bureau, a program designed to curb juvenile delinquency before it happens — right in the child's own community — is another side of Youth Services. Through Group Homes where children may live in a homelike setting under careful supervision, and Youth Centers where parents can seek help for disturbed children. The Youth Bureau seeks to take preventive action so that many of these children need never see the inside of a courtroom or an institution.

Whichever path the child takes, Youth Services and Youth Bureau exists to help him help himself. To exert influences on him that will make him an asset to his family, to his community and to himself. Every effort is made to keep the child at home or to return him there as soon as possible.



A Day at
Youth Services



SOUTH CAROLINA DEPARTMENT OF YOUTH SERVICES
1720 Shivers Road, Post Office Box 3188
Columbia, South Carolina 29230
Telephone: (803) 758-6592



There's no place for neglect in child's day at Youth Services.

A child at Youth Services wakes up in a room shared with two or three others. This functional bedroom/study is brightly lit and painted in young, cheerful colors.

He washes and dresses, then goes to the dining hall for nutritious meals prepared by staff dieticians who pride themselves in serving food that looks and tastes good.

The child attends his regularly scheduled classes for the day. Art, language development, math, music, science, social studies, and physical education. He may be enrolled in the General Education Development program, designed to provide him with a high school education by the time he gets out.

He will probably also spend a session or two in pre-vocational course training. Here, the choices are many, and are selected on the recommendation of the child's test scores at the Reception and Evaluation Center. It may be auto mechanics or barbering, building construction or carpentry, masonry, home economics, or nurses aide training. A broad range of office skills, from shorthand and typing to bookkeeping, is also available for the interested student. Other options are personal grooming, small engine repair, and welding.

A child at Youth Services should never be at a loss for something to do. Something both challenging and interesting, so that he doesn't have a chance to miss the "idle time" he once had.

It all boils down to a very simple message that any disturbed youth should hear:

"You're important. You're needed. You're doing something good for the community and for yourself. And we want to help you do even more."





Revised

EXHIBIT VIII
12/21/77

STATE OF SOUTH CAROLINA

OFFICE OF THE STATE AUDITOR

P. O. BOX 11333

COLUMBIA

29211

WILLIAM T. PUTNAM
STATE AUDITOR

TELEPHONE
(803) 758-3106

December 15, 1977

MEMORANDUM

TO: Mr. William T. Putnam
State Auditor

FROM: George F. Oliver *GF Oliver*
Grants Services Administrator
Grants and Contracts Review Unit

RE: Federal Grants and Contracts Recommendation to the Budget and
Control Board, December 21, 1977

The attached summary analysis of federal grants and contracts requests from state agencies is submitted for necessary action by the Budget and Control Board at the December 21, 1977 meeting.

There are 82 analysis sheets from 22 state agencies which request the following new amounts from federal, state, and other sources.

Federal Funds	\$ 17,846,240
State Match	1,137,630
Other Funds Match	<u>2,722,996</u>
Total	<u>\$ 21,756,866</u>

(NOTE: These totals include \$6,919,736 federal and \$205,784 in state and other funds in subcontracts to 12 agencies.)

Further, these analysis sheets indicate the following number of personnel hired on these programs.

Full-time employees	104
Temporary employees	<u>5</u>
Total	<u>109</u>

Your attention is directed to Item 76, where the GCR recommendation is withheld pending the appearance of the Department of Youth Services before the Budget and Control Board regarding their desire to continue 17 Youth Bureau Centers through June 30, 1978.

dc
Attachment

ADJUSTED
SUMMARY ANALYSIS OF BUDGET AND CONTROL BOARD ACTIONS
ON FEDERAL GRANTS AND CONTRACTS REVIEW
As of December 19, 1977 (Amended)

B & C Board Action	Date	Number of Projects	A m o u n t s			
			Federal	State	Other	Total
Approved	8-23-77	5	\$ 11,687,399	\$ 4,792,042	\$ 57,000	\$ 16,536,441
Approved (Poll)	9-14-77	143	216,277,723	5,144,546	23,618,280	245,040,549
Approved	9-14-77	54	12,490,040	12,732,073	3,364,645	28,586,758
Approved	10-11-77	150	151,360,698	9,987,110	3,981,789	165,329,597
Approved	11-8-77	85	14,003,597	1,228,132	4,502,037	19,733,766
Approved	12-7-77	164	407,558,387	80,097,333	12,535,271	500,190,991
Deferred	12-7-77	-1	-137,140	-15,238		-152,378
Deferred	12-7-77	-2	-106,996	-44,753		-151,749
Approved	12-7-77	131	13,378,365	2,565,722	4,252,860	20,196,947
Deferred	12-7-77	-9	-283,287	-131,046		-414,333
Pending	12-21-77	82	17,846,240	1,187,630	2,722,996	21,756,866
Total		802	844,075,026	117,543,552	55,034,878	1,016,653,455
Subcontracts to state agencies			-45,542,641			-45,542,641
Duplication in submission of 9-14-77			-7,826,305			-7,826,305
Adjusted Total		802	\$ 790,706,080	\$ 117,543,551	\$ 55,034,878	\$ 963,284,509
			82%	12%	6%	100%

Submitted by:
George F. Oliver
Grants Services Administrator
Grants & Contracts Review Unit



STATE OF SOUTH CAROLINA

OFFICE OF THE STATE AUDITOR

P. O. BOX 11333

COLUMBIA

29211

WILLIAM T. PUTNAM
STATE AUDITOR

TELEPHONE
(803) 758-3106

December 15, 1977

MEMORANDUM

TO: Mr. William T. Putnam
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FROM: George F. Oliver *G. Oliver*
Grants Services Administrator
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Approved	9-14-77	54	12,490,040	12,732,073	3,364,645	28,586,758
Approved	10-11-77	150	151,360,698	9,987,110	3,981,789	165,329,597
Approved	11-8-77	85	14,003,597	1,228,132	4,502,037	19,733,766
Approved	12-7-77	164	407,558,387	80,097,333	12,535,271	500,190,991
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Subcontracts to state agencies			-45,542,641			-45,542,641
Duplication in submission of 9-14-77			-7,826,305			-7,826,305
Adjusted Total		802	\$ 790,673,757	\$ 117,528,334	\$ 55,034,878	\$ 963,236,969
			82%	12%	6%	100%

Submitted by:
George F. Oliver
Grants Services Administrator
Grants & Contracts Review Unit



STATE OF SOUTH CAROLINA

OFFICE OF THE STATE AUDITOR

P. O. BOX 11333

COLUMBIA

29211

WILLIAM T. PUTNAM
STATE AUDITOR

TELEPHONE
(803) 756-3106

December 15, 1977

MEMORANDUM

TO: Mr. William T. Putnam
State Auditor

FROM: George F. Oliver *G. Oliver*
Grants Services Administrator
Grants and Contracts Review Unit

RE: Federal Grants and Contracts Recommendation to the Budget and
Control Board, December 21, 1977

The attached summary analysis of federal grants and contracts requests from state agencies is submitted for necessary action by the Budget and Control Board at the December 21, 1977 meeting.

There are 82 analysis sheets from 22 state agencies which request the following new amounts from federal, state, and other sources.

Federal Funds	\$17,813,917
State Match	1,172,413
Other Funds Match	<u>2,722,996</u>
Total	<u>\$21,709,326</u>

(NOTE: These totals include \$6,919,736 federal and \$205,784 in state and other funds in subcontracts to 12 agencies.)

Further, these analysis sheets indicate the following number of personnel hired on these programs.

Full-time employees	104
Temporary employees	<u>5</u>
Total	<u>109</u>

Your attention is directed to Item 76, where the GCR recommendation is withheld pending the appearance of the Department of Youth Services before the Budget and Control Board regarding their desire to continue 17 Youth Bureau Centers through June 30, 1978.

dc
Attachment

ADJUSTED -
SUMMARY ANALYSIS OF BUDGET AND CONTROL BOARD ACTIONS
ON FEDERAL GRANTS AND CONTRACTS REVIEW
As of December 15, 1977

B & C Board Action	Date	Number of Projects	A m o u n t s			
			Federal	State	Other	Total
Approved	8-23-77	5	\$ 11,687,399	\$ 4,792,042	\$ 57,000	\$ 16,536,441
Approved (Poll)	9-14-77	143	216,277,723	5,144,546	23,618,280	245,040,549
Approved	9-14-77	54	12,490,040	12,732,073	3,364,645	28,586,758
Approved	10-11-77	150	151,360,698	9,987,110	3,981,789	165,329,597
Approved	11-8-77	85	14,003,597	1,228,132	4,502,037	19,733,766
Approved	12-7-77	164	407,558,387	80,097,333	12,535,271	500,190,991
Deferred	12-7-77	-1	-137,140	-15,238		-152,378
Deferred	12-7-77	-2	-106,996	-44,753		-151,749
Approved	12-7-77	131	13,378,365	2,565,722	4,252,860	20,196,947
Deferred	12-7-77	-9	-283,287	-131,046		-414,333
Pending	12-21-77	82	17,813,917	1,172,413	2,722,996	21,709,326
Total		802	844,042,703	117,528,334	55,034,878	1,016,605,915
Subcontracts to state agencies			-45,542,641			-45,542,641
Duplication in submission of 9-14-77			-7,826,305			-7,826,305
Adjusted Total		802	\$ 790,673,757	\$ 117,528,334	\$ 55,034,878	\$ 963,236,969
			82%	12%	6%	100%

Submitted by:
George F. Oliver
Grants Services Administrator
Grants & Contracts Review Unit

FEDERAL
GRANTS AND CONTRACTS

	State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
1	Division of Administration	8-D15-038	46,354	9-29-77 9-28-78	46,354 100%	0	0	1	To develop a statewide five year plan for improving fire education and training	Approve	
2	Division of Administration	8-D15-039	5,061,687	1-1-78 9-30-78	5,061,687 100%	0	0	0	To enhance the job prospects and career opportunities for young people	Approve	
3	Disaster Preparedness	8-D35-011	885,270	10-1-77 9-30-78	621,010 70%	264,260 30%	0	0	To develop effective civil defense organizations in order to coordinate emergency activities in the event of disaster	Approve	
4	State College	8-H24-008	400,000	7-1-78 6-30-79	320,000 80%	0	80,000 20%	0	To provide financial aid in the form of a work study program for financially needy students	Approve	Funds are provided from revenue
5	University of South Carolina	8-H27-048	1,100	10-4-77 5-31-78	400 33%	0	700 67%	0	To provide ticket subsidy to individuals who financially would be unable to attend live theatre	Approve	
6	University of South Carolina	8-H27-049	141,110	1-1-78 12-31-79	141,110 100%	0	0	.75 prof. 4 (PT)	A research study to document and interpret the stability of shallow subtidal areas in Southeast coast of North Sea	Approve	3-year grant, Office of Naval Research
7	University of South Carolina	8-H27-050	7,402	7-17-78 6-30-79	7,402 100%	0	0	1 profess. 3 months 1 (PT)	Instructional program for selected high school science teachers in energy	Approve	
8	University of South Carolina	8-H27-052	23,256	7-1-77 6-30-79	23,256 100%	0	0	0	To train graduate social work students in the field of community mental health	Approve	Continuation grant

FEDERAL
GRANTS AND CONTRACTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
9 University of South Carolina	8-H27-053	16,637	9-1-78 6-30-79	16,637 100%	0	0	0	One-year training program for postdoctoral level PhD's who wish to change their speciality to clinical psychology	Approve	
10 USC Two Year Reg. Campuses	3-H43-007	43,822	10-1-77 6-30-78	32,867 75%	10,955 25%	0	0	To provide child care services for 25 children of AFDC recipients and practical training for early childhood education majors	Approve	5 personnel are currently employed in this cost. State match comes from DSS.
11 Medical University	8-H51-085	260,164	10-1-77 9-30-78	260,164 100%	0	0	0	To provide funds for a dependable support base for educational programs in the College of Dental Medicine	Approve	5 unclassified 4 classified personnel currently on this program
12 Medical University	8-H51-127	241,148	7-1-78 6-30-79	217,033 90%	0	24,115 10%	0	To provide financial assistance to deserving students	Approve	Match is provided by Higher Education Tuition Grants
13 Medical University	8-H51-128	168,659	12-1-77 11-30-78	150,938 90%	17,721 10%	0	4	Research study in gene regulation	Approve	
14 Medical University	3-H51-129	150,179	7-1-78 6-30-79	138,084 92%	12,095 8%	0	5	To modify the baccalaureate nursing curriculum to increase graduates' contribution to primary health care	Approve	
15 Medical University	8-H51-130	87,011	1-1-78 12-31-78	87,011 100%	0	0	2	To incorporate into the curriculum of the Colleges of Medicine and Nursing a unified drug abuse education and training	Approve	

FEDERAL
GRANTS AND CONTRACTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
16 Medical University	8-H51-131	314,936	7-1-78 6-30-79	314,936 100%	0	0	6.5	To identify environmental risk factors in coronary heart disease and stroke in Florence and Darlington Counties	Approve	
17 Medical University	8-H51-132	56,520	7-1-78 6-30-79	56,520 100%	0	0	0	To provide financial assistance to needy students enabling them to enter and/or continue educational pursuits	Approve	
18 Medical University	8-H51-133	38,887	7-1-78 6-30-79	30,887 80%	8,000 20%	0	0	To provide income and work experience to deserving students	Approve	
19 Medical University	8-H51-134	45,537	7-1-78 6-30-79	40,440 89%	5,097 11%	0	1.5	To study the action of male sex hormones and investigate mechanisms by which cells metabolize and retain androgens	Approve	
20 Medical University	8-H51-135	55,852	6-1-78 5-30-79	52,816 95%	3,036 5%	0	1.5	Research study to identify the role of arachidonate metaboletes	Approve	
21 Medical University	8-H51-136	45,395	7-1-78 6-30-79	32,681 72%	12,714 28%	0	0	To provide physicians with postdoctoral research fellowship training in clinical pharmacology	Approve	
22 Medical University	8-H51-137	40,500	7-1-78 6-30-79	37,605 93%	2,895 7%	0	0	Research study regarding the storing of iron in the body	Approve	

FEDERAL
GRANTS AND CONTRACTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
23 Technical and Comprehensive Education (Greenville)	8-H59-027	249,174	7-1-78 6-30-79	199,339 80%	0	49,835 20%	0	To give worthy students an opportunity to work, thus beginning and/or continuing their post-secondary educations	Approve	
24 Technical and Comprehensive Education (Sumter)	8-H59-028	88,608	7-1-78 6-30-79	71,458 80%	0	17,150 20%	0	To give worthy college college students work experience and income in order for them to begin and/or continue their educational pursuits	Approve	
25 Technical and Comprehensive Education (Greenwood)	8-H59-050	86,061	7-1-77 6-30-78	69,061 80%	0	17,000 10%	0	To provide eligible students with part-time employment in order to enable them to begin and/or continue their educational pursuits	Approve	
26 Technical and Comprehensive Education (Greenwood)	8-H59-051	7,696	7-1-77 6-30-78	7,696 100%	0	0	0	To provide supplemental grants to eligible students with exceptional need, thus enabling them to enter and/or continue their post-secondary educations	Approve	
27 Technical and Comprehensive Education	8-H59-052	2,309	7-1-78 6-30-79	2,309 100%	0	0	0	To provide assistance grants to worthy students, thus enabling them to begin and/or continue their post-secondary educations	Approve	SEOG

FEDERAL
GRANTS AND CONTRACTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
28 Technical and Comprehensive Education (Greenville)	8-H59-053	63,097	7-1-78 6-30-79	63,097 100%	0	0	0	A program of assistance to worthy students thus enabling them to begin and/or continue their post-secondary educations	Approve	
29 Technical and Comprehensive Education (Greenville)	8-H59-054	7,126	7-1-78 6-30-79	6,413 90%	0	713 10%	0	To provide low interest loans to worthy post-secondary students	Approve	
30 Technical and Comprehensive Education	8-H59-056	33,990	3-1-78 2-28-79	24,400 72%	2,745 8%	6,845 20%	1 1/3	To train 1,000 lay persons in the Midlands area to utilize CPR techniques	Approve	
31 Technical and Comprehensive Education	8-H59-057	10,000	6-1-78 11-30-78	10,000 100%	0	0	0	A two-day workshop for college freshman and sophomore females to attend, train, and maintain females in the various science disciplines for scientific employment and to provide practical information and advice	Approve	
32 Technical and Comprehensive Education	8-H59-058	1,450,000	1-1-78 12-30-78	1,450,000 100%	0	0	9	To provide advanced skill training to low income and unemployed citizens by private sector employers	Approve	This project is to be for 16.5 months. The next fiscal year request is \$750,000.

