

MINUTES OF BUDGET AND CONTROL BOARD MEETING

JANUARY 13 1972

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The Budget and Control Board met in the Conference Room of the Governor's Office at 3:00 p. m. on Thursday, January 13, 1972. In addition to all Board members, the meeting was attended by Messrs. P. C. Smith and W. T. Putnam. The following business was transacted.

UNIVERSITY OF SOUTH CAROLINA - COMPUTER ACQUISITION - Mr. J. V.

Bennett, Director of the Division of Technology Utilization appeared before the Board to make his report concerning the request of the University of South Carolina for the acquisition of a new computer system. (This request along with substantial documentation is included in these files and is designated as Exhibit I) Mr. Bennett outlined his findings and recommended that the University be permitted to purchase a used IBM 360/65 computer, the cost of which would be \$922,000 or \$24,672 per month for sixty months.

Several members of the Board indicated that if such a purchase were to be made, another form of financing should be used.

The Board declined to take action upon this request pending a further report by Mr. J. V. Bennett with respect to details of the bid procedure and the purchase options. Also he was asked to examine the report of the Management Study Committee with respect to any recommendations pertaining to computer acquisition and usage and to assure himself and the Board that the request of the University was in accord with such recommendations.

DEPARTMENT OF CORRECTIONS - Mr. William Leeke, Director of the

Department of Corrections appeared before the Board and reported that the

bid which had recently been taken for the construction of the female facility was approximately \$500,000 more than was originally anticipated. Therefore, he requested that the bond authorization for the maximum security complex be reduced by this amount and that it be added to the bonding authority for the female facility.

The Board approved this request.

PERSONNEL DIVISION - STATE EMPLOYEES' HEALTH INSURANCE - Mr. Earl Ellis and Dr. Ronald C. Horn appeared before the Board to discuss their findings pertaining to health insurance for State Employees. (Dr. Horn's report is included in these minutes and is designated as Exhibit II)

Dr. Horn discussed five different plans with the Board. These alternatives were set forth in a brief outline which is incorporated in these minutes and is designated as Exhibit III.

After much discussion the members of the Board indicated that, from the information furnished, they preferred the principles of the plan which Dr. Horn had labeled "Plan D." This plan would provide for the reimbursement by the State of uninsured medical and dental expenses in the amount of two percent of the employee's salary with a \$200 per year maximum. The plan also calls for a supplemental major medical policy with a two percent deductible feature. Both the State and the employee would participate in funding this plan.

Mr. Ellis indicated that time had become a serious factor in developing a health insurance program and stated that it would be necessary to request bids from the various insurance companies prior to determining the actual cost of the program. He was directed to proceed upon the basis of developing "Plan D" as indicated above.

GRIEVANCE PROCEDURES - Governor John C. West asked the Board to formally adopt the following procedures with respect to Grievance Hearings:

- (1) One copy of the full transcript of the hearings

of the State Employee Grievance Committee in a given grievance may be transmitted to the grievant at his/her request and one copy transmitted to the head of the defendent agency at his/her request provided these parties acknowledge and agree to honor the confidential nature of the transcript.

(2) Whenever two or more members of the Board agree to a request from either of the principal parties involved in the grievance such parties may be permitted to appear personally before and present statements to the Board prior to the rendering of the final decision.

The Board unanimously adopted both of these rules and advised Mr. Ellis that they should be followed in all future Grievance proceedings.

YORK COUNTY INDUSTRIAL REVENUE BONDS - The Budget and Control

Board received a petition from the governing body of York County for approval of the issuance of \$1,000,000 of Industrial Revenue Bonds for Huntley of York, Ltd. This firm will be involved in the manufacturing and distributing of garments.

The Board approved this petition.

A copy of the petition and the Resolution of the Budget and Control Board has been retained and is designated as Exhibit IV.

MENTAL HEALTH COMMISSION - The Board approved a request of the Mental Health Commission for the construction of an energy facility to provide utility services to the new "Village A" which has been previously approved by the Board.

There being no further business, the meeting was adjourned at 5:15 p. m.

SPECIAL NOTE

Exhibit I, previously referred to in these minutes, has been incorporated into Exhibit III of the minutes of February 2, 1972.

AGENDA MATERIALS
AND SUPPORTING DOCUMENTS
FOR THE MEETING OF
JANUARY 13, 1972

STATE OF SOUTH CAROLINA
PERSONNEL DIVISION



Return
F. E. ELLIS
STATE DIRECTOR

TELEPHONE
(803) 758-3334

700 KNOX ABBOTT DRIVE
CAYCE, SOUTH CAROLINA 29033

January 14, 1972

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

Dear Pat:

Attached is the statement of the rules adopted by the Budget and Control Board on January 13, 1972, as we understood them, concerning distribution of transcripts of hearings of the State Employee Grievance Committee and the appearance before the Budget and Control Board of the principal parties in such hearings.