FEDERAL
GRANTS AND CONTRACTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
33 Department of Education	8-H63-037	116,000	7-1-78 6-30-79	100,000 86%	16,000 14%	0	0	To disseminate prevocational instructional materials developed under Phase I & II of this continuation project	Approve	
34 Department of Education	8-H63-038	50,000	7-1-78 6-30-79	37,500 75%	12,500 25%	0	0	To assist in the improvement of educational administrative management practices in 6 Appalachian counties	Approve	
35 Department of Education	8-H63-039	74,072	7-1-78 6-30-79	37,036 50%	37,036 50%	0	0	To provide funds to instruct teachers in 6 Appalachian counties the most successful methods to disseminate knowledge in areas of math, science, language arts, and social studies	Approve	
36 Department of Education	8-H63-040	240,604	7-1-77 9-30-78	240,604 100%	0	0	0	To provide special education and related services to 5 year old handicapped children	Approve	
37 Department of Education	8-H63-041	57,565	2-1-77 11-30-77	57,565 100%	0	0	0	To fund 8 diagnostic prescription centers to evaluate needs of handicapped children	Approve	Subcontract with Auburn University
38 Department of Education	8-H63-042	388,032	9-1-78 8-31-79	38,032 10%	350,000 90%	0	0	To provide assistance in 30 school districts to establish programs for gifted and talented children	Approve	State match is total state appropriation for gifted and talented children
39 Department of Education	8-H63-043	8,439	7-1-78 6-30-79	8,439 100%	0	0	0	Funds provided for the design and documentation of the art processes that can be used to motivate children learning in reading, math, and social studies	Approve	

FEDERAL
GRANTS AND CONTRACTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
40 Department of Education	8-H63-045	1,332,592	1-1-78 9-30-78	1,332,592 100%	0	0	2	To provide an educational program at 22 vocational centers for CETA Title III Youth Employment Training Funds	Approve	Subcontract from Governor's Office of Manpower
41 School for the Deaf/Blind	8-H75-007	68,437	7-1-78 6-30-79	58,751 86%	9,686 14%	0	4	To deliver comprehensive data based home teaching services to severely sensory impaired and multi-impaired pre-school children in the 6 Appalachian County region	Approve	
42 Archives and History	8-H79-006	6,578	3-18-77 3-17-78	3,289 50%	0	3,289 50%	0	Pompon Chapel, Berkeley Co., is a National Historic Landmark and is rapidly deteriorating due to foundation settling and severe roof leakage. This phase of restoration addresses these two problems.	Approve	No state funds
43 Archives and History	8-H79-007	13,422	11-23-77 11-22-78	6,711 50%	0	6,711 50%	0	To restore Pompon Hill Chapel to its original appearance. This church is a National Historical Landmark. This phase of restoration deals with architectural and engineering studies, painting and carpentry.	Approve	No state funds

FEDERAL
GRANTS AND CONTRACTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
44 Archives and History	8-H79-008	25,700	4-6-77 4-5-78	11,955 47%	0	13,745 53%	0	To restore the Sumter Town Hall/Opera House to its original appearance	Approve	Match by City of Sumter Funds
45 Archives and History	8-H79-009	4,000	8-16-77 8-15-78	2,000 50%	0	2,000 50%	0	To restore Sumter Town Hall/Opera House to its original appearance. An added request to 8-H79-008	Approve	
46 Archives and History	8-H79-010	91,000	7-27-77 7-26-78	45,500 50%	0	45,500 50%	0	To restore Newberry Opera House to its original appearance (1882). Listed in National Register of Historical Places.	Approve	No state funds
47 Archives and History	8-H79-011	28,912	7-27-77 7-26-78	14,456 50%	14,456 50%	0	0	To restore Landsford Canal in Chester County to its original appearance (1823). Historical preservation project.	Approve	No state funds
48 S. C. Arts Commission	8-H91-016	20,489	11-1-78 10-30-79	10,000 49%	10,269 50%	220 1%	0	To provide technical assistance in arts administration to community and neighborhood arts organizations	Approve	
49 S. C. Arts Commission	8-H91-017	96,135	1-1-78 12-30-79	20,000 21%	66,230 69%	9,905 10%	0	To provide a comprehensive media program involving film production, editing, screening, and development	Approve	
50 S. C. Arts Commission	8-H91-019	141,116	10-1-77 9-30-78	141,116 100%	0	0	15	To provide highly supervised work experiences in the arts to unemployed people with administrative, technical, office management, or teaching skills	Conditional approval (condition relating to CETA)	An addition to contract #78-WCB between Manpower & Arts Commission, (8-H91-001) which was B&C Board approved 10-11-77.

FEDERAL
GRANTS AND CONTRACTS

	State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
51	DHEC (Pee Dee District I)	8-J04-057	592,845	10-1-78 9-30-79	119,063 20%	21,018 4%	452,764 76%	0	Expand home health services to achieve optimal health status of persons in their place of residence	Approve	The funds to sustain the expansion of home health services, control numbers 8-J04-057, 8-J04-058, 8-J04-059, 8-J04-060, 8-J04-064, and 8-J04-065, come from third party payments. The state funds are used to pay for indigent citizens with no third party means.
52	DHEC (Lowcountry District)	8-J04-058	478,266	10-1-78 9-30-79	60,046 13%	25,681 5%	392,539 82%	4.4	To expand home health services to achieve optimal health status of persons in their place of residence	Approve	
53	DHEC (Lower Savannah District I)	8-J04-059	499,369	10-1-78 9-30-79	92,751 19%	27,084 5%	379,534 76%	5.5	To expand home health services to achieve optimal health status of persons in their places of residence	Approve	
54	DHEC (Waccamaw)	8-J04-060	472,172	10-1-78 9-30-79	81,739 17%	18,237 4%	372,196 79%	5	Expand home health services to achieve optimal health status of persons in their places of residence	Approve	
55	DHEC (Pee Dee District II)	8-J04-064	328,783	10-1-78 9-30-79	51,588 16%	13,500 4%	263,695 80%	3	Expand home health services to achieve optimal health status of persons in their places of residence	Approve	
56	DHEC (Wateree)	8-J04-065	596,100	10-1-78 9-30-79	60,509 10%	22,921 4%	512,670 86%	4	Expand home health services to achieve optimal health status of persons in their places of residence	Approve	

FEDERAL
GRANTS AND CONTRACTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
57 DHEC	8-J04-061	21,500	7-1-77 6-30-78	20,500 95%	0	1,000 5%	0	To provide family planning training to staff	Approve	
58 DHEC	8-J04-062	100,382	1-1-78 12-31-78	80,306 80%	0	20,076 20%	0	To purchase adequate emergency equipment to expand and upgrade the emergency capabilities in Pee Dee Region (McLeod Regional Medical Center)	Approve	
59 DHEC	8-J04-063	2,076	8-30-77 12-31-77	30 1%	2,046 99%	0	0	To provide an instructor for the course of Nursing Service Administration to USC College of Nursing	Approve	
60 DHEC	8-J04-066	84,000	1-2-78 1-31-79	42,000 50%	0	42,000 50%	0	To provide advanced paramedic emergency medical technician training	Approve	
61 DHEC	8-J04-067	81,693	7-1-77 6-30-78	66,771 82%	6,128 7%	8,794 11%	0	To provide a clinic for diagnostic and evaluation services for children	Approve	Other funds are federal Maternal and Child Health funds
62 DHEC	8-J04-068	5,000	7-1-77 6-30-78	5,000 100%	0	0	0	To provide screening for sickle cell trait or disease by performing hemoglobin electrophoresis tests	Approve	
63 DHEC	8-J04-069	19,387	12-1-77 11-30-78	19,387 100%	0	0	1	To conduct environmental epidemiology to determine source of lead toxicity found in children and achieve hazard abatement	Approve	

FEDERAL
GRANTS AND CONTRACTS

	State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
64	Mental Health	8-J12-005	107,448	7-1-77 6-30-78	107,448 100%	0	0	0	To develop expanded Child Psychiatric Liaison Community Consultation Training as a part of the Child Psychiatric Residents, General Psychiatry Residents, and Medical students	Approve	
65	Mental Retardation	8-J16-025	13,620	7-1-77 6-30-78	13,620 100%	0	0	0	To provide for support services which augment the total SCDMR education/training program	Approve	
66	Social Services	8-L04-018	70,638	10-1-77 9-30-78	70,638 100%	0	0	0	To develop a preventive intervention model for child protection and to provide for three treatment projects in Fairfield, Lexington, and Charleston Counties	Approve	
67	Social Services	8-L04-021	59,100	1-1-78 9-30-78	59,100 100%	0	0	0	To provide child care service to participants in the Youth Employment and Training Program	Approve	
68	Social Services	8-L04-022	15,000	1-1-78 12-31-78	15,000 100%	0	0	0	To provide child care for migrant and seasonal farm worker program participants	Approve	
69	Vocational Rehabilitation	8-L08-010	71,147	10-1-77 9-30-78	49,803 70%	21,344 30%	0	0	To provide comprehensive services to epileptics and enable them to obtain rightful place in society	Approve	

FEDERAL
GRANTS AND CONTRACTS

	State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
70	Vocational Rehabilitation	8-L08-011	11,000	1-1-78 12-31-78	11,000 100%	0	0	0	To provide physical examinations and minor medical services to clients of migrant and seasonal farm worker program	Approve	
71	Vocational Rehabilitation	8-L08-012	59,100	1-1-78 9-30-78	59,100 100%	0	0	0	To provide physical examinations and minor medical services to clients in the Youth Employment and Training Program	Approve	
72	State Housing Authority	8-L32-001	1,249,496	10-12-76 6-30-78	1,249,496 100%	0	0	4	To provide financial assistance for lower income families for safe, decent, and sanitary housing	Approve	
73	Department of Corrections	8-N04-036	9,270	1-1-78 12-31-78	8,343 90%	927 10%	0	0	To provide consulting services to update minimum standards for correctional institutions	Approve	
74	Department of Corrections	8-N04-037	32,577	1-1-78 12-31-78	29,319 90%	3,258 10%	0	0	To purchase the Model 76 Data 100 Remote Job Entry Device currently being leased	Approve	
75	Department of Corrections	8-N04-039	33,333	1-1-78 12-31-78	30,000 90%	3,333 10%	0	0	To purchase legal materials as required by US Supreme Court ruling	Approve	

FEDERAL
GRANTS AND CONTRACTS

	State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
76	Youth Services	8-N12-011	332,738	2-1-78 6-30-78	216,280 65%	116,458 35%	0	0	To continue operations of the Youth Bureau Project (17 bureaus) to prevent inappropriate institutionalization for those who have not committed adult types of crimes	Withhold approval pending appearance of Youth Services agency before B&C Board	State funds represent \$92,427 from Youth Services and \$24,031 from OCJP as "buy-in"
77	Water Resources	8-P04-003	100,000	10-1-77 9-30-78	50,000 50%	50,000 50%	0	0	To fund state water resources planning program to provide best management of state's waters	Approve	
78	Department of Labor	8-R36-007	630,430	1-1-78 12-31-78	630,430 100%	0	0	2	To provide manpower and other service to individuals who suffer chronic seasonal unemployment and underemployment	Approve	
79	Employment Security Commission	8-R60-009	658,522	1-1-78 9-30-78	658,522 100%	0	0	15	Providing a broad range of activities for youths 16-21 including vocational training and allowance payments	Approve	
80	Employment Security Commission	8-R60-010	1,821,040	1-1-78 5-15-79	1,821,040 100%	0	0	5.5	Certify eligibility of enrollees, complete appropriate forms, and make training allowance payments for STIP program	Approve	Contract with Tech. & Comprehensive Education
81	Employment Security Commission	8-R60-011	239,000	1-1-78 12-31-78	239,000 100%	0	0	0	Make allowance payments and OJT payments to enrollees in CETA migrant and seasonal farmworker program	Approve	
82	Employment Security Commission	8-R60-012	69,254	10-1-77 9-30-78	69,254 100%	0	0	0	Conduct intake and referral services for migrant and seasonal farmworkers in OJT, classroom training, and work experience	Approve	

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

1

Name of Agency: Division of Administration
Title of Project: Statewide Fire Education and Training Program
Proposed Dates: Beginning: 9-29-77 Ending: 9-28-78
Date of Report: 12-5-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: U. S. Department of Commerce
Control Number: 8-D15-038 Federal Catalog No. 16.700

I. Program

- a. Purpose: To develop a statewide five-year plan for improving fire education and training
- b. Public Benefit: Assessment of the fire education and training needs of SC with a plan for addressing those needs
- c. Permanence as to Federal Financing: Probably one-time funding for development of the plan

II. Financial

- a. Total Amount: \$46,354
- b. Amount Federal: \$46,354 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$n/a
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$5,664
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 1
- b. Number of personnel shifted to federal funds as a result of new program or service: 2 at 50% funding
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 32,700
- e. Number of temporary positions: 0 Amount: \$ 0

Project was approved 9-29-77

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

2

Name of Agency: Division of Administration, Manpower
Title of Project: Youth Employment and Training Program
Proposed Dates: Beginning: 1-1-78 Ending: 9-30-78
Date of Report: 12-12-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: Department of Labor
Control Number: 8-D15-039 Federal Catalog No. 17.232

I. Program

- a. Purpose: To enhance the job prospects and career opportunities of young persons
- b. Public Benefit: Assist the young in securing unsubsidized employment, thereby lowering youth unemployment
- c. Permanence as to Federal Financing: May continue depending upon youth unemployment

II. Financial

- a. Total Amount: \$5,061,687
- b. Amount Federal: \$5,061,687 100 % Amount State: \$0 %
Amount Other: \$0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 18,260
- e. Indirect Cost: \$ 22,000
- f. Cost Sharing: In Kind: \$0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

NOTE: Manpower staff members' salaries and fringe benefits are prorated from the total number of grants

NOTE: Projects 8-L04-021, 8-L08-012, 8-R60-009, and 8-H63-045 (on pages 67, 71, 79, and 40) represent subcontracts to implement this program. Subcontracts with these state agencies amount to \$2,109,314. The balance of \$2,952,373 will be subcontracted to community-based organizations.

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

3

Name of Agency: Disaster Preparedness
Title of Project: State and Local Management
Proposed Dates: Beginning: 10-1-77 Ending: 9-30-78
Date of Report: 12-5-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: Defense Civil Preparedness Agency
Control Number: 8-D35-011 Federal Catalog No. 12.315

I. Program

- a. Purpose: To develop effective civil defense organizations in order to coordinate emergency activities in the event of disaster
- b. Public Benefit: Capability to respond effectively in case of a disaster
- c. Permanence as to Federal Financing: Expected to continue

II. Financial

- a. Total Amount: \$885,270
- b. Amount Federal: \$621,010 70 % Amount State: \$ 264,260 30 %
Amount Other: \$0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$264,260
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$25,870
- e. Indirect Cost: \$34,000
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 264,260
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

Total number of personnel funded: 23

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

4

Name of Agency: S. C. State College
Title of Project: Student Financial Aid Program (College Work Study Program)
Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79
Date of Report: 12-12-77 Prepared by: George F. Oliver
Federal Source: Office of Education
Control Number: 8-H24-008 Federal Catalog No. 13.463

I. Program

- a. Purpose: To provide additional financial aid to qualified applicants in the form of part-time work on campus
- b. Public Benefit: Provide financial aid to student who otherwise could not afford the expense of a college education
- c. Permanence as to Federal Financing: A continuous program

II. Financial

- a. Total Amount: \$400,000
- b. Amount Federal: \$320,000 80% Amount State: \$ 0 %
Amount Other: \$80,000 20 % (revenue received)
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$80,000
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$n/a
- e. Indirect Cost: \$4% of total amount utilized
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 80,000
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

5

Name of Agency: University of South Carolina
Title of Project: Ticket Subsidy Grant
Proposed Dates: Beginning: 10-4-77 Ending: 5-31-78
Date of Report: 12-5-77 Prepared by: George F. Oliver
Federal Source: South Carolina Arts Commission (NEA)
Control Number: 8-H27-048 Federal Catalog No. 45.007

I. Program

- a. Purpose: To make live theatre available to those individuals who would not attend such performances either because of cost or motivation
- b. Public Benefit: Allows economically disadvantaged or culturally deprived to attend live theatre productions
- c. Permanence as to Federal Financing: A continuous program supported by National Endowment of the Arts

II. Financial

- a. Total Amount: \$1,100
- b. Amount Federal: \$400 33 % Amount State: \$0 %
Amount Other: \$700 67 % (gate receipts)
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$700
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ n/a
- e. Indirect Cost: \$ not authorized
- f. Cost Sharing: In Kind: \$0 Cash: \$700 (gate receipts)
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$0
- e. Number of temporary positions: 0 Amount: \$0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

6

Name of Agency: University of South Carolina
Title of Project: Coastal Morphology, Sedimentation and Sediment Dispersal Dynamics
(Germany)
Proposed Dates: Beginning: 1-1-78 Ending: 12-31-81
Date of Report: 12-5-77 Prepared by: George F. Oliver
Federal Source: Office of Naval Research
Control Number: 8-H27-049 Federal Catalog No. none (contract)

I. Program

- a. Purpose: A research study to document and interpret the stability of intertidal and shallow subtidal sandbodies in the Southeast Cost of the North Sea
- b. Public Benefit: Increase scientific data of tides and effects of tides on coastline of Germany
- c. Permanence as to Federal Financing: Proposed 3-year study

II. Financial

- a. Total Amount: \$141,110
- b. Amount Federal: \$141,110 100 % Amount State: \$ 0 %
Amount Other: \$0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$1,092
- e. Indirect Cost: \$21,780
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 3/4 of post-doctoral student
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 13,500
- e. Number of temporary positions: 3.75 Amount: \$26,100
(students)

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

7

Name of Agency: University of South Carolina
Title of Project: Pre-college Teacher Development in Science Project
Proposed Dates: Beginning: 7-17-78 Ending: 6-30-79
Date of Report: 12-5-77 Prepared by: George F. Oliver
Federal Source: National Science Foundation
Control Number: 8-H27-050 Federal Catalog No. 47.049

I. Program

- a. Purpose: This project will provide instruction on various aspects of energy for SC high school teachers of science and mathematics
- b. Public Benefit: To better equip science teachers to carry out instructions in energy in their high school physics programs
- c. Permanence as to Federal Financing: A one-year grant

II. Financial

- a. Total Amount: \$ 7,402
- b. Amount Federal: \$ 7,402 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 407
- e. Indirect Cost: \$ 1,171
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 1 professional, 3 mo.
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 2,708
- e. Number of temporary positions: 1 mo. Amount: \$ 600
graduate student

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

8

Name of Agency: University of South Carolina, School of Social Work
Title of Project: Community Health Graduate Training in Social Work
Proposed Dates: Beginning: 7-1-77 Ending: 6-30-79
Date of Report: 12-9-77 Prepared by: George F. Oliver
Federal Source: National Institute of Mental Health
Control Number: 8-H27-052 Federal Catalog No. 13.244

I. Program

- a. Purpose: To train graduate social work students in the field of community mental health
- b. Public Benefit: To enhance existing community mental health services within the Columbia area
- c. Permanence as to Federal Financing: A continuing program since 1974

II. Financial

- a. Total Amount: \$23,256
- b. Amount Federal: \$23,256 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$n/a
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ student fees and stipends only requested
- e. Indirect Cost: \$ 1,326
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

9

Name of Agency: University of South Carolina
Title of Project: Postdoctoral Retraining in Clinical Psychology
Proposed Dates: Beginning: 9-1-78 Ending: 6-30-79
Date of Report: 12-9-77 Prepared by: George F. Oliver
Federal Source: National Institute of Mental Health
Control Number: 8-H27-053 Federal Catalog No. 13.244

I. Program

- a. Purpose: A one-year program to train individuals at the post-doctoral level who have PhD's in some area of psychology, who wish to change their speciality to clinical psychology
- b. Public Benefit: To assist in increasing the number of clinical psychologists who are in short supply nationally
- c. Permanence as to Federal Financing: A one-year program