If you or the members of the Board have a different understanding, please let us know and we will rewrite accordingly.

Yours truly,

A handwritten signature in cursive script, appearing to read "F. E. Ellis".

F. E. Ellis
State Director of Personnel

FEE:cdc

Enclosure

cc: The Honorable John C. West
The Honorable R. J. Aycock
The Honorable Grady L. Patterson, Jr.
The Honorable J. Henry Mills
The Honorable Edgar A. Brown

The Budget and Control Board, at its meeting on January 13, 1972, adopted the following rules concerning procedures of the Board in acting upon recommendations submitted by the State Employee Grievance Committee in compliance with the State Employee Grievance Act:

1. One copy of the full transcript of the hearings of the State Employee Grievance Committee in a given grievance may be transmitted to the grievant at his/her request and one copy transmitted to the head of the defendant agency at his/her request provided these parties acknowledge and agree to honor the confidential nature of the transcript.

2. Whenever two or more members of the Board agree to a request from either of the principal parties involved in the grievance such parties may be permitted to appear personally before and present statements to the Board prior to the rendering of the final decision.

EXHIBIT II
JANUARY 13, 1972
REPORT ON PROPOSED

HEALTH INSURANCE BENEFIT
PROGRAM FOR STATE EMPLOYEES

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EXHIBIT II
JANUARY 13, 1972
REPORT ON PROPOSED

HEALTH INSURANCE BENEFIT
PROGRAM FOR STATE EMPLOYEES

FOR DENSITY TESTING PURPOSES ONLY

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STATE OF SOUTH CAROLINA

PRELIMINARY REPORT ON PROPOSED HEALTH INSURANCE BENEFIT
PROGRAM FOR STATE EMPLOYEES

Submitted to the
Personnel Division, State of South Carolina

November 17, 1971

by
Dr. Ronald C. Horn, CLU, CPCU
and
Dr. John E. Stinton, CLU

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INTRODUCTION

In the 1971-72 Appropriations Bill, the South Carolina General Assembly allocated funds to the State Personnel Division for the purpose of developing a suitable health insurance benefit program for all state employees. It is anticipated that (1) such a program will become effective July 1, 1972 and (2) the State's portion of the initial funding of the program will be appropriated by the 1972 General Assembly.

Earlier efforts to establish a state-sponsored health insurance program resulted in the publication of the February, 1969 "Report of The Committee To Study Medical And Hospital Insurance Programs Suitable For State Employees," which report contains the recommendations of the committee appointed pursuant to a 1968 Concurrent Resolution of the General Assembly. This Committee recommended, among other things, that "South Carolina structure and participate in a health insurance program for State employees as one means for moulding State career service". Shortly after the Committee's formal report was presented to the State Senate on February 7, 1969, the consulting firm of Towers, Perrin, Forster and Crosby was retained to explore the technical aspects in greater detail. In March, 1970, T.P.F. & C. submitted its "Report On Medical Plan For State Employees" to the State Director of Personnel. However, further legislative action was delayed by budget considerations until the Personnel Division was directed to resume its plan design activities in the summer of 1971. By this time, much of the information contained in the two earlier reports had become outdated, a

wage-price freeze was in the making, the State was faced with increasing demands on limited financial resources, general economic conditions had changed and renewed interest in national health insurance had intensified. Accordingly, the authors were asked to conduct an in-depth study of the matter, in the light of the new conditions and the earlier reports, and to submit their findings to the State Director of Personnel.

EMPLOYEE CENSUS DATA

At the suggestion of the authors, initial efforts were directed toward securing comprehensive "employee census" data for all state employees. If an employee benefit plan is to be tailored to the particular needs of a group, it is absolutely essential to have detailed breakdowns of earnings, sex, marital status and age distributions. But such information was not, at the outset, readily available in usable form. The limited data available pertained only to those state employees now under the new Personnel Classification System (about 85% of the total), and it was insufficiently detailed for the purpose at hand. Thus, the staff of the Personnel Division worked diligently for several months to obtain the additional data and summarize it in a form that would facilitate meaningful analysis.