II. Financial

- a. Total Amount: \$16,637
- b. Amount Federal: \$16,637 100 % Amount State: \$ 0 %
Amount Other: \$0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$n/a
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$180
- e. Indirect Cost: \$ 1,233 8%
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

10

Name of Agency: University of South Carolina Two Year Regional Campuses
Title of Project: Salkehatchie Child Development Center
Proposed Dates: Beginning: 10-1-77 Ending: 6-30-78
Date of Report: 12-9-77 Prepared by: George F. Oliver
Federal Source: DHEW, Title XX (subcontract DSS)
Control Number: 8-H43-007 Federal Catalog No. _____

I. Program

- a. Purpose: To provide child care services for 25 children of AFDC parents and practical training for students in early childhood education programs
- b. Public Benefit: To improve educational conditions of these children as well as cultural experiences
- c. Permanence as to Federal Financing: Continuous program that began in 1974

II. Financial

- a. Total Amount: \$ 43,822
- b. Amount Federal: \$ 32,867 75 % Amount State: \$ 10,955 25 %
Amount Other: \$ 0 % (DSS appropriated funds)
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 10,955
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 3,986
- e. Indirect Cost: \$ 846
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0
- 5 personnel are currently funded on this project \$30,985

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

11

Name of Agency: Medical University
Title of Project: College of Dental Medicine Federal Capitation Award
Proposed Dates: Beginning: 10-1-77 Ending: 9-30-78
Date of Report: 12-13-77 Prepared by: George F. Oliver
Federal Source: DHEW--Bureau of Health Manpower
Control Number: 8-H51-085 Federal Catalog No. 13.339

I. Program

- a. Purpose: To provide funds for a dependable support base for educational programs of the College of Dental Medicine
- b. Public Benefit: To increase the growth of developing basic science and clinical science departments which improve the Dental Medical education to students
- c. Permanence as to Federal Financing: A continuing program

II. Financial

- a. Total Amount: \$260,164
- b. Amount Federal: \$260,164 100 % Amount State: \$0 %
Amount Other: \$0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$n/a
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$15,400
- e. Indirect Cost: \$ not authorized
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

Total of 5 unclassified and 4 classified positions currently employed with these funds

STATE AUDITOR'S OFFICE
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Name of Agency: Medical University of South Carolina

Title of Project: National Direct Student Loan Program

Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79

Date of Report: 12-1-77 Prepared by: George F. Oliver/RAE

Federal Source: Regional Office of Education

Control Number: 8-H51-127 Federal Catalog No. 13.471

I. Program

- a. Purpose: To provide financial assistance to deserving students
- b. Public Benefit: Enables worthy students to enter school and/or continue their educational pursuits
- c. Permanence as to Federal Financing: Continuing

II. Financial

- a. Total Amount: \$ 241,148
- b. Amount Federal: \$ 217,033 90 % Amount State: \$ 0 %
Amount Other: \$ 24,115 10 % (Higher Education Tuition Grants Com.)
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 24,115
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ n/a
- e. Indirect Cost: \$ 4% allowed for administration
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 24,115
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

13

Name of Agency: Medical University
Title of Project: Genetics Research
Proposed Dates: Beginning: 12-1-77 Ending: 11-30-78
Date of Report: 12-13-77 Prepared by: George F. Oliver
Federal Source: National Institute of Health
Control Number: 8-H51-128 Federal Catalog No. 13.862

I. Program

- a. Purpose: A research study in gene regulation in order to be directly applied to the study of genetic disorders, the immunoglobulin genes in myeloma cell lines, and eventually to integrated tumor virus genes
- b. Public Benefit: Increase scientific knowledge in gene regulation
- c. Permanence as to Federal Financing: 1st year of a 5-year program

II. Financial

- a. Total Amount: \$168,659
- b. Amount Federal: \$150,938 90 % Amount State: \$17,721 10 %
Amount Other: \$0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 17,721
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$4,206
- e. Indirect Cost: \$ 13,974
- f. Cost Sharing: In Kind: \$ 17,721 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 4
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 30,573
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Medical University of South Carolina
 Title of Project: Integrating Primary Health Care into BSN Curriculum
 Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79
 Date of Report: 12-1-77 Prepared by: George F. Oliver/RAE
 Federal Source: DHEW--Public Health Service
 Control Number: 8-H51-129 Federal Catalog No. 13.359

I. Program

- a. Purpose: To modify the baccalaureate nursing curriculum incorporating into the nursing courses knowledge and skills to increase the graduates' contribution to primary health care, i.e., securing health history, assessing health status of patient, planning with individuals and families to meet their health needs.
- b. Public Benefit: Training baccalaureate degree nursing professionals for an increased contribution to primary health care
- c. Permanence as to Federal Financing:
First year request of a 3-year proposal

II. Financial

- a. Total Amount: \$150,179
- b. Amount Federal: \$138,084 92 % Amount State: \$12,095 8 %
 Amount Other: \$0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
 Amount: \$12,095
- d. Fringe Benefits Included: Yes ☒ No ☐
 Amount: \$11,584
- e. Indirect Cost: \$10,228
- f. Cost Sharing: In Kind: \$12,095 Cash: \$0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$0

III. Personnel

- a. Number of new federally funded personnel: 5
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$69,056
- e. Number of temporary positions: 0 Amount: \$0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Medical University of South Carolina
 Title of Project: Drug Abuse Training for Medical Professionals
 Proposed Dates: Beginning: 1-1-78 Ending: 12-30-78
 Date of Report: 12-1-77 Prepared by: George F. Oliver/RAE
 Federal Source: DHEW--National Institute on Drug Abuse
 Control Number: 8-H51-130 Federal Catalog No. 13.280

I. Program

- a. Purpose: A unified drug abuse education and training program for medical professionals in the Colleges of Medicine and Nursing
- b. Public Benefit: Adding to the skills of doctors and nurses in this area will hopefully impact upon the incidence and prevalence of drug abuse
- c. Permanence as to Federal Financing: 2nd year application for a 3-year project--100% federal

II. Financial

- a. Total Amount: \$87,011
- b. Amount Federal: \$87,011 100 % Amount State: \$ 0 %
 Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
 Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☒ No ☐
 Amount: \$ 9,858
- e. Indirect Cost: \$ 6,445
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 2
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 22,320
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Medical University of South Carolina

Title of Project: Pee Dee Heart and Stroke Study

Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79

Date of Report: 12-1-77 Prepared by: George F. Oliver/RAE

Federal Source: DHEW, National Heart, Lung, and Blood Institute

Control Number: 8-H51-131 Federal Catalog No. 13.837

I. Program

- a. Purpose: To identify environmental risk factors in coronary heart disease and stroke in Florence and Darlington Counties of the Pee Dee Area of SC. Three innovative parts of the study are (1) a specific link between drinking water quality, (2) influence of cooking utensils, and (3) psychosocial overview.
- b. Public Benefit: These counties rank among the highest in the US for heart attacks and stroke mortality. If the reasons for the high percentage is found, it could be most beneficial
- c. Permanence as to Federal Financing:

II. Financial

- a. Total Amount: \$ 314,936
- b. Amount Federal: \$ 314,936 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 19,843
- e. Indirect Cost: \$ 63,163
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 7,582 (1/2 salary of person shifted to federal funds)

III. Personnel

- a. Number of new federally funded personnel: 6
- b. Number of personnel shifted to federal funds as a result of new program or service: .5
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 93,393
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
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17

Name of Agency: Medical University of South Carolina
Title of Project: Supplemental Educational Opportunity Grants--Student Financial Aid
Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79
Date of Report: 12-1-77 Prepared by: George F. Oliver/RAE
Federal Source: Regional Office of Education
Control Number: 8-H51-132 Federal Catalog No. 13.418

I. Program

- a. Purpose: To provide financial assistance to needy students enabling them to enter school and/or continue their educational endeavors
- b. Public Benefit: Students who would otherwise be denied can secure an education
- c. Permanence as to Federal Financing: Continuing

II. Financial

- a. Total Amount: \$56,520
- b. Amount Federal: \$56,520 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ n/a
- e. Indirect Cost: \$ 4% of grant allowable for administrative overhead
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Medical University of South Carolina
 Title of Project: College Work-Study Program
 Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79
 Date of Report: 12-1-77 Prepared by: George F. Oliver/RAE
 Federal Source: Regional Office of Education
 Control Number: 8-H51-133 Federal Catalog No. 13.463

I. Program

- a. Purpose: To provide income and work experience to deserving students
- b. Public Benefit: Enabling deserving students to enter school and/or continue their educational pursuits
- c. Permanence as to Federal Financing: Continuing

II. Financial

- a. Total Amount: \$ 38,887
- b. Amount Federal: \$ 30,887 80 % Amount State: \$ 8,000 20 %
 Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
 Amount: \$ 8,000
- d. Fringe Benefits Included: Yes ☐ No ☒
 Amount: \$ n/a
- e. Indirect Cost: \$ 4% of grant is allowable for administration
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 8,000
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
 \$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Medical University of South Carolina
 Title of Project: College Work-Study Program
 Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79
 Date of Report: 12-1-77 Prepared by: George F. Oliver/RAE
 Federal Source: Regional Office of Education
 Control Number: 8-H51-133 Federal Catalog No. 13.463

I. Program

- a. Purpose: To provide income and work experience to deserving students
- b. Public Benefit: Enabling deserving students to enter school and/or continue their educational pursuits
- c. Permanence as to Federal Financing: Continuing

II. Financial

- a. Total Amount: \$ 38,887
- b. Amount Federal: \$ 30,887 80 % Amount State: \$ 8,000 20 %
 Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
 Amount: \$ 8,000
- d. Fringe Benefits Included: Yes ☐ No ☒
 Amount: \$ n/a
- e. Indirect Cost: \$ 4% of grant is allowable for administration
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 8,000
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
 \$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

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Name of Agency: Medical University of South Carolina
Title of Project: Androgen Action in Cultured Chick Comb Fibroblasts
Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79
Date of Report: 12-1-77 Prepared by: George F. Oliver/RAE
Federal Source: DHEW, NIH
Control Number: 8-H51-134 Federal Catalog No. 13.863

I. Program

- a. Purpose: To study the action of male sex hormones in cultured chicken comb cells from which connective tissue is developed. The mechanisms in which cells metabolize and retain androgens will be investigated.
- b. Public Benefit: The results of this study could be used in many branches of medicine, i.e., male impotence, male sterility, and cancer treatment
- c. Permanence as to Federal Financing: This is the first year request for a proposed 3-year study

II. Financial

- a. Total Amount: \$45,537
- b. Amount Federal: \$40,440 89 % Amount State: \$ 5,097 11 %
Amount Other: \$0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 5,097
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 3,282
- e. Indirect Cost: \$8,135
- f. Cost Sharing: In Kind: \$ 5,097 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 1.5
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 15,165
- e. Number of temporary positions: 0 Amount: \$ 0

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20

Name of Agency: Medical University
Title of Project: Decidualizing Stimuli
Proposed Dates: Beginning: 6-1-78 Ending: 5-30-79
Date of Report: 12-13-77 Prepared by: George F. Oliver
Federal Source: National Institute of Health
Control Number: 8-H51-135 Federal Catalog No. 13.333

I. Program

- a. Purpose: A research program to identify the role of arachidonate metabolites
- b. Public Benefit: Increase scientific knowledge of potent stimuli to physiological system
- c. Permanence as to Federal Financing: 1st year of a 3-year program

II. Financial

- a. Total Amount: \$55,852
- b. Amount Federal: \$52,816 95 % Amount State: \$3,036 5 %
Amount Other: \$0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$3,036
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$3,530
- e. Indirect Cost: \$11,236
- f. Cost Sharing: In Kind: \$3,036 Cash: \$0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$0

III. Personnel

- a. Number of new federally funded personnel: 1.5
- b. Number of personnel shifted to federal funds as a result of new program or service: 1
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$15,200
- e. Number of temporary positions: 0 Amount: \$0

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Name of Agency: Medical University of South Carolina
Title of Project: Postdoctoral Training in Clinical Pharmacology
Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79
Date of Report: 12-2-77 Prepared by: George F. Oliver/RAE
Federal Source: DHEW, Institutional National Research Award
Control Number: 8-H51-136 Federal Catalog No. 13.859

I. Program

- a. Purpose: To provide physicians with postdoctoral research fellowship training in clinical pharmacology
- b. Public Benefit: Producing clinical scientists who are primarily interested and skilled in studying drugs for the purpose of improving drug therapy
- c. Permanence as to Federal Financing: Continuation request (3 additional years)

II. Financial

- a. Total Amount: \$45,395
- b. Amount Federal: \$32,681 72 % Amount State: \$ 12,714 28 %
Amount Other: \$0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$12,714
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$1,814
- e. Indirect Cost: \$2,421
- f. Cost Sharing: In Kind: \$ 12,714 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

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22

Name of Agency: Medical University
Title of Project: Mechanism of Iron Storage and Mobilization by Ferritin
Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79
Date of Report: 12-13-77 Prepared by: George F. Oliver
Federal Source: National Institute of Health
Control Number: 8-H51-137 Federal Catalog No. 13.333

I. Program

- a. Purpose: Research project to secure definitive information at the molecular level about the mechanism by which ferritin sequesters and subsequently mobilizes metabolic iron
- b. Public Benefit: Increase scientific knowledge regarding the process of storing iron the the body
- c. Permanence as to Federal Financing: 1st year of a 3-year study

II. Financial

- a. Total Amount: \$ 40,500
- b. Amount Federal: \$ 37,605 93 % Amount State: \$ 2,895 7 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 2,895
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 2,361
- e. Indirect Cost: \$ 7,844
- f. Cost Sharing: In Kind: \$ 2,985 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Technical and Comprehensive Education (Greenville)
 Title of Project: Federal Student Aid Program--College Work-Study
 Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79
 Date of Report: 12-2-77 Prepared by: R. Archie Ellis
 Federal Source: Regional Office of Education
 Control Number: 8-H59-027 Federal Catalog No. 13.463

I. Program

- a. Purpose: To give a worthy student an opportunity to work, thus beginning and/or continuing his education
- b. Public Benefit: Assisting worthy students to get a post-secondary education
- c. Permanence as to Federal Financing: On-going since 1965

II. Financial

- a. Total Amount: \$ 249,174
- b. Amount Federal: \$ 199,339 80 % Amount State: \$ 0 %
 Amount Other: \$ 49,835 20 % (local funds)
- c. Funds Available to Match Program: Yes ☒ No ☐
 Amount: \$ 49,835
- d. Fringe Benefits Included: Yes ☐ No ☒
 Amount: \$ n/a
- e. Indirect Cost: \$ 4% allowable for administration
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 49,835
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
 \$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Technical and Comprehensive Education (Sumter)
 Title of Project: Federal Student Financial Aid--Work-Study
 Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79
 Date of Report: 12-2-77 Prepared by: R. Archie Ellis
 Federal Source: Regional Office of Education
 Control Number: 8-H59-028 Federal Catalog No. 13.463

I. Program

- a. Purpose: To give worthy college students work experience and income in order for them to begin and/or continue their post-secondary educations
- b. Public Benefit: Assisting worthy students in order for them to continue their educational pursuits
- c. Permanence as to Federal Financing: Continuous since 1965

II. Financial

- a. Total Amount: \$ 88,608
- b. Amount Federal: \$ 71,458 80 % Amount State: \$ 0 %
 Amount Other: \$ 17,150 20 %
- c. Funds Available to Match Program: Yes ☒ No ☐
 Amount: \$ 17,150
- d. Fringe Benefits Included: Yes ☐ No ☒
 Amount: \$ n/a
- e. Indirect Cost: \$ 4% allowed for administration
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 17,150
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
 \$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
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Name of Agency: Technical and Comprehensive Education (Greenwood)
 Title of Project: Federal Student Financial Aid (Work-Study)
 Proposed Dates: Beginning: 7-1-77 Ending: 6-30-78
 Date of Report: 12-5-77 Prepared by: R. Archie Ellis
 Federal Source: Regional Office of Education
 Control Number: 8-H59-050 Federal Catalog No. 13.463

I. Program

- a. Purpose: To provide eligible students with employment in order to enable them to begin and/or continue their educations
- b. Public Benefit: Assisting worthy eligible students
- c. Permanence as to Federal Financing: Continuous since 1965

II. Financial

- a. Total Amount: \$86,061
- b. Amount Federal: \$69,061 80 % Amount State: \$ 0 %
 Amount Other: \$17,000 20 % (local funds)
- c. Funds Available to Match Program: Yes ☒ No ☐
 Amount: \$17,000
- d. Fringe Benefits Included: Yes ☐ No ☒
 Amount: \$n/a
- e. Indirect Cost: \$ 4% for administration
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 17,000
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
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Name of Agency: Technical and Comprehensive Education (Greenwood)
 Title of Project: Student Financial Aid -- SEOG
 Proposed Dates: Beginning: 7-1-77 Ending: 6-30-78
 Date of Report: 12-5-77 Prepared by: R. Archie Ellis
 Federal Source: Regional Office of Education
 Control Number: 8-H59-051 Federal Catalog No. 13.418

I. Program

- a. Purpose: To provide supplemental grants to eligible students with exceptional need
- b. Public Benefit: Assisting worthy students to begin and/or continue their post-secondary educations
- c. Permanence as to Federal Financing: Continuous since 1965

II. Financial

- a. Total Amount: \$ 7,696
- b. Amount Federal: \$ 7,696 100 % Amount State: \$ 0 %
 Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
 Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☐ No ☒
 Amount: \$ n/a
- e. Indirect Cost: \$ 4% of grant is allowed for administration
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
 \$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

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Name of Agency: Technical and Comprehensive Education (Sumter)
Title of Project: Federal Student Financial Aid--SEOG
Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79
Date of Report: 12-2-77 Prepared by: R. Archie Ellis
Federal Source: Regional Office of Education
Control Number: 8-H59-052 Federal Catalog No. 13.418

I. Program

- a. Purpose: To provide assistance grants to working students thus enabling them to begin and/or continue their post-secondary education
- b. Public Benefit: Aiding worthy students
- c. Permanence as to Federal Financing: Continuous since 1965

II. Financial

- a. Total Amount: \$ 2,309
- b. Amount Federal: \$ 2,309 100% Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ 0
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ 0
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Technical and Comprehensive Education (Greenville)
 Title of Project: Federal Student Financial Aid Program (SEOG)
 Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79
 Date of Report: 12-2-77 Prepared by: R. Archie Ellis
 Federal Source: Regional Office of Education
 Control Number: 8-H59-053 Federal Catalog No. 13.418

I. Program

- a. Purpose: A program of assistance to worthy students, thus enabling them to begin and/or continue their post-secondary educations
- b. Public Benefit: Assisting worthy students to get a college education
- c. Permanence as to Federal Financing: Continuous since 1965

II. Financial

- a. Total Amount: \$ 63,097
- b. Amount Federal: \$ 63,097 100 % Amount State: \$ 0 %
 Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
 Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☐ No ☒
 Amount: \$ n/a
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
 \$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
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Name of Agency: Technical and Comprehensive Education (Greenville)
 Title of Project: Federal Student Financial Aid (Direct Student Loan)
 Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79
 Date of Report: 12-2-77 Prepared by: R. Archie Ellis
 Federal Source: Regional Office of Education
 Control Number: 8-H59-054 Federal Catalog No. 13.471

I. Program

- a. Purpose: To provide low interest loans to worthy post-secondary students
- b. Public Benefit: Enables many to begin and/or continue in their scholastic pursuits
- c. Permanence as to Federal Financing: Continuing since 1965

II. Financial

- a. Total Amount: \$7,126
- b. Amount Federal: \$6,413 90 % Amount State: \$0 %
 Amount Other: \$713 10 %
- c. Funds Available to Match Program: Yes ☒ No ☐
 Amount: \$713
- d. Fringe Benefits Included: Yes ☐ No ☒
 Amount: \$ n/a
- e. Indirect Cost: \$ 4% allowable for administration
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 713
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$0
- e. Number of temporary positions: 0 Amount: \$ 0

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Name of Agency: Technical and Comprehensive Education (Midlands)
Title of Project: Area Cardio-Pulmonary Resuscitation Training Program
Proposed Dates: Beginning: 3-1-78 Ending: 2-28-79
Date of Report: 12-12-77 Prepared by: R. Archie Ellis
Federal Source: CSCE through Commission on Higher Education
Control Number: 8-H59-056 Federal Catalog No. 13.491

I. Program

- a. Purpose: To train 1,000 lay persons in the Midlands area to utilize CPR techniques
- b. Public Benefit: A life-saving effort as these 1,000 persons teach other lay persons to administer CPR
- c. Permanence as to Federal Financing: one-year request

II. Financial

- a. Total Amount: \$33,990
- b. Amount Federal: \$24,400 72 % Amount State: \$ 2,745 8 %
Amount Other: \$6,845 20 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$9,590
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$2,595
- e. Indirect Cost: \$4,067
- f. Cost Sharing: In Kind: \$ 9,590 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 1 1/3
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 15,000
- e. Number of temporary positions: 0 Amount: \$ 0

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Name of Agency: Technical and Comprehensive Education (Denmark)
Title of Project: College Freshman-Sophomore Science Career Workshop
Proposed Dates: Beginning: 6-1-78 Ending: 11-30-78
Date of Report: 12-12-77 Prepared by: R. Archie Ellis
Federal Source: National Science Foundation
Control Number: 8-H59-057 Federal Catalog No. unknown

I. Program

- a. Purpose: A two-day workshop for female college freshmen and sophomores to attract, train, and maintain females in the various disciplines of science for scientific employment and to provide factual information and practical advice regarding careers in science
b. Public Benefit: Assists these female students in career choices

c. Permanence as to Federal Financing: A one-time short period request

II. Financial

- a. Total Amount: \$ 10,000
b. Amount Federal: \$ 10,000 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ n/a
d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ n/a
e. Indirect Cost: \$ 200
f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
b. Number of personnel shifted to federal funds as a result of new program or service: 0
c. Number of new state funded positions resulting from program: 0
d. Total amount for new positions: \$ 0
e. Number of temporary positions: 5 for 3 wks. Amount: \$ 4,217

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Name of Agency: Technical and Comprehensive Education
Title of Project: Skill Training Improvement Program (STIP)
Proposed Dates: Beginning: 1-1-78 Ending: 12-30-78
Date of Report: 12-13-77 Prepared by: R. Archie Ellis
Federal Source: Manpower Planning and Coordination, Governor's Office
Control Number: 8-H59-058 Federal Catalog No. 17.232, Title III

I. Program

- a. Purpose: To provide advanced skill training to low income and unemployed citizens of the state by private sector employers to insure that the training materials, equipment, and instructors meet the occupational requirements of industry. Technical Education will administer the program, coordinating with Employment Security Commission. The sub-contracts will be Daniel International and the Oak Ridge Associated Universities
- b. Public Benefit:
- c. Permanence as to Federal Financing: First year request of a two-year program

II. Financial

- a. Total Amount: \$1,450,000
- b. Amount Federal: \$1,450,000 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$n/a
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$15,455
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 9
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 114,006 (plus fringe of \$15,455)
- e. Number of temporary positions: 0 Amount: \$ 0

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33

Name of Agency: Department of Education
Title of Project: Prevocational Instructional Materials
Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79
Date of Report: 12-12-77 Prepared by: George F. Oliver
Federal Source: Appalachian Regional Commission
Control Number: 8-H63-037 Federal Catalog No. 23.012

I. Program

- a. Purpose: To disseminate the prevocational instructional materials which were developed under Phase I and Phase II of this continuation project
- b. Public Benefit: To improve the vocational educational system in the Appalachian Region of the state
- c. Permanence as to Federal Financing: This is the last year of a 3-year program

II. Financial

- a. Total Amount: \$ 116,000
- b. Amount Federal: \$ 100,000 86 % Amount State: \$ 16,000 14 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 16,000
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 5,858
- e. Indirect Cost: \$ 23,847
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 16,000
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

There are 5 staff positions funded currently under this project.

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Name of Agency: Department of Education
Title of Project: School Management as Related to Instruction
Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79
Date of Report: 12-12-77 Prepared by: George F. Oliver
Federal Source: Appalachian Regional Commission
Control Number: 8-H63-038 Federal Catalog No. 23.016

I. Program

- a. Purpose: A project designed to assist in the improvement of administrative management practices as related to the instructional program in six SC Appalachian Counties
- b. Public Benefit: Improve the quality of management for instructional programs and provide improvement in overall educational program
- c. Permanence as to Federal Financing: A 12-month project

II. Financial

- a. Total Amount: \$50,000
- b. Amount Federal: \$37,500 75 % Amount State: \$12,500 25 %
Amount Other: \$0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$12,500
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$no salaries requested
- e. Indirect Cost: \$0
- f. Cost Sharing: In Kind: \$12,500 Cash: \$0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$0
- e. Number of temporary positions: 0 Amount: \$0

STATE AUDITOR'S OFFICE
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Name of Agency: Department of Education
Title of Project: Basic Literacy Inservice
Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79
Date of Report: 12-13-71 Prepared by: George F. Oliver
Federal Source: Appalachian Regional Commission
Control Number: 8-H63-039 Federal Catalog No. 23.016

I. Program

- a. Purpose: To instruct the teachers in 6 Appalachian S.C. counties the most successful methods of disseminating knowledge in the areas of math, science, language arts, and social studies through prescriptive and integrative activities
b. Public Benefit: Improves all quality of educational instruction
c. Permanence as to Federal Financing: 3rd year of a 3-year program

II. Financial

- a. Total Amount: \$74,072
b. Amount Federal: \$37,036 50 % Amount State: \$37,036 50 %
Amount Other: \$0 %
c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$37,036
d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$no salaries requested
e. Indirect Cost: \$0
f. Cost Sharing: In Kind: \$ 37,036 Cash: \$ 0
g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
b. Number of personnel shifted to federal funds as a result of new program or service: 0
c. Number of new state funded positions resulting from program: 0
d. Total amount for new positions: \$ 0
e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
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Name of Agency: Department of Education
Title of Project: Preschool Incentive Grant
Proposed Dates: Beginning: 7-1-77 Ending: 9-30-78
Date of Report: 12-13-77 Prepared by: George F. Oliver
Federal Source: U. S. Office of Education, Bureau of Handicapped
Control Number: 8-H63-040 Federal Catalog No. 13.449

I. Program

- a. Purpose: To provide special education and related services to five-year old handicapped children
- b. Public Benefit: Provides early aid to handicapped children in 72 school districts and 28 other agencies and organizations who serve handicapped children
- c. Permanence as to Federal Financing: 12-month program

II. Financial

- a. Total Amount: \$240,604
- b. Amount Federal: \$240,604 100 % Amount State: \$ 0 %
Amount Other: \$0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$n/a
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$no salaries included
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

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Name of Agency: Department of Education
Title of Project: Diagnostic Prescription Services for the Handicapped
Proposed Dates: Beginning: 2-1-77 Ending: 11-30-77
Date of Report: 12-13-77 Prepared by: George F. Oliver
Federal Source: Subcontract with Auburn University
Control Number: 8-H63-041 Federal Catalog No. 13.450

I. Program

- a. Purpose: To provide funds on a subcontract basis for 8 diagnostic prescription centers. Service centers provide evaluations of the handicapped children and prescribe special educational needs of these children
- b. Public Benefit: Improvement of the educational opportunities for handicapped children
- c. Permanence as to Federal Financing: Last year of a 3-year program

II. Financial

- a. Total Amount: \$57,565
- b. Amount Federal: \$57,565 100 % Amount State: \$0 %
Amount Other: \$0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$n/a
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$2,451
- e. Indirect Cost: \$7,948
- f. Cost Sharing: In Kind: \$0 Cash: \$0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$0
- e. Number of temporary positions: 0 Amount: \$0

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38

Name of Agency: Department of Education
Title of Project: Support Activities for Gifted and Talented Children
Proposed Dates: Beginning: 9-1-78 Ending: 8-31-79
Date of Report: 12-13-77 Prepared by: George F. Oliver
Federal Source: U. S. Office of Education
Control Number: 8-H63-042 Federal Catalog No. 13.562A

I. Program

- a. Purpose: To provide funds for 30 school districts to plan, train teachers, and follow up procedures training efforts for the various gifted and talented children in grades K-12. Will provide funds for a statewide conference.
- b. Public Benefit: Improvement of the training of children who have special skills and assist teachers of these children with the most modern techniques in classroom instruction
- c. Permanence as to Federal Financing: 3rd year of a 3-year program

II. Financial

- a. Total Amount: \$ 388,032
- b. Amount Federal: \$ 38,032 10 % Amount State: \$ 350,000 90 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 350,000
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ no salaries requested from federal program
- e. Indirect Cost: \$ 5,132
- f. Cost Sharing: In Kind: \$ 350,000 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

NOTE: State match is total state appropriation for the gifted and talented program in the Department of Education.

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Name of Agency: Department of Education
Title of Project: Arts in Education
Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79
Date of Report: 12-13-77 Prepared by: George F. Oliver
Federal Source: U. S. Office of Education
Control Number: 8-H63-043 Federal Catalog No. 13.566

I. Program

- a. Purpose: To provide funds for consultants who will design and document art processes that can be utilized in reading, math, and social studies
- b. Public Benefit: To increase the motivation for children through arts and enhance learning in certain basic skills
- c. Permanence as to Federal Financing: A 12-month program

II. Financial

- a. Total Amount: \$8,439
- b. Amount Federal: \$8,439 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ n/a
- e. Indirect Cost: \$ 1,139
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

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40

Name of Agency: Department of Education
Title of Project: CETA Title III--Youth Employment Training Program
Proposed Dates: Beginning: 1-1-78 Ending: 9-30-78
Date of Report: 12-13-77 Prepared by: George F. Oliver
Federal Source: Department of Labor (subcontract from Governor's Office of Manpower)
Control Number: 8-H63-045 Federal Catalog No. 17.232

I. Program

- a. Purpose: To provide an educational program at 23 vocational education centers for school dropouts whose eligibility is determined by SCECC and students already enrolled in vocational training programs
- b. Public Benefit: Increase educational opportunity for high school dropouts and reduce unemployment
- c. Permanence as to Federal Financing: A 9-month program that is expected to continue

II. Financial

- a. Total Amount: \$ 1,332,592
- b. Amount Federal: \$ 1,332,592 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 4,005
- e. Indirect Cost: \$ 4,353
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 2
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 30,000
- e. Number of temporary positions: 0 Amount: \$ 0

\$1,294,234 will be subcontracted to 13 school districts to 195 students; 15 for each selected vocational education training center. Youths aged 16-21 will be declared eligible by the Employment Security Commission and will receive \$2.65 per hour for 5 hours for 37.7 weeks. Also, program will support 440 youths already in vocational education programs with rate of pay at \$2.88 per hour for 2 hours per day.

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Name of Agency: School for the Deaf and the Blind

Title of Project: An Individualized Home-based Training for Preschool Deaf and Blind Children and Their Families

Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79

Date of Report: 12-5-77 Prepared by: R. Archie Ellis

Federal Source: Appalachian Regional Commission

Control Number: 8-H75-007 Federal Catalog No. 13.013

I. Program

- a. Purpose: To deliver comprehensive data-based home teaching services to severely sensory impaired and multi-impaired preschool children in the six county Appalachian Region. There are approximately 70 such children age birth-to 4.
- b. Public Benefit: Increaseing the public's commitment to see that all deaf and/or blind preschool children in the community develop optimally
- c. Permanence as to Federal Financing: One-year request

II. Financial

- a. Total Amount: \$ 68,437
- b. Amount Federal: \$ 58,751 86 % Amount State: \$ 9,686 14 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 9,686
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 7,096
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 9,230 Cash: \$ 456
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 4
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 45,620 (plus fringe of 7,096)
- e. Number of temporary positions: 0 Amount: \$ 0

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Name of Agency: Archives and History
Title of Project: Pompion Hill Chapel Development Project--Phase I
Proposed Dates: Beginning: 3-18-77 Ending: 3-17-78
Date of Report: 12-6-77 Prepared by: R. Archie Ellis
Federal Source: Department of Interior
Control Number: 8-H79-006 Federal Catalog No. 15.904

I. Program

- a. Purpose: This chapel in Berkeley County is a National Historic Landmark and is rapidly deteriorating due to foundation settling and severe roof leakage. This phase of restoration will address these two problems
- b. Public Benefit: As we preserve our historic landmarks, all are benefitted.
- c. Permanence as to Federal Financing: There will probably be three phases of restoration and development

II. Financial

- a. Total Amount: \$6,578
- b. Amount Federal: \$3,289 50 % Amount State: \$ 0 %
Amount Other: \$3,289 50 % (Episcopal Diocese of SC)
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$3,289
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ n/a
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 3,289
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

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Name of Agency: Archives and History
Title of Project: Pompion Hill Chapel Development Project -- Phase II
Proposed Dates: Beginning: 11-23-77 Ending: 11-22-78
Date of Report: 12-6-77 Prepared by: R. Archie Ellis
Federal Source: Department of the Interior
Control Number: 8-H79-007 Federal Catalog No. 15.904

I. Program

- a. Purpose: To restore Pompion Hill Chapel, Berkeley County, to its original appearance. This is Phase II to pay for architectural and engineering studies, painting, plastering, and carpentry
- b. Public Benefit: The preservation of our historical landmarks is of benefit to all
- c. Permanence as to Federal Financing: Phase II of 3 proposed phases

II. Financial

- a. Total Amount: \$13,422
- b. Amount Federal: \$6,711 50 % Amount State: \$ 0 %
Amount Other: \$6,711 50 % (Episcopal Diocese of SC)
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$6,711
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$n/a
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$6,711
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

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Name of Agency: Archives and History
Title of Project: Sumter Town Hall/Opera House Development Project (Phase II)
Proposed Dates: Beginning: 4-6-77 Ending: 4-5-78
Date of Report: 12-12-77 Prepared by: R. Archie Ellis
Federal Source: Department of the Interior
Control Number: 8-H79-008 Federal Catalog No. 15.904

I. Program

- a. Purpose: To restore the Sumter Town Hall/Opera House to its original appearance by cleaning, repainting, and repainting the exterior
- b. Public Benefit: One of the state's most historic buildings restored
- c. Permanence as to Federal Financing: Over a three-year period

II. Financial

- a. Total Amount: \$25,700
- b. Amount Federal: \$11,955 47 % Amount State: \$ 0 %
Amount Other: \$13,745 53 % (city of Sumter funds)
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$13,745
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$n/a
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$0 Cash: \$ 13,745
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

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Name of Agency: Archives and History
Title of Project: Sumter Town Hall/Opera House Development Project, Phase III
Proposed Dates: Beginning: 8-16-77 Ending: 8-15-78
Date of Report: 12-12-77 Prepared by: R. Archie Ellis
Federal Source: Department of the Interior
Control Number: 8-H79-009 Federal Catalog No. 15.904

I. Program

- a. Purpose: To restore the Sumter Town Hall/Opera House to its original appearance. An added request to 8-H79-008
- b. Public Benefit: Restoration of one of the state's most historical buildings
- c. Permanence as to Federal Financing: 3 years

II. Financial

- a. Total Amount: \$4,000
- b. Amount Federal: \$2,000 50 % Amount State: \$ 0 %
Amount Other: \$2,000 50 % (city of Sumter funds)
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$2,000
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ 0
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 2,000
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

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Name of Agency: Archives and History
Title of Project: Newberry Opera House Development Project
Proposed Dates: Beginning: 11-24-77 Ending: 11-23-78
Date of Report: 12-6-77 Prepared by: R. Archie Ellis
Federal Source: Department of Interior
Control Number: 8-H79-010 Federal Catalog No. 15.904

I. Program

- a. Purpose: To restore to its original appearance (1882) the Newberry Opera House which is listed in the National Register of Historic Places
- b. Public Benefit: Not only citizens of the Newberry area, but the entire state will benefit from the preservation of our historical buildings
- c. Permanence as to Federal Financing: One-time application

II. Financial

- a. Total Amount: \$91,000
- b. Amount Federal: \$45,500 50 % Amount State: \$ 0 %
Amount Other: \$45,500 50 % (city of Newberry)
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$45,500
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$45,500
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 45,500
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

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Name of Agency: Archives and History
Title of Project: Landsford Canal Development Project, Phase III
Proposed Dates: Beginning: 7-27-77 Ending: 7-26-78
Date of Report: 12-6-77 Prepared by: R. Archie Ellis
Federal Source: Department of Interior
Control Number: 8-H79-011 Federal Catalog No. 15.904

I. Program

- a. Purpose: To restore the Landsford Canal in Chester County to its original appearance (1823). The canal is listed in the National Register of Historical Places. This project is being done in phases; this is phase III
- b. Public Benefit: The restoration of the canal is one of SC's most important preservation projects and will benefit all of the state
- c. Permanence as to Federal Financing: The entire restoration is schedule for completion in 1980

II. Financial

- a. Total Amount: \$28,912
- b. Amount Federal: \$14,456 50 % Amount State: \$14,456 50 %
Amount Other: \$0 % (PRT)
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$14,456
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$14,456
- e. Indirect Cost: \$0
- f. Cost Sharing: In Kind: \$14,456 Cash: \$0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$0
- e. Number of temporary positions: 0 Amount: \$0

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Name of Agency: S. C. Arts Commission
Title of Project: Neighborhood Arts Development
Proposed Dates: Beginning: 11-1-78 Ending: 10-30-79
Date of Report: 12-8-77 Prepared by: R. Archie Ellis
Federal Source: National Foundation on the Arts and Humanities
Control Number: 8-H91-016 Federal Catalog No. 45.010

I. Program

- a. Purpose: To provide technical assistance in arts administration to community and neighborhood arts organizations
- b. Public Benefit: Promoting interest in and administration of the arts programs throughout the state
- c. Permanence as to Federal Financing: A one-year request

II. Financial

- a. Total Amount: \$ 20,489
- b. Amount Federal: \$ 10,000 49 % Amount State: \$ 10,269 50 %
Amount Other: \$ 220 1 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 10,489
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 2,504
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 5,269 Cash: \$ 5,220
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

One position re-funded at \$12,230

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49

Name of Agency: S. C. Arts Commission
Title of Project: Major Media Center
Proposed Dates: Beginning: 1-1-78 Ending: 12-30-78
Date of Report: 10-25-77 Prepared by: R. Archie Ellis
Federal Source: National Endowment for the Arts
Control Number: 8-H91-017 Federal Catalog No. 45.006

I. Program

- a. Purpose: A comprehensive media program involving film productions, editing, screening, and development. It has 3 components: (1) young filmmakers, (2) equipment loan bank, and (3) the Young Filmmakers textbook and workshop
- b. Public Benefit: A large group of artists will benefit from the program, encouraging the public awareness of filmmaking as an art form
- c. Permanence as to Federal Financing: One-year request

II. Financial

- a. Total Amount: \$96,135
- b. Amount Federal: \$20,000 21 % Amount State: \$ 66,230 69 %
Amount Other: \$9,905 10 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$76,135
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$3,425
- e. Indirect Cost: \$0
- f. Cost Sharing: In Kind: \$ 44,435 Cash: \$ 31,700
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

2 positions which were originally funded through another federal grant are re-funded under this grant at \$24,440

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Name of Agency: S. C. Arts Commission
Title of Project: CETA Arts Trainee Program
Proposed Dates: Beginning: 10-1-77 Ending: 9-30-78
Date of Report: 12-8-77 Prepared by: R. Archie Ellis
Federal Source: Governor's Office of Manpower Planning (CETA)
Control Number: 8-H91-019 * Federal Catalog No. 17.232, Title VI

I. Program

- a. Purpose: To provide highly supervised work experience in the arts to unemployed people with administrative, technical, office management, or teaching skills
- b. Public Benefit: To enable this group to apply newly acquired skills to various arts activities
- c. Permanence as to Federal Financing: A modification to a one-year application

II. Financial

- a. Total Amount: \$141,116
- b. Amount Federal: \$141,116 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$5,660 **
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 15 Amount: \$ 101,013

*This represents an addition to contract #78-UKB between Manpower Planning and the Arts Commission submitted by the Arts Commission (8-H91-001) and approved by the Budget and Control Board on 10-11-77.

**An excess of fringe benefits appeared on the above GCR, but the total of the two averages 10% in fringe benefits.

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51

Name of Agency: Health and Environmental Control -- Pee Dee District I
Title of Project: Home Health Services Expansion
Proposed Dates: Beginning: 10-1-78 Ending: 9-30-79
Date of Report: 12-2-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: HEW
Control Number: 8-J04-057 Federal Catalog No. 13.888

I. Program

- a. Purpose: To expand home health services in order to achieve or maintain the optimal health status of persons who are in need of professionals and/or supportive health services in their place of residence
- b. Public Benefit: Provision of health services without the need for institutionalization
- c. Permanence as to Federal Financing: One-time funding for this expansion, but applicant may reapply for further expansion

II. Financial

- a. Total Amount: \$592,845
- b. Amount Federal: \$119,063 20 % Amount State: \$21,018 4 %
Amount Other: \$452,764 76 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$21,018
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$13,894
- e. Indirect Cost: \$11,074
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 21,018
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 9
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 107,989
- e. Number of temporary positions: 0 Amount: \$ 0

NOTE: Other funds come from local and third party payments. The state does budget funds to pay for indigent citizens with no third party payment means.

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52

Name of Agency: Health and Environmental Control--Low Country District
Title of Project: Home Health Services Expansion
Proposed Dates: Beginning: 10-1-78 Ending: 9-30-79
Date of Report: 12-2-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: HEW
Control Number: 8-J04-058 Federal Catalog No. 13.888

I. Program

- a. Purpose: To expand home health services in order to achieve or maintain the optimal health status of persons who are in need of professionals and/or supportive health services in their place of residence
- b. Public Benefit: Provision of health services without the need for institutionalization
- c. Permanence as to Federal Financing: One-time funding for this expansion, but applicant may reapply for further expansion

II. Financial

- a. Total Amount: \$ 478,266
- b. Amount Federal: \$ 60,046 13 % Amount State: \$ 25,681 5 %
Amount Other: \$ 392,539 82 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 25,681
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 7,716
- e. Indirect Cost: \$ 5,318
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 25,681
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 4.4
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 44,692
- e. Number of temporary positions: 0 Amount: \$ 0

NOTE: Other funds come from local and third party payments. The state does budget funds to pay for indigent citizens with no third party payment means.

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53

Name of Agency: Health and Environmental Control--Lower Savannah District I
Title of Project: Home Health Services Expansion
Proposed Dates: Beginning: 10-1-78 Ending: 9-30-79
Date of Report: 12-2-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: HEW
Control Number: 8-J04-059 Federal Catalog No. 13.888

I. Program

- a. Purpose: To expand home health services in order to achieve or maintain the optimal health status of persons who are in need of professionals and/or supportive health services in their place of residence
- b. Public Benefit: Provision of health services without the need for institutionalization
- c. Permanence as to Federal Financing: One-time funding for this expansion, but applicant may reapply for further expansion

II. Financial

- a. Total Amount: \$499,369
- b. Amount Federal: \$92,751 19 % Amount State: \$27,084 5 %
Amount Other: \$379,534 76 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$27,084
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$10,133
- e. Indirect Cost: \$7,070
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 27,084
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 5.5
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 59,408
- e. Number of temporary positions: 0 Amount: \$ 0

NOTE: Other funds come from local and third party payments. The state does budget funds to pay for indigent citizens with no third party payment means.

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Name of Agency: Health and Environmental Control--Waccamaw District
Title of Project: Home Health Services Expansion
Proposed Dates: Beginning: 10-1-78 Ending: 9-30-79
Date of Report: 12-2-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: HEW
Control Number: 8-J04-060 Federal Catalog No. 13.888

I. Program

- a. Purpose: To expand home health services in order to achieve or maintain the optimal health status of persons who are in need of professionals and/or supportive health services in their place of residence
- b. Public Benefit: Provision of health services without the need for institutionalization
- c. Permanence as to Federal Financing: One-time funding for this expansion, but applicant may reapply for further expansion

II. Financial

- a. Total Amount: \$ 472,172
- b. Amount Federal: \$ 81,739 17 % Amount State: \$ 18,237 4 %
Amount Other: \$ 372,196 79 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 18,237
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 9,484
- e. Indirect Cost: \$ 6,663
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 18,237
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 5
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 55,992
- e. Number of temporary positions: 0 Amount: \$ 0

NOTE: Other funds come from local and third party payments. The state does budget funds to pay for indigent citizens with no third party payment means.

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55

Name of Agency: Health and Environmental Control--Pee Dee District II
Title of Project: Home Health Services Expansion
Proposed Dates: Beginning: 10-1-78 Ending: 9-30-79
Date of Report: 12-2-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: HEW
Control Number: 8-J04-064 Federal Catalog No. 13.888

I. Program

- a. Purpose: To expand home health services in order to achieve or maintain the optimal health status of persons who are in need of professionals and/or supportive health services in their place of residence
- b. Public Benefit: Provision of health services without the need for institutionalization
- c. Permanence as to Federal Financing: One-time funding for this expansion, but applicant may reapply for further expansion

II. Financial

- a. Total Amount: \$ 328,783
- b. Amount Federal: \$ 51,588 16 % Amount State: \$ 13,500 4 %
Amount Other: \$ 263,695 80 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 13,500
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 6,172
- e. Indirect Cost: \$ 4,415
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 13,500
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 3
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 37,101
- e. Number of temporary positions: 0 Amount: \$ 0

NOTE: Other funds come from local and third party payments. The state does budget funds to pay for indigent citizens with no third party payment means.

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56

Name of Agency: Health and Environmental Control--Wateree District
Title of Project: Home Health Services Expansion
Proposed Dates: Beginning: 10-1-78 Ending: 9-30-79
Date of Report: 12-2-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: HEW
Control Number: 8-J04-065 Federal Catalog No. 13.888

I. Program

- a. Purpose: To expand home health services in order to achieve or maintain the optimal health status of persons who are in need of professionals and/or supportive health services in their place of residence
- b. Public Benefit: Provision of health services without the need for institutionalization
- c. Permanence as to Federal Financing: One-time funding for this expansion, but applicant may reapply for further expansion

II. Financial

- a. Total Amount: \$ 596,100
- b. Amount Federal: \$ 60,509 10 % Amount State: \$ 22,921 4 %
Amount Other: \$ 512,670 86 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 22,921
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 7,368
- e. Indirect Cost: \$ 5,141
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 22,921
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 4
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 43,200
- e. Number of temporary positions: 0 Amount: \$ 0

NOTE: Other funds come from local and third party payments. The state does budget funds to pay for indigent citizens with no third party payment means.

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57

Name of Agency: Health and Environmental Control
Title of Project: Family Planning Training
Proposed Dates: Beginning: 7-1-77 Ending: 6-30-78
Date of Report: 12-12-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: HEW
Control Number: 8-J04-061 Federal Catalog No. 13.217

I. Program

- a. Purpose: To provide family planning training to staff who work with the family planning program and related programs
- b. Public Benefit: Provision of training to staff
- c. Permanence as to Federal Financing: May continue for another year

II. Financial

- a. Total Amount: \$21,500
- b. Amount Federal: \$20,500 95 % Amount State: \$0 %
Amount Other: \$1,000 5 % (other funds are federal Title X funds)
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ n/a
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

Project was approved 8-15-77

NOTE: The \$1,000 represents federal money utilized in this program and should not be reflected in any totals since it is already accounted for.

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58

Name of Agency: Health and Environmental Control
Title of Project: Upgrading Emergency Department, Pee Dee Region
Proposed Dates: Beginning: 1-1-78 Ending: 12-31-78
Date of Report: 12-1-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: Coastal Plains Regional Commission
Control Number: 8-J04-062 Federal Catalog No. 28.003

I. Program

- a. Purpose: To purchase adequate emergency equipment to expand and upgrade the emergency capabilities of the McLeod Regional Medical Center
- b. Public Benefit: Upgraded emergency department to provide prompt and appropriate care
- c. Permanence as to Federal Financing: One-time funding

II. Financial

- a. Total Amount: \$ 100,382
- b. Amount Federal: \$ 80,306 80 % Amount State: \$ 0 %
Amount Other: \$ 20,076 20 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ n/a
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

NOTE: Matching funds from McLeod Hospital

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59

Name of Agency: Health and Environmental Control
Title of Project: Instructor for USC College of Nursing
Proposed Dates: Beginning: 8-30-77 Ending: 12-31-77
Date of Report: 12-2-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: USC College of Nursing
Control Number: 8-J04-063 Federal Catalog No. _____

I. Program

- a. Purpose: To provide an instructor for the course in Nursing Services Administration in the USC College of Nursing
- b. Public Benefit: Provision of qualified instructor to students
- c. Permanence as to Federal Financing: May be continued depending upon USC's recruit of new instructors

II. Financial

- a. Total Amount: \$ 2,076 (see note)
- b. Amount Federal: \$ 30 1 % Amount State: \$ 2,046 99 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 2,046
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 234
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 2,046
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

NOTE: The financial amounts represent the sources of funding from DHEC which pay the salary of the instructor. DHEC is reimbursed fully by USC.

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60

Name of Agency: Health and Environmental Control
Title of Project: Paramedic Training
Proposed Dates: Beginning: 2-1-78 Ending: 1-31-79
Date of Report: 12-1-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: U. S. Department of Transportation through Office of Highway Safety
Control Number: 8-J04-066 Federal Catalog No. 20.600

I. Program

- a. Purpose: To provide Advanced (Paramedic) Emergency Medical Technician training
- b. Public Benefit: Better trained paramedics
- c. Permanence as to Federal Financing: One-time funded; may continue dependent upon need for EMT training

II. Financial

- a. Total Amount: \$84,000
- b. Amount Federal: \$42,000 50 % Amount State: \$0 %
Amount Other: \$42,000 50 % (see note)
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ n/a
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

NOTE: Student tuition fee is \$280, so the total tuition costs per student is \$560

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61

Name of Agency: Health and Environmental Control
Title of Project: Developmental Pediatric Clinic
Proposed Dates: Beginning: 7-1-77 Ending: 6-30-78
Date of Report: 12-2-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: DHEW
Control Number: 8-J04-067 Federal Catalog No. 13.232

I. Program

- a. Purpose: To provide a children's clinic for diagnostic and evaluation services to include a habilitation plan with reevaluation of patients previously evaluated
- b. Public Benefit: Diagnostic and evaluation services for 350 children
- c. Permanence as to Federal Financing: Expected for 2 more years

II. Financial

- a. Total Amount: \$81,693
- b. Amount Federal: \$66,771 82 % Amount State: \$ 6,128 7 %
Amount Other: \$8,794 11 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 6,128
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 4,124
- e. Indirect Cost: \$3,208
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 6,128
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

Total number of personnel funded: 2 for \$43,910

Project was approved 9-22-77

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62

Name of Agency: Health and Environmental Control
Title of Project: Sickle Cell Testing
Proposed Dates: Beginning: 7-1-77 Ending: 6-30-78
Date of Report: 12-12-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: DHEW through Committee on Better Racial Assurance
Control Number: 8-J04-068 Federal Catalog No. 13.000

I. Program

- a. Purpose: To provide screening for the sickle cell trait or disease by performing hemoglobin electrophoresis tests on blood samples
- b. Public Benefit: Identification of those persons with sickle cell
- c. Permanence as to Federal Financing: May continue, no projections available

II. Financial

- a. Total Amount: \$5,000
- b. Amount Federal: \$5,000 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ n/a
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

Project approved 6-30-77

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63

Name of Agency: Health and Environmental Control
Title of Project: Lead Poisoning Detection Program
Proposed Dates: Beginning: 12-1-77 Ending: 11-30-78
Date of Report: 12-12-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: HEW through MUSC subcontract
Control Number: 8-J04-069 Federal Catalog No. 13.266

I. Program

- a. Purpose: To conduct environmental epidemiology for 90% of those children found to have Class II, III, or IV blood levels to determine the source of lead toxicity and to achieve hazard abatement
- b. Public Benefit: Prevention of lead poisoning in children
- c. Permanence as to Federal Financing: One year only; however, contract could be renewed

II. Financial

- a. Total Amount: \$ 19,387
- b. Amount Federal: \$ 19,387 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 2,095
- e. Indirect Cost: \$ 1,626
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 1
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 13,666
- e. Number of temporary positions: 0 Amount: \$ 0

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64

Name of Agency: Mental Health
Title of Project: Child Psychiatry Residency Training Grant
Proposed Dates: Beginning: 7-1-77 Ending: 6-30-78
Date of Report: 12-7-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: HEW
Control Number: 8-J12-005 Federal Catalog No. 13.244

I. Program

- a. Purpose: To develop expanded child psychiatric liaison-community consultation training as a part of the child psychiatry residents, general psychiatry residents, and medical students
- b. Public Benefit: Through the residency program, more effective teaching, supervision, and treatment is available to the department and community
- c. Permanence as to Federal Financing: Federal funding is scheduled through 6-30-81

II. Financial

- a. Total Amount: \$ 107,448
- b. Amount Federal: \$ 107,448 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 5,132
- e. Indirect Cost: \$ 16,927
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
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65

Name of Agency: Mental Retardation
Title of Project: Early Childhood Incentive Grant
Proposed Dates: Beginning: 7-1-77 Ending: 6-30-78
Date of Report: 12-12-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: HEW through Department of Education
Control Number: 8-J16-025 Federal Catalog No. 13.449

I. Program

- a. Purpose: To provide for support services (speech, hearing, occupational therapy, physical therapy, medical evaluation, and nursing services) which augment the total SCDMR education/training program
- b. Public Benefit: Provision of public education to all handicapped children
- c. Permanence as to Federal Financing: May continue

II. Financial

- a. Total Amount: \$ 13,620
- b. Amount Federal: \$ 13,620 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ n/a
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
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66

Name of Agency: Social Services
Title of Project: State Child Abuse and Neglect Protective Service
Proposed Dates: Beginning: 10-1-77 Ending: 9-30-78
Date of Report: 12-12-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: HEW
Control Number: 8-L04-018 Federal Catalog No. 13.628

I. Program

- a. Purpose: To provide for a multipurpose treatment center in Fairfield County, a parenting skills education project in Lexington County, a 24-hour child protection project for a military installation in Charleston County, and development of a preventive intervention model for child protection
b. Public Benefit: Amelioration of child abuse and neglect
c. Permanence as to Federal Financing: Funding could be available, but more than likely one-time grant

II. Financial

- a. Total Amount: \$70,638
b. Amount Federal: \$70,638 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$n/a
d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$5,613
e. Indirect Cost: \$ 0
f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
b. Number of personnel shifted to federal funds as a result of new program or service: 0
c. Number of new state funded positions resulting from program: 0
d. Total amount for new positions: \$ 0
e. Number of temporary positions: 4.75 Amount: \$ 35,190

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67

Name of Agency: Social Services
Title of Project: CETA III
Proposed Dates: Beginning: 1-1-78 Ending: 9-30-78
Date of Report: 12-14-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: Department of Labor Through Office of Manpower
Control Number: 8 - L04-021 Federal Catalog No. 17.232

I. Program

- a. Purpose: To provide child care service to participants enrolled in employment and training activities under the youth employment and training program through contractual arrangements.
- b. Public Benefit: provision of child care services to assist eligible youths in entering the program and hopefully reduce the unemployment rate of youth
- c. Permanence as to Federal Financing: May continue

II. Financial

- a. Total Amount: \$ 59,100
- b. Amount Federal: \$ 59,100 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ N/A
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ N/A
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

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Name of Agency: Department of Social Services
Title of Project: CETA Title III
Proposed Dates: Beginning: 1/1/78 Ending: 12/31/78
Date of Report: 12/14/78 Prepared by: Elmer C. Whitten, Jr.
Federal Source: Manpower Planning and Coordination
Control Number: 8-L04-022 Federal Catalog No. 17.232

I. Program

- a. Purpose: To provide for child care to seasonal farmworkers who would be unable to work or enter training without these services by contractual arrangements.
- b. Public Benefit: Enable farmworkers to enter a training program or work.
- c. Permanence as to Federal Financing: Expected to continue.

II. Financial

- a. Total Amount: \$ 15,000
- b. Amount Federal: \$ 15,000 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ N/A
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ N/A
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

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69

Name of Agency: Vocational Rehabilitation
Title of Project: Comprehensive Rehabilitation Program for Epileptics
Proposed Dates: Beginning: 10-1-77 Ending: 9-30-78
Date of Report: 12-13-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: HEW through Division of Health and Social Development
Control Number: 8-L08-010 Federal Catalog No. 13.630

I. Program

- a. Purpose: To provide a comprehensive service delivery for epileptics in cooperation with the Department of Neurology, Medical University of SC
- b. Public Benefit: Provision of a comprehensive service delivery program for epileptics with emphasis on enabling them to obtain rightful place in society
- c. Permanence as to Federal Financing: Expected to continue

II. Financial

- a. Total Amount: \$71,147
- b. Amount Federal: \$49,803 70 % Amount State: \$ 21,344 30 %
Amount Other: \$0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$21,344
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$3,808
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 21,344
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

Total number of personnel funded: 2 part-time for \$15,005
3 full-time for \$46,783

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GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

70

Name of Agency: Vocational Rehabilitation
Title of Project: CETA Title III, Migrant and Seasonal Farmworkers Program
Proposed Dates: Beginning: 1-2-78 Ending: 1-1-79
Date of Report: 12/14/77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: Manpower Planning and Coordination
Control Number: 8-L08-011 Federal Catalog No. 17.232

I. Program

- a. Purpose: To provide physical examinations and needed minor medical services to migrant and seasonal farmworkers. Services are provided by private physicians by arrangements with VR.
- b. Public Benefit: Provide needed medical services to migrant and seasonal farmworkers in order to prevent disease.
- c. Permanence as to Federal Financing: Expected to continue.

II. Financial

- a. Total Amount: \$ 11,000
- b. Amount Federal: \$ 11,000 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ N/A
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ N/A
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

71

Name of Agency: Vocational Rehabilitation
Title of Project: CETA Title III - Medical Services to Youth - YEDP
Proposed Dates: Beginning: 1-2-78 Ending: 9-30-78
Date of Report: 12-14-77 Prepared by: Elmer C. Whitten
Federal Source: Manpower Planning and Coordination
Control Number: 8-L08-012 Federal Catalog No. 17.232

I. Program

- a. Purpose: To provide physcial examinations and minor medical services to youth in the Youth Employment and Training Program.
- b. Public Benefit: Insure that youths participating in YETP are healthy
- c. Permanence as to Federal Financing: May continue.

II. Financial

- a. Total Amount: \$ 59,100
- b. Amount Federal: \$ 59,100 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ N/A
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ N/A
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

72

Name of Agency: State Housing Authority
Title of Project: Section 8, Housing Assistance Payment Program
Proposed Dates: Beginning: 10-12-76 Ending: 6-30-78
Date of Report: 12-7-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: HUD
Control Number: 8-L32-001 Federal Catalog No. 14.156

I. Program

- a. Purpose: To provide financial assistance for lower and very low income families to allow them to obtain decent, safe, and sanitary housing
- b. Public Benefit: Provision of housing to low income persons
- c. Permanence as to Federal Financing: Expected to continue

II. Financial

- a. Total Amount: \$1,249,496
- b. Amount Federal: \$1,249,496 100 % Amount State: \$0 %
Amount Other: \$0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$n/a
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$7,380
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 4
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 44,641
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

73

Name of Agency: Department of Corrections
Title of Project: Updating Standards and Checklists for Jails and Prisons
Proposed Dates: Beginning: 1-1-78 Ending: 12-31-78
Date of Report: 12-8-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: LEAA through Office of Criminal Justice
Control Number: 8-N04-036 Federal Catalog No. 16.502

I. Program

- a. Purpose: To provide consulting services to update and service minimum standards for correctional facilities
- b. Public Benefit: The revision and update of standards for correctional facilities
- c. Permanence as to Federal Financing: One-time funding

II. Financial

- a. Total Amount: \$9,270
- b. Amount Federal: \$8,343 90 % Amount State: \$ 927 10 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 927
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ 0
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 927
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

74

Name of Agency: Department of Corrections
Title of Project: Improvement to the Correctional Information System
Proposed Dates: Beginning: 1-1-78 Ending: 12-31-78
Date of Report: 12-12-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: LEAA through Office of Criminal Justice
Control Number: 8-N04-037 Federal Catalog No. 16.502

I. Program

- a. Purpose: To purchase the Model 76 Data 100 Remote Job Entry Device currently being leased
- b. Public Benefit: Savings of \$66,000 over a five-year period
- c. Permanence as to Federal Financing: One-time funding

II. Financial

- a. Total Amount: \$ 32,577
- b. Amount Federal: \$ 29,319 90 % Amount State: \$ 3,258 10 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 3,358 (OCJP buy-in)
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ n/a
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 3,258
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

75

Name of Agency: Department of Corrections
Title of Project: Legal Resources for SCDC Inmates
Proposed Dates: Beginning: 1-1-78 Ending: 12-31-78
Date of Report: 12-8-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: LEAA through Office of Criminal Justice
Control Number: 8-N04-039 Federal Catalog No. 16.502

I. Program

- a. Purpose: To provide funds to purchase legal materials required by Supreme Court ruling that requires access to adequate law libraries
- b. Public Benefit: Compliance with U. S. Supreme Court ruling
- c. Permanence as to Federal Financing: One-time funding

II. Financial

- a. Total Amount: \$ 33,333
- b. Amount Federal: \$ 30,000 90 % Amount State: \$ 3,333 10 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 3,333
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ n/a
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 3,333
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program
or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

76

Name of Agency: Department of Youth Services
Title of Project: Continuation of Youth Bureau Program
Proposed Dates: Beginning: 2-1-78 Ending: 6-30-78
Date of Report: 12-13-77 Prepared by: Elmer C. Whitten, Jr.
Federal Source: LEAA through Office of Criminal Justice
Control Number: 8-N12-011 Federal Catalog No. 16.502

I. Program

- a. Purpose: To prevent inappropriate institutionalization for those children and adolescents who have not committed adult types of crimes through the operation of 17 youth bureaus located primarily in rural areas
- b. Public Benefit: Prevention of institutionalization of children and adolescents
- c. Permanence as to Federal Financing: Last period of federal funding. State will be asked to pick up funding beginning June 30, 1978, in the amount of \$682,909 for FY 79.

II. Financial

- a. Total Amount: \$332,738
- b. Amount Federal: \$216,280 65 % Amount State: \$116,458 35 %
Amount Other: \$0 % (see note)
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ see note
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$17,894
- e. Indirect Cost: \$0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ see note
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0
Total of 41 personnel employed by this project.

NOTE: State funds come from the Department of Youth Services (\$92,427) and OCJP buy-in (\$24,031). The Department of Youth Services has not verified the availability of the \$81,329 required as match.

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

77

Name of Agency: S. C. Water Resources Commission
Title of Project: Title III Grant under P.L. 89-80 (Planning and Policy)
Proposed Dates: Beginning: 10-1-77 Ending: 9-30-78
Date of Report: 12-5-77 Prepared by: R. Archie Ellis
Federal Source: Water Resources Council
Control Number: 8-P04-003 Federal Catalog No. 65.001

I. Program

- a. Purpose: To fund State Water Resources Planning Program in order to provide for the best management of the state's waters for the social, economic, and environmental benefit of present and future citizens
- b. Public Benefit: The entire public is benefitted when the use of the state's water resources is properly planned
- c. Permanence as to Federal Financing: Continuing

II. Financial

- a. Total Amount: \$ 100,000
- b. Amount Federal: \$ 50,000 50 % Amount State: \$ 50,000 50 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☒ No ☐
Amount: \$ 50,000
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 5,049
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 50,000 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

No new federally funded positions, but 3 positions are re-funded at \$29,704 plus fringe benefit of \$5,049.

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

78

Name of Agency: Dept of Labor
Title of Project: Migrant and Seasonal Farmworkers Program
Proposed Dates: Beginning: 1-1-78 Ending: 12-31-78
Date of Report: 12/14/77 Prepared by: Elmer c. Whitten, Jr.
Federal Source: Manpowers Planning and Coordation
Control Number: 8 - R36 - 007 Federal Catalog No. 17.230

I. Program

- a. Purpose: To provide manpower and other services for those individuals who suffer chronic seasonal unemployment and under employment in the agriculture industry, which has been substantially affected by recent advances in technology
b. Public Benefit: Reduce the barriers of employment for migrant and seasonal farmworkers

c. Permanence as to Federal Financing: Expected to continue

II. Financial

- a. Total Amount: \$ 630,430
b. Amount Federal: \$ 630,430 100% Amount State: \$ 0 %
Amount Other: \$ 0 %
c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ N/A
d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 51,439
e. Indirect Cost: \$ 66,207
f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 2
b. Number of personnel shifted to federal funds as a result of new program or service: 0
c. Number of new state funded positions resulting from program: 0
d. Total amount for new positions: \$ 13,992
e. Number of temporary positions: 0 Amount: \$ 0
Total # personnel funded: 33 @ 295,568

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

79

Name of Agency: Employment Security Commission
Title of Project: Youth Employment and Training Program
Proposed Dates: Beginning: 1-1-78 Ending: 9-30-78
Date of Report: 12-14-77 Prepared by: R. Archie Ellis
Federal Source: Manpower Planning and Coordination
Control Number: 8-R60-009 Federal Catalog No. 17.232

I. Program

- a. Purpose: Broad range of activities for youths aged 16-21 including vocational training and allowance payments
- b. Public Benefit: Preparation of certain youths for the world of work through vocational and work experience training
- c. Permanence as to Federal Financing:
This is a request for the remaining 9 months in the fiscal year

II. Financial

- a. Total Amount: \$ 658,522
- b. Amount Federal: \$ 658,522 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ n/a
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 16,113
- e. Indirect Cost: \$ 28,350
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 15
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 116,192 (including fringe)
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

80

Name of Agency: Employment Security Commission
Title of Project: Skill Training Improvement Program
Proposed Dates: Beginning: 1-1-78 Ending: 5-15-79
Date of Report: 12-14-77 Prepared by: R. Archie Ellis
Federal Source: Manpower Planning and Coord
Control Number: 8-R60-010 Federal Catalog No. 17.232

I. Program

- a. Purpose: Certify eligibility of enrollees complete appropriate forms and make training allowance payments for STIP Program
- b. Public Benefit: Improvement of work skill and development of the capabilities of adults
- c. Permanence as to Federal Financing: This request covers 16.5 Months

II. Financial

- a. Total Amount: \$ 1,821,040
- b. Amount Federal: \$ 1,821,040 100% Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ N/A
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 9,731
- e. Indirect Cost: \$ 16,875
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 5.5
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 70,165 (including Fringe)
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

81

Name of Agency: Employment Security Commission
Title of Project: CETA - Migrant and Seasonal
Proposed Dates: Beginning: 1-1-78 Ending: 12-31-78
Date of Report: 12-14-77 Prepared by: R. Archie Ellis
Federal Source: Manpower Planning and Coordination
Control Number: 8-R60-011 Federal Catalog No. 17.232

I. Program

- a. Purpose: Allowance payment and OJT Payments to enrollees in CETA migrants and seasonal farm workers program
- b. Public Benefit: Through a CETA contract, the seasonal workers and migrants in S.C. will receive better service
- c. Permanence as to Federal Financing: This is a continuation of a contract now in force

II. Financial

- a. Total Amount: \$ 239,000
- b. Amount Federal: \$ 239,000 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ N/A
- d. Fringe Benefits Included: Yes ☐ No ☒
Amount: \$ N/A
- e. Indirect Cost: \$ 0
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Employment Security Commission

Title of Project: CETA - Migrant and Seasonal

Proposed Dates: Beginning: 10-1-77 Ending: 9-30-78

Date of Report: 12-14-77 Prepared by: Elmer C. Whitten, Jr

Federal Source: Manpower Planning & Coordination

Control Number: 8-R60-012 Federal Catalog No. 17.232

I. Program

- a. Purpose: Conduct intake and referral services for migrant and seasonal formworkers in classroom training OJT and work experience out of school .
- b. Public Benefit: an effort to better the work potential of migrants
- c. Permanence as to Federal Financing: A renewal of a present contract

II. Financial

- a. Total Amount: \$ 69,254
- b. Amount Federal: \$ 69,254 100 % Amount State: \$ 0 %
Amount Other: \$ 0 %
- c. Funds Available to Match Program: Yes ☐ No ☒
Amount: \$ N/A
- d. Fringe Benefits Included: Yes ☒ No ☐
Amount: \$ 7,727
- e. Indirect Cost: \$ 13,530
- f. Cost Sharing: In Kind: \$ 0 Cash: \$ 0
- g. Amount of state dollars freed up as a result of receipt of federal dollars:
\$ 0

III. Personnel

- a. Number of new federally funded personnel: 0
- b. Number of personnel shifted to federal funds as a result of new program or service: 0
- c. Number of new state funded positions resulting from program: 0
- d. Total amount for new positions: \$ 0
- e. Number of temporary positions: 0 Amount: \$ 0

Total number of personnel funded 5.5 @ 55,724

STATE BUDGET AND CONTROL BOARD

MEETING OF December 21, 1977

AGENDA ITEM NUMBER

EXHIBIT IX

12/21/77

4

Agency: Finance Division, Grants & Contracts Review Unit

Subject: Indirect Cost Recovery Review Procedures

The recommendations of the subcommittee named at the 12/7/77 meeting are attached.

Board Action Requested:

Consider approval

Staff Comment:

Attachments:

12/16/77 memorandum from "Indirect Cost Recovery Subcommittee"

MEMORANDUM

TO: Budget and Control Board
FROM: Indirect Cost Recovery Subcommittee
DATE: December 16, 1977
RE: Deferred Federal Projects Requests

Background

Eleven federal projects submitted for approval to the Budget and Control Board by the College of Charleston, Clemson University, Educational Television Commission, Piedmont Technical College, and Winthrop College were deferred by the Board because these programs did not request indirect cost or used the indirect cost to match federal funds.

Governor Edwards appointed a subcommittee consisting of Grady Patterson, Earle Morris, Bill Putnam, Walter Pettiss, and George Oliver to study the indirect cost recovery on these and all other federal programs and to make a recommendation to the Budget and Control Board at the next meeting.

Recommendation

The subcommittee met on December 14, 1977, and the following are their recommendations for these eleven programs and future programs regarding indirect cost recoveries by the General Fund of the state.

1. To insure the intent of the General Assembly in Section 10 of "A Joint Resolution to Provide Supplemental Appropriations for the Fiscal Year 1976-77" (R. 5), the following policy statement be forwarded to all agency heads. *"No agency may undertake federal programs unless sufficient matching funds have been appropriated by the Legislature or are available from sources other than state appropriated money. However, indirect cost recoveries must be applied for where permitted under federal regulations, and must be deposited to the General Fund as required in the current appropriations act."*

2. The programs submitted by Winthrop College (2), ETV (1), College of Charleston (1), and Clemson University (2) be approved as these programs have already begun and these agencies are under contractual agreements with various federal agencies. Further, recommend that a letter (Attachment 1) be forwarded along with the approval of the Board to insure that each agency administrator is made aware of the intent of the Board and the General Assembly regarding timely submission of their federal program requests and indirect cost recovery policies.

3. The remaining deferred programs, ETV (3), College of Charleston (1), and Piedmont Technical College (1) be disapproved as they do not comply with state law and have not been awarded or contracts entered into by these agencies. Further, that a letter (Attachment 2) be forwarded with disapproval.

Budget and Control Board

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December 16, 1977

4. Finally, because there is sufficient evidence that some state agencies are not submitting their requests for board action in advance for approval, a letter be forwarded (Attachment 3) indicating that federal program requests must be submitted 30 days in advance of their submission to federal agencies in order to allow the Board sufficient time to review each program so as to prevent the withdrawal of a program that was not in compliance with state laws.

dc

Enclosures--3

MEMORANDUM

TO: Dr. Charles B. Vail, President
Winthrop College (8-H47-013 and 8-H47-014)

Mr. Henry J. Cauthen, General Manager
Educational Television Commission (8-H67-014)

Dr. Theodore S. Stern, President
College of Charleston (8-H15-015)

Dr. R. C. Edwards, President
Clemson University (8-H12-021 and 8-H21-022)

FROM:

DATE:

RE:

Reference is made to your program submission that was deferred by the Budget and Control Board on December 7, 1977. Since these programs are already underway, and you have a contractual agreement with a federal agency, the Board at its meeting on December 21, 1977, approved the above referenced programs.

However, the Board instructed me to advise you that it is the intent of the Board to insist that you and the other agencies follow the instructions which were sent to you on July 22, 1977, as follows:

- Step 1: (a) *For those programs covered by OMB Circular A-95, the agency will prepare and submit to the Grants and Contracts Review Unit, at least sixty (60) days prior to filing an application for federal assistance, Form GCR-1.*
- (b) *For all types of assistance other than those covered by OMB Circular A-95, the agency will prepare and submit to the Grants and Contracts Review Unit Form GCR-1 at least thirty (30) days prior to filing a request for a program utilizing federal or other funds.*

When at least a 30-day notice is not provided to the Grants and Contracts Review Unit, a GCR-1 Form and a copy of the full application will be submitted for review and processing through the normal 30-day Grants and Contracts Review System. A copy of the action by the Budget and Control Board will be sent to the funding agency.

In addition, it is the intention of the Budget and Control Board to insist on the provisions of Section 10 of "A Joint Resolution to Provide Supplemental Appropriations for the Fiscal Year 1976-77" (R. 5). In order for the whole matter to be placed in the proper perspective, the Budget and Control Board requests the following policy statement be forwarded to all agency administrators:

"No agency may undertake federal programs unless sufficient funds have been appropriated by the Legislature or are available from sources other than state-appropriated money. However, indirect cost recoveries must be applied for where permitted under federal regulations, and must be deposited in the General Fund as required in the current appropriations act."

We covet your continued cooperation with this office as we work together for the good of the state.

MEMORANDUM

TO: Mr. Henry J. Cauthen, General Manager
Educational Television Commission
(8-H67-005, 8-H67-006, 8-H67-007)

Dr. Theodore S. Stern, President
College of Charleston
(8-H15-010)

Dr. Lex D. Walters, Director
Piedmont Technical College
(8-H59-023)

FROM:

DATE:

RE:

Reference is made to your program submission that was deferred by the Budget and Control Board on December 7, 1977.

Since these requests do not comply with state law and these projects have not been awarded or contracts entered into by your agency, the Board at its meeting on December 21, 1977, disapproved your projects(s). Further, it is requested that you provide this office evidence of your withdrawal of the applications from the federal agency(s).

In addition the Board instructed me to advise you that it is their intent to insist that you and the other agencies follow the instructions which were sent to agency directors on July 22, 1977, as follows:

- Step 1: (a) *For those programs covered by OMB Circular A-95, the agency will prepare and submit to the Grants and Contracts Review Unit, at least sixty (60) days prior to filing an application for federal assistance, Form GCR-1.*
- (b) *For all types of assistance other than those covered by OMB Circular A-95, the agency will prepare and submit to the Grants and Contracts Review Unit Form GCR-1 at least thirty (30) days prior to filing a request for a program utilizing federal or other funds.*

When at least a 30-day notice is not provided to the Grants and Contracts Review Unit, a GCR-1 Form and a copy of the full application will be submitted for review and processing through the normal 30-day Grants and Contracts Review System. A copy of the action by the Budget and Control Board will be sent to the funding agency.

In addition, it is the intention of the Budget and Control Board to insist on the provisions of Section 10 of "A Joint Resolution to Provide Supplemental Appropriations for the Fiscal Year 1976-77" (R. 5). In order for the whole matter to be placed in the proper perspective, the Budget and Control Board requests the following policy statement be forwarded to all agency administrators:

"No agency may undertake federal programs unless sufficient funds have been appropriated by the Legislature or are available from sources other than state-appropriated money. However, indirect cost recoveries must be applied for where permitted under federal regulations, and must be deposited in the General Fund as required in the current appropriations act."

We covet your continued cooperation with this office as we work together for the good of the state.

MEMORANDUM

TO: All Agency Administrators

FROM:

DATE:

RE:

We appreciate the cooperation that the Grants and Contracts Review Unit has received from you as we have sought to comply with Section 127 of the 1977 Appropriations Act as passed by the General Assembly.

As we expected, many questions have been raised and we have sought to answer them as timely as possible. However, two issues have arisen that affect every agency of state government: (1) the timely submission of requests to apply for federal funds, and (2) indirect cost recovery. As a result, the Budget and Control Board at their meeting on December 21, 1977, asked me to convey the following statement to you.

First, it is the intent of the Budget and Control Board to insist that all agencies follow the instructions which were sent to you on July 22, 1977, as follows:

- Step 1: (a) *For those programs covered by OMB Circular A-95, the agency will prepare and submit to the Grants and Contracts Review Unit, at least sixty (60) days prior to filing an application for federal assistance, Form GCR-1.*
- (b) *For all types of assistance other than those covered by OMB Circular A-95, the agency will prepare and submit to the Grants and Contracts Review Unit Form GCR-1 at least thirty (30) days prior to filing a request for a program utilizing federal or other funds.*

When at least a 30-day notice is not provided to the Grants and Contracts Review Unit, a GCR-1 Form and a copy of the full application will be submitted for review and processing through the normal 30-day Grants and Contracts Review System. A copy of the action by the Budget and Control Board will be sent to the funding agency.

In addition, it is the intention of the Budget and Control Board to insist on the provisions of Section 10 of "A Joint Resolution to Provide Supplemental Appropriations for the Fiscal Year 1976-77" (R. 5). In order for the whole matter to be placed in the proper perspective, the Budget and Control Board requests the following policy statement be forwarded to all agency administrators:

"No agency may undertake federal programs unless sufficient funds have been appropriated by the Legislature or are available from sources other than state-appropriated money. However, indirect cost recoveries must be applied for where permitted under federal regulations, and must be deposited in the General Fund as required in the current appropriations act."

We covet your continued cooperation with this office as we work together for the good of the state.

EXHIBIT X
12/21/77

STATE BUDGET AND CONTROL BOARD

MEETING OF December 21, 1977

AGENDA ITEM NUMBER

5

Agency: Francis Marion College

Subject: Source of Funds to Establish Employee Non-member Service

The Retirement System has advised Francis Marion College of the need for it to pay \$1,760 to establish the non-member service of employee Florence H. Steele for a two-year period. Vice President Frederick notes that the College has no funds for this purpose.

Board Action Requested:

Consider Francis Marion College request that \$1,760 be paid to the Retirement System for the employer portion of the costs of establishing the non-member service of Florence H. Steele from the Reserve appropriated to the Budget and Control Board.

Staff Comment:

Attachments:

Frederick 12/2/77 letter to Putnam plus attachment.



Office of Business Affairs

Francis Marion College

FLORENCE, SOUTH CAROLINA 29501
(803) 669-4121

December 2, 1977

Mr. William T. Putnam
State Auditor
205 Wade Hampton Office Building
P.O. Box 11333
Columbia, South Carolina 29211

Dear Mr. Putnam:

I am enclosing a copy of a letter recently received from the Retirement System regarding an employee who elected to "buy" her non-member service for a two (2) year period. As contained in the letter the employer's contribution is established at \$1,760.

Upon receipt of correspondence and subsequent discussion of the matter with the Retirement System I became quite concerned that we would be required to pay this amount which of course was not budgeted.

I have communicated with Ed Vaughn and verbally expressed my concern and he suggested I correspond with you. Quite simply, we do not have funds budgeted nor do I anticipate funds becoming available to permit the College to pay this unbudgeted expenditure. I anticipate that our "normal" fringe costs will exceed the amount appropriated. I would seek your assistance which hopefully will permit the College to receive additional funding allowing it to remit the amount requested. I look forward to hearing from you in the near future.

Respectfully yours,

N. C. Frederick
Vice President
for Business & Finance

NCF:ep

Enclosures Two (2)

South Carolina Retirement System



P. O. BOX 11860 - CAPITOL STATION
COLUMBIA, S. C. 29211

PURVIS W. COLLINS
DIRECTOR

November 28, 1977

Ms. Alice C. Baker
Personnel Officer
St. Col Board of Trustees
Francis Marion College
Post Office Box 7500
Florence, South Carolina

Re: Florence H. Steele
SSN 250-60-6301
Code 313

Dear Ms. Baker:

The above captioned member has sent her contributions to establish her non-member service for a period of 2 years. (from 1946-48)

It would be appreciated if you would send the employer contributions in the amount of 1,760.00 at your earliest convenience. This check should be made payable to the South Carolina Retirement System.

Sincerely yours,

Joyce Comisky
(Mrs) Joyce Comisky
Service Department

TO: _____
Department _____

Mailing Address _____

City _____

DATE 19

		ADJUSTMENTS	
SECTION I - MEMBER CONTRIBUTIONS			
1. Total member contributions withheld during the month			
Agencies whose payroll is processed by the Comptroller General's Office <u>do not</u> complete Section I.			
SECTION II - EMPLOYER CONTRIBUTIONS			
2. Total member wages paid during the month \$ _____			
3. Retirement contribution due (.068 x line 2)			
4. Adjustments: Only adjustments authorized by the Retirement System (attach a copy of authorization)			
5. Total due			
	\$	\$	

19
FISCAL YEAR

Credit; Retirement _____ Division _____

DO NOT WRITE IN THIS SPACE

WARRANT NUMBER AND DATE

ORGANIZATIONAL NUMBER					FY	ACCOUNT NUMBER				ACCOUNT TITLE	Transaction Code			AMOUNT
F20	00	00	00	00		2	3	14	0113	SCRS - Retirement	1	13	01	

Form 4 (Revised 6/77)

STATE BUDGET AND CONTROL BOARD

MEETING OF December 21, 1977

AGENDA ITEM NUMBER

EXHIBIT XI

12/21/77

6

Agency: Medical University

Subject: Selection of A&E Firm

MUSC Vice President Wise advises that the following firms, listed in preference order, have been selected, after following the required procedure, to provide the services required in connection with the planning of an East Wing Addition to the Medical University Hospital:

- (1) Geiger, McElveen & Kennedy, in association with Ellerbe Architects;
- (2) Lucas & Stubbs, in association with Caudill, Rowlett & Scott and Enwrite Associates; and
- (3) J. E. Sirrine Company in association with Perry, Dean, Stahl & Rogers.

Board Action Requested:

Approve the selection of Geiger, McElveen & Kennedy, in association with Ellerbe Architects, to provide the services required in connection with the referenced project, pursuant to 1976 Code Sections 10-5-10, et. seq.

Staff Comment:

Note that, while a fixed fee is called for on page 2 of the Contract, item IV in Article 14 (page 8 of the contract) provides that the Architects shall provide services through the Design Development Phase and their compensation shall not exceed the \$350,000 authorized by the General Assembly for project planning.

Attachments:

Wise 12/2/77 letter to Putnam plus attachments

MSI



RECEIVED

DEC 6 1977

Medical University of South Carolina

S. C. BUDGET AND CONTROL BOARD 71 ASHLEY AVENUE / CHARLESTON, SOUTH CAROLINA 29403

December 2, 1977

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

Dear Mr. Putnam:

In accordance with the procedures adopted by the Budget and Control Board for selection of architects and engineers, approval is requested to enter into a contract with Geiger, McElveen & Kennedy in association with Ellerbe Architects for planning an East Wing Addition to the Medical University Hospital.

The following firms were interviewed by the Development and Public Relations Committee of the Board of Trustees of the Medical University of South Carolina on October 13, 1977:

1. Geiger, McElveen, Kennedy - Columbia, Associate arrangements with: Ellerbe Architects - Washington, D.C.
2. Lucas & Stubbs - Charleston, in association with: Caudill, Rowlett & Scott - Houston
Enwright Associates - Greenville.
3. J. E. Sirrine Company - Greenville, in association with: Perry, Dean, Stahl & Rogers - Boston.
4. Cannon Partnership - New York, in joint venture with: Freeman, Wells & Major - Greenville.
5. Odell Associates - Greenville, in joint venture with: Frederick A. Smith, Engineers - Charleston.
6. Heery & Heery Architects - Atlanta, in joint venture with: Simons, Mitchell, Small & Donahue - Charleston.

Mr. Putnam
Page 2
December 2, 1977

The Development Committee questioned each of the six firms interviewed in regard to the amount of contracts they have executed for the State of South Carolina in the past two years. All six firms responded that the amount of State work had been minimal.

Based upon evaluation of each firms' ability, past performance on similar projects, and understanding of the on-site concept, the following order of ranking was made:

1. Geiger, McElveen & Kennedy in association with Ellerbe Architects.
2. Lucas & Stubbs in association with Caudill, Rowlett & Scott and Enwright Associates.
3. J. E. Sirrine Company in association with Perry, Dean, Stahl & Rogers.

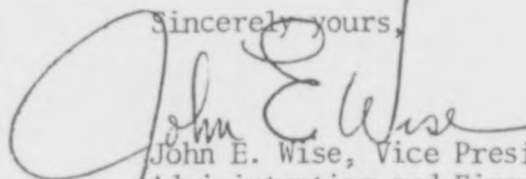
The Board of Trustees at its October 14, 1977, meeting approved this order of ranking. Negotiations were then undertaken with Geiger, McElveen & Kennedy the first priority company and terms were reached as shown in the proposed contract.

The following information required by the Budget and Control Board is attached.

- 1) Three copies of the proposed contract.
- 2) A summary of negotiations.
- 3) A copy of the newspaper advertisement.
- 4) A list of all architectural/engineering projects awarded by the Medical University for the past three years.
- 5) A list of all firms responding to the advertisement with total amount of contracts they have executed on State work in the past two years, if given by the firm.

If you need any additional information regarding this request, please do not hesitate to contact me.

Sincerely yours,


John E. Wise, Vice President
Administration and Finance

JW/snb

Enclosures

Summary of Negotiations
East Addition A/E Contract

Initial request	6.6% of actual construction cost
Second offer	6.517% of actual construction cost
Agreed	6.2% of actual construction cost

Discussion on probable construction cost resulted in agreement on cost of \$14,842,000 x 1.10 (site work and cost of preparing for extra floors) x 1.24 (8% escalation to mid-point of construction) = \$20,244,488. Initial computations by architects set estimated construction cost at \$21,693,000.

Not included in the above is cost for schematic design of additional nursing floors (needed to establish lay out and design of basic structure), energy study of building nor cost of preparing Record (As Built) Drawings. Final negotiation fixed cost of schematics for additional floors at \$44,842. Architects originally suggested a fee which would have amounted to \$87,009.

Based on the above, the architects initial positions would have cost MUSC. . . . \$21,693,000 x .066 + \$87,009 = \$1,518,747.

MUSC's original position based on a construction cost of \$16,633,600 x 6% gave a fee of \$998,016. This position did not consider site costs, costs of preparing for additional floors or preparing schematic design of additional floors.

The agreed-on fee (\$20,244,488 x .062 + \$44,842) is \$1,300,000. This fee provides for complete design of the Phase I building (145,000 GSF), built to take additional floors later, sufficient schematic design of the additional floors to permit lay out of the base structure, an energy study of the building, and preparation of Record (As Built) Drawings.

The proposed terms and contract had been checked informally with the State Engineer, Mr. McPherson, who agreed that the basis of computations and the fee seemed reasonable. He requested that a document be included with the contract which would indicate that Mr. Geiger is authorized to sign for Ellerbe.

Meeting held November 29, 1977
REC:msa

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 27th day of October in the year of Nineteen
Hundred and Seventy-Seven

BETWEEN the Owner: Medical University of South Carolina
Charleston, South Carolina

and the Architect: Geiger/McElveen/Kennedy, Inc. (GMK, INC.)
Ellerbe Architects
Associated Architects and Engineers
Columbia, South Carolina

For the following Project:

(Include detailed description of Project location and scope)

East Wing Addition to Teaching Hospital
Medical University of South Carolina
Charleston, South Carolina

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 of one million three hundred thousand dollars (\$1,300,000.00).
 - B. FOR ADDITIONAL SERVICES, as described in Paragraph 1.3, compensation computed as follows:
 1. Principals' time at the fixed rate of forty-five dollars (\$ 45) per hour.
For the purpose of this Agreement, the Principals are:

Wm. N. Geiger, Jr.	Valentine A. Satko
H. Donald McElveen	William R. Shannon
Robert H. Kennedy, Jr.	Donald G. Nelson
 2. Employees' time (other than Principals) at a multiple of two point five (2.5) times the employees' Direct Personnel Expense as defined in Article 4.
 3. Services of professional consultants at a multiple of one point two (1.2) times the amount billed to the Architect for such services.
 - C. AN INITIAL PAYMENT of _____ dollars (\$ None) 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 thirty six (36) 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

I. See Attachment; Other Conditions of Service, Paragraphs 14.1 through 14.20, Pages 8-1 through 8-4; are included. If changes are made in Article 14 as a result of agreement between State - AIA committee, these changes shall be incorporated into this agreement.

Uls
~~II. Construction Cost for Fee purposes shall be established at completion of construction Contract Drawings on an approved estimate plus or minus 10%.~~

III. Owner shall be provided with mylars of As-Built Construction Documents.

Uls
IV. The Architects agree to provide services ~~to a point where~~ thru Design Development Phase and their compensation ~~does~~ *Uls* shall not exceed the Owner's Planning Funds of \$350,000.00. Services will resume for completion of Construction Documents and subsequent phases when the project is fully funded and Owner's approval is received in writing.

This Agreement executed the day and year first written above.

OWNER

ARCHITECT

Medical University of S. C.

Uls

GMK, INC.
Ellerbe Architects
Associated Architects and Engineers

V. Basis Services include provision of alternative schematic configurations for structures to be placed above Phase I construction at a later date.

VI. The fee is based on a programmed area of 145,400 gross square feet as stated in the Master Plan prepared by Perkins & Will dated July 1977. It is further agreed that if the total gross area, departmental areas, or the scope of the project changes, the fee shall be adjusted accordingly.

ARTICLE 14

OTHER CONDITIONS OR SERVICES

In the TERMS AND CONDITIONS OF AGREEMENT BETWEEN OWNER AND ARCHITECT add to or delete from as follows:

14.1 Add new Subparagraph 1.1.3.1 as follows:

"1.1.3.1 Upon completion of SCHEMATIC DESIGN PHASE, the DESIGN, OUTLINE SPECIFICATIONS, and PROBABLE CONSTRUCTION COST shall be approved by the OWNER in writing."

14.2 Add new Subparagraph 1.1.5.1 as follows:

"1.1.5.2 Upon completion of DESIGN DEVELOPMENT PHASE, the DESIGN and PROBABLE CONSTRUCTION COST shall be approved by the OWNER in writing."

14.3 Add new Subparagraph 1.1.8.1 as follows:

"Prior to advertising for bids for construction, the Architect shall obtain written approval from the OWNER of the PROJECT DESIGN AND PROBABLE CONSTRUCTION COST."

14.4 Following Subparagraph 1.1.9 add the following:

"ADDITIONAL BASIC SERVICES

"1.1.9 Review Documents as required by OWNER in Subparagraphs 1.1.3.1, 1.1.5.1 and 1.1.8.1 shall also be submitted to the State Engineer's Office for approval.

"1.1.9.1 Prior to advertising for bids for construction, the Architect shall obtain written approval of the PROJECT DESIGN from the STATE ENGINEER.

"1.1.9.2 Ownership of Documents shall be as described in Article 9.

"1.1.9.2.1 Upon completion of the CONSTRUCTION PHASE, the ARCHITECT shall correct the original drawing to "record drawings" showing all significant changes in the Work made during construction. Such changes to the drawings shall be made in a professional manner, and drawings shall be stamped and signed by the ARCHITECT as said drawings being "record drawings", based on marked-up prints, drawings and other data furnished by the CONTRACTOR and/or representative of the OWNER and/or ARCHITECT.

"1.1.9.3 One month prior to the expiration of the one-year warranty period as called for in the CONSTRUCTION DOCUMENTS, the ARCHITECT shall inspect the project for any deficiencies that may have developed under the one-year warranty. Upon completion of inspection a written report shall be furnished to the OWNER, the STATE ENGINEER and the CONTRACTOR, and the ARCHITECT shall assist the OWNER in taking necessary action to see that the deficiencies are corrected."

- 14.5 In Subparagraph 1.1.14, fifth line following "---on site" delete "observations" and substitute therefor "inspections".
- 14.6 Add new Subparagraph 1.1.14.1 and 1.1.14.2 as follows:
- "1.1.14.1 Periodic visit by the ARCHITECT may vary with the progress of the work and other conditions, but shall average not less than one visit by the ARCHITECT or his representative to the project per week during the course of construction. The ARCHITECT shall submit to the OWNER a written report of his periodic visit, at least once a month, of his findings and progress of the project.
- "1.1.14.2 Should the CONTRACTOR fall behind in his construction schedule by more than four weeks, the ARCHITECT shall notify the OWNER in writing.
- 14.7 In Subparagraph 1.1.15, first line following "based on such" delete "observations" and substitute therefor "inspections".
- 14.7.1 In Subparagraph 1.1.15, seventh line following "Architects" delete "observations" and substitute therefor "inspections".
- 14.8 Delete Subparagraph 1.1.16 in its entirety and substitute therefor new Subparagraph 1.1.16 as follows:
- "1.1.16 The ARCHITECT shall be the interpreter of the requirements of the CONTRACT DOCUMENTS and judge of the performance thereunder by both the OWNER and the CONTRACTOR. The ARCHITECT shall render written interpretations necessary for the proper execution or progress of the work within fifteen days on written request of either the OWNER or the CONTRACTOR, unless such interpretation can only be made after testing, in which case an interpretation must be rendered within fifteen days after completion of such test, and shall render written decisions, within fifteen days, on all claims, disputes and other matters in question between the OWNER and the CONTRACTOR relating to the execution or progress of the work or the interpretation of the CONTRACT DOCUMENTS.
- 14.9 In Subparagraph 1.1.18, following "---Contract Documents" add new sentence:
- "Such action shall be taken with reasonable promptness so as not to delay the project.
- 14.10 Under Paragraph 1.3, delete Sub-paragraph 1.3.15 in its entirety.
- 14.11 Delete Subparagraph 1.3.11 in its entirety and substitute therefor new Subparagraph 1.3.11 as follows:
- "1.3.11 Preparing supporting data, and other services in connection with change orders requested by the OWNER. Where a change order is required because of a design error, the change order shall be prepared at no cost to the OWNER.
- 14.12 Add new Subparagraph 3.1.3.1 as follows:
- "3.1.3.1 Compensation to the Architect shall be as set forth in Paragraph II. When compensation is based on "Percentage of Construction Cost," the establishing of the percentage shall be the amount of the Construction Contract

awarded. Once established, the same percentage figure shall apply to any recomputation of fee occasioned by Change Order, and only Change Orders that increase the contract amount shall be used in recomputation. Where a Change Order is required because of a design error, the amount of that Change Order shall not apply toward computation of Architect's compensation".

- 14.13 Add new Subparagraph 3.5.0.1. as follows:

"Fixed limit of Construction Cost shall be the Probable Construction Cost as defined in Subparagraph 1.1.8.1"

- 14.14 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"

- 14.15 In Paragraph 6.4, page 7, fourth line following-----then due add "." (period) and delete remaining of sentence.

- 14.15.1 In Paragraph 6.4, page 7, delete last line in its entirety and substitute therefor the following:

"Compensation may be subject to negotiation."

- 14.16 Delete Paragraph 6.5 in its entirety and substitute new Paragraph 6.5 as follows:

"6.5 Payment due the Architect under this Agreement shall bear interest at six percent per annum commencing forty-five days after date of billing.

- 14.17 In Paragraph 8.2 in fourth line following Reimbursable Expense add "." (period) and delete remaining of sentence.

- 14.18 In Article 9 - OWNERSHIP OF DOCUMENTS delete in its entirety and add new Article 9 as follows:

" ARTICLE 9 "

"OWNERSHIP OF DOCUMENTS"

"9.1 The Owner shall have unlimited rights in the ownership of all drawings, designs, specifications, notes and other work developed in the performance of the AGREEMENT, including the right to use same on any other Owner's projects without additional cost to the Owner, and with respect thereto the Architect agrees to and does hereby grant to the Owner a royalty-free license to all such data which he may cover by copy right and to all designs as to which he may assert any rights or establish any claim under the design patent or copyright laws.

"9.2 In the case of future reuse of the documents the Owner reserves the right to negotiate with the Architect for compensation for the acceptance of any professional liability."

"9.3 In the event the Owner does not exercise the option to negotiate with the Architect for the Architect's acceptance of any professional liability, it is understood that the Architect is no longer liable in the reuse of the documents.

14.19 Delete Article 11 - Arbitration in its entirety.

14.20 Under Article 13 - Governing Laws second line following "----law of", delete remaining of sentence and substitute therefor the following:

"-----South Carolina."

December 5, 1977

Mr. William N. Geiger, Jr.
Geiger/McElveen/Kennedy, Inc.
2821 Millwood Avenue
Columbia, SC 29205

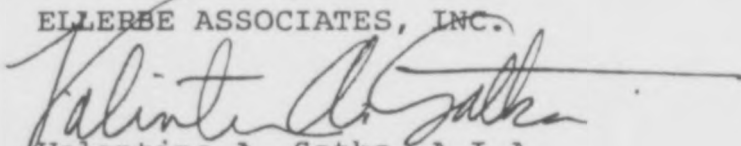
RE: Medical University of South Carolina
East Wing Addition
Charleston, South Carolina

Dear Bill:

In accordance with our Agreement to associate on the Medical University of South Carolina, East Wing Addition, we hereby acknowledge the terms of the Contract between MUSC and GMK, Inc.-Ellerbe Architects, Associated Architects and Engineers. We authorize Wm. N. Geiger, Jr. to sign for us in this Contract.

Sincerely,

ELLERBE ASSOCIATES, INC.


Valentine A. Satko, A.I.A.
Manager - Eastern Region

VAS

The News and Courier

State of South Carolina }
COUNTY OF CHARLESTON

Personally appeared before me

C. POINDESTER

advertising Clerk
of The News and Courier, a newspaper published in the City
of Charleston, County and State aforesaid, who, being duly
sworn, says that the advertisement of

COPY ATTACHED

appeared in the issues of said newspaper on the following

day(s): AUGUST 23, 24, 25, 26, 27, 28, 29, 1977

Subscribed and sworn to

before me this 10th day

of SEPTEMBER

A. D. 1977

C. Poindexter

Frank W. Peltz
NOTARY PUBLIC, S. C.

NOTARY PUBLIC FOR SOUTH CAROLINA
My Commission expires September 9, 1984

The Medical University of South Carolina announces that it proposes to engage architectural-engineering services for the following project: East Wing Addition, Phase I, to the Medical University Hospital located at Charleston, South Carolina. This project which will be planned and constructed in four phases includes Phase I only. The proposed buildings for Phase I will provide facilities for Department of Surgery, Department of Laboratory Medicine, and service units. Funding and authorization has been granted by the State of South Carolina. Complete Preliminary Plans only in response to a formal Program Statement completed by a Professional Planning Consultant. Only firms with extensive experience in hospital planning will be considered. Interested firms should submit resumes citing their qualifications and experience to the Medical University of South Carolina, Office of the President, 171 Ashley Avenue, Charleston, South Carolina 29402. Firms submitting resumes of qualifications shall include a list of all contracts including construction cost. The firm has executed on State of South Carolina work in the past two years. After review of resume by University officials, conferences and final selection of the firm will be conducted as prescribed by the "Procedures to be followed by the State Agencies in the Selection of A/E Firms" published by the State Budget and Control Board, May 1, 1973. All interested firms should respond not later than September 30, 1977.

Medical University of South Carolina

August 18, 1977

*Alize (SF)
@ 11/18/77
South*

The Medical University of South Carolina announces that it proposes to engage architectural-Engineering services for the following project:

East Wing Addition, Phase I, to the Medical University Hospital located at Charleston, South Carolina.

This project, which will be planned and constructed in four phases, includes Phase I only. The proposed building for Phase I will provide facilities for Department of Surgery, Department of Laboratory Medicine and service units. ?

Funding and authorization has been granted by the State of South Carolina to complete Preliminary Plans only in response to a formal Program Statement completed by a Professional Planning Consultant.

Only firms with extensive experience in hospital planning will be considered.

Interested firms should submit resumes citing their qualifications and experience to "Medical University of South Carolina, Office of the President, 171 Ashley Avenue, Charleston, South Carolina 29403."

Firms submitting resume of qualifications shall include a list of all contracts, including construction cost, the firm has executed on State of South Carolina work in the past two years.

After review of resumes by University officials, conferences and final selection of the firm will be conducted as prescribed by the "Procedures to be followed by State Agencies in the Selection of A/E Firms" published by the State Budget and Control Board, May 1, 1973.

All interested firms should respond not later than September 30, 1977.

LISTING OF A/E FIRMS CONTRACTED
FOR CAPITAL IMPROVEMENT PROJECTS SINCE JULY, 1974
MEDICAL UNIVERSITY OF SOUTH CAROLINA

<u>Project No.</u>	<u>Project Name</u>	<u>A/E</u>	<u>Date of A/E Contract</u>	<u>Construc- tion Cost</u>	<u>Project Cost</u>
19-74	Additional Floors to Clinical Science and Admin. Bldgs.	LBC&W	10/8/74	\$ 5,890,339	\$7,372,933
19-75	Expansion of High Tension Electric	Frederick A. Smith	8/15/75	586,062	702,283
19-80	Miscellaneous Hospital Alts.	Gill, Wilkins & Wood	5/1/75	1,292,514	1,400,000
19-83	Addition to President's Home	Lee and Partners	7/10/76	Not under contract	150,000
51-001	Hospital Renova- tion III	Gill, Wilkins & Wood	5/1/75	Not under contract	1,000,000

FIRMS WHO RESPONDED TO ADVERTISEMENT ON
EAST WING ADDITION TO THE HOSPITAL*

1. Lucas & Stubbs - Charleston, in association with:
Caudill, Rowlett & Scott - Houston
Enwright Associates - Greenville. (\$3,010,847 E.C.C.)
2. Cannon Partnership - New York, in joint venture with:
Freeman, Wells & Major - Greenville. (Not given)
3. J.E. Sirrine Company - Greenville, in association with:
Perry, Dean, Stahl & Rogers - Boston. (\$500,000 E.C.C.)
4. Geiger, McElveen, Kennedy - Columbia, consultant arrangement with:
Ellerbe Architects - Washington, D.C. (List attached)
5. Heery & Heery Architects - Atlanta, in joint venture with:
Simons, Mitchell, Small & Donahue - Charleston. (Not given)
6. Odell Associates - Greenville, in joint venture with:
Frederick A. Smith, Engineers - Charleston. (Not given)
7. Peterson-Clary Architects - Charlotte. (No recent State contracts)
8. Middleton-McMillan Architects - Charlotte. (Not given)
9. Stetson Architects/Engineers - Greenville. (\$850,000 E.C.C.)
10. Lambert & Yates - Anderson. (Not given)
11. A.D.E.P. - Charlotte. (No State contracts)
12. W.E. Gilbert Associates, Engineers and Six
Associates, Architects - Greenwood. (\$1,750,000 E.C.C.)
13. The Ritchie Corporation - Birmingham, Alabama (No State contracts)
14. Fellers & Associates - Columbia, in association
with: Gruzen and Partners - New York and
Washington; Robert Shoolbred Engineer -
Charleston; Sasnett Engineering Incorporated -
Miami. (\$8,000,000 E.C.C.)
15. Carlisle Associates - Columbia, in joint venture
with: Wilmot, Bower, Quinlan & Associates -
Silver Springs, Maryland. (No State contracts)
16. Lafaye Associates - Columbia, in joint venture
with: Henningson, Durham & Richardson. (Not given)

* Total amount of State work by estimated construction cost is shown in parentheses if the firm provided this information in its response to the advertisement.

Page Two

17. Lockwood Greene, Architects - Spartanburg, in
association with: Perkins, Will Incorporated -
Washington, D.C. (\$5,340,000 E.C.C.)
18. Abreu & Robeson, Incorporated - Atlanta. (Not given)
19. Gill, Wilkins & Wood, Incorporated - Florence. (\$3,672,000 E.C.C.)
20. American Medicorp Incorporated - Bala Cynwyd,
Pennsylvania. (Not given)

GEIGER, McELVEEN, KENNEDY

<u>DATE</u>	<u>NAME</u>	<u>LOCATION-ADDRESS</u>	<u>CHIEF OFFICER</u>	<u>COST</u>
1975	Allendale Hi. Sch. Renovations	Allendale, SC	Mr. Henry White, Allendale Sch. Bd.	\$ 386,000.00
1975	USC - Cultural Center	Columbia, SC	Dr. W.H. Patterson, USC Bd. of Trustees	\$ 8,000,000.00
1975	Addition to Andrew Jackson Vocational School	Kershaw, SC	Mr. Atlee Brown, Superintendent	\$ 97,000.00
1975	Administration Building Lexington Cty. Sch. Dist. #5	Ballentine, SC	Mr. W.C. Hawkins, Lexington Cty. Sch. Dist. #5	\$ 706,000.00
1975	Addition to Basic Science Bldg.	Charleston, SC	Mr. William D. Huff, SC Med. Univ.	\$ 323,000.00
1975	Central Energy Facility - Ph. II	Charleston, SC	Dr. Theodore S. Stern, College of Charleston Board of Trustees	\$ 668,239.00
1975	Indianland Schools, Lancaster Cty.	Fort Mill, SC	Mr. W.B. Gunter, Superintendent	\$ 2,565,000.00
1975	Newberry Senior High School	Newberry, SC	Mr. Ralph E. Watkins, Jr., Newberry Board of Education	\$ 2,660,000.00
1975	Clover Middle School	Clover, SC	Mr. Martin A. Ramsey, York Sch. Dist.	\$ 756,000.00
1975	Easley Hi. Sch. Renovations	Easley, SC	Dr. Curtis Sidden, Pickens Sch. Dist.	\$ 6,392,725.00
1975	Pickens Hi. Sch. Addition	Pickens, SC	Dr. Curtis Sidden, Pickens Sch. Dist.	\$ 200,500.00
1975	Seneca High School	Seneca, SC	Mr. Fred P. Hamilton, Oconee Sch. District	\$ 5,900,000.00
1975	T.V. Communications System East Campus Facility	Columbia, SC	Mr. Grady A. Decell, SC Dept. of Youth Services	\$ 69,900.00
1976	Hampton-Estill Vocational/ Handicapped Training Fac.	Hampton, SC	Mr. John W. Dodge, Estill Public Schs.	\$ 1,500,000.00
1976	Tri-County Tec - Adm. Bldg.	Pendleton, SC	Mr. George V. Chastain, Tri County Technical College	\$ 839,440.00
1976	Dillon High Sch. Addition	Dillon, SC	Dr. Mike Simmons, Dillon Sch. Dist.	\$ 1,285,000.00

<u>DATE</u>	<u>NAME</u>	<u>LOCATION-ADDRESS</u>	<u>CHIEF OFFICER</u>	
1976	Fairfield County Vocational School Addition	Winnsboro, SC	Mr. A.L. Goff, Fairfield Cty. Sch. Bd.	\$ 231,000.00
1976	Addition to McCormick Vocational Education Facility	McCormick, SC	Mr. Horace Roberts, McCormick Bd. of Education	\$ 470,000.00
1976	Beaufort-Jasper Career Education Center	Ridgeland, SC	Dr. Walter Trammell, Beaufort Cty. Schools	\$ 1,600,000.00
1976	Newberry Career Ed. Ctr.	Newberry, SC	Mr. Ralph E. Watkins, Jr., Newberry Bd. of Education	\$ 1,200,000.00
1976	Denmark Tec - Student Services Center	Denmark, SC	Mr. W.L. McDuffie, Denmark Technical College	\$ 922,300.00
1976	Dorchester Area Vocational Center	St. George, SC	Mr. Charles W. McGill, Dorchester Sch. Bd.	\$ 1,069,000.00
1976	College of Charleston Dormitory	Charleston, SC	Dr. Theodore S. Stern, College of Charleston, Board of Trustees	\$ 1,884,000.00
1976	Residence Hall II	Charleston, SC	Dr. Theodore S. Stern, College of Charleston, Board of Trustees	\$ 1,883,560.00
1976	Indianland Sewer Treatment Plant	Lancaster, SC	Mr. John Wall, Lancaster Cty. Schs.	\$ 115,750.00
1976	Hollywood Elementary School	Saluda, SC	Mr. Boyce Todd, Saluda Cty. Bd. of Ed.	\$ 531,000.00
1977	Allendale-Fairfax Gym Addn.	Allendale, SC	Mr. Henry White, Allendale Sch. Bd.	\$ 386,000.00
1977	Beaufort-Jasper Career Ed. Center Addition - Ph. II	Ridgeland, SC	Dr. Walter Trammell, Beaufort Cty. Schools	\$ 597,300.00