Since the results of this initial data-gathering phase should be extremely useful in numerous facets of State government, they are reproduced in detail in Appendix A of this report. From Table 1, which summarizes the census data for all 32,810 State employees as of October 27, 1971, the following Figures seem especially noteworthy:

DISTRIBUTION OF FULL-TIME EMPLOYEES BY SEX, MARITAL STATUS AND AGE

ANNUAL EARNINGS CLASSES	EMPLOYEES IN EACH EARNINGS CLASS		SEX		MARITAL STATUS			AGES							
	NUMBER	%													
			M	FM	M	S	D/W	Under 30	30-34	35-39	40-44	45-49	50-54	55-59	60-64
Under \$4,000	5185	15.8	1933	3252	3176	1682	327	2457	461	441	433	475	441	281	166
\$4,000-\$5,000	8215	25.0	4024	4191	5922	1789	504	3040	601	686	805	823	941	804	447
\$5,000-\$6,000	4285	13.1	2071	2214	3168	888	229	1460	419	373	443	507	452	377	209
\$6,000-\$7,000	3546	10.8	1851	1695	2604	775	167	1316	376	314	321	371	348	284	171
\$7,000-\$8,000	2931	8.9	1630	1301	2205	620	106	946	341	233	279	309	311	265	183
\$8,000-\$9,000	1903	5.8	1269	634	1435	406	62	505	304	196	177	160	206	161	142
\$9,000-\$10,000	1606	4.9	1252	354	1276	290	40	356	310	209	206	157	149	108	83
\$10,000-\$12,500	2417	7.4	1989	428	1975	369	73	350	411	355	319	298	261	218	148
\$12,500-\$15,000	1183	3.6	1049	134	1017	129	37	84	230	199	163	150	124	109	100
\$15,000-\$17,500	638	2.0	605	33	582	52	4	25	62	120	113	105	74	71	48
\$17,500-\$20,000	371	1.1	351	20	337	26	8	3	36	63	57	81	59	38	28
\$20,000-\$22,500	233	.7	226	7	223	8	2	0	6	23	47	52	40	38	15
\$22,500-\$25,000	124	.4	115	9	112	10	2	1	7	20	14	23	18	19	17
\$25,000	173	.5	167	6	160	8	5	0	7	19	26	35	30	30	17
TOTALS	32810	100.	16532	14278	24192	7052	1566	10544	3571	3251	3403	3546	3454	2803	1774
PERCENT			56.5	43.5	73.7	21.5	4.8	32.1	10.9	9.9	10.4	10.8	10.5	8.6	5.4
CUMULATIVE PERCENT									43.0	52.9	63.3	74.1	84.6	93.2	98.6

1. Earnings - A significantly large portion of the group is at the lower end of the salary scale. About 13,400 employees, or 40% of the total number, make less than \$5,000 per year. Nearly 54% make less than \$6,000 per year and 65% make less than \$7,000 per year. On the other hand, only 15% of the employees have earnings in excess of \$10,000 per year. (Of the 5,139 employees who have salaries exceeding \$10,000 per year, about 50% are employed by the state colleges or universities).
2. Sex - The State employs 18,532 males (56.5% of the total) and 14,278 females (43.5% of the total). However, nearly 80% of the females make less than \$7,000 per year.
3. Marital Status - About 74% of the employees are married, 21% are single and another 5% are divorced. As one might expect, the vast majority of the single and divorced employees are in annual earnings categories of less than \$10,000.
4. Ages - The employees are decidedly "younger" than one might have expected for a group of State employees. Over 30% of the employees are less than 30 years of age and nearly 75% are less than 50 years of age. The median age of the group lies somewhere between age 35 and 39. Only 1.4% of the employees are 65 years of age or older.

While the foregoing facts represent only a small sample from the data included in the Appendices of this report, perhaps they will at least serve to highlight some of the relevant characteristics of the group for which a health insurance plan is to be designed. Each of these characteristics will be examined in greater detail in later sections of the report.

TOTAL PAYROLL DATA

Because of the obvious implications for alternative arrangements to fund a state-sponsored health insurance program, the Personnel Division was asked to develop payroll information for the fiscal year 1970-71. The relevant figures, based on Personnel Division estimates, are as follows:

1. Total State Payroll For Fiscal Year 1970-71	\$229,532,938
2. Less Amount Paid From Federal Funds	<u>- 41,765,800</u>
3. Balance	\$187,767,138
4. Less State Highway Department Payroll (Funded Through Its Own Revenue-Producing Sources)	<u>- 36,166,793</u>
5. Total Payroll From (State) General Appropriations	<u>\$151,600,345</u>

Although the figures for the fiscal year 1972-73 probably will be somewhat higher, the data provide a satisfactory basis for preliminary insurance cost estimates.

SURVEY OF OTHER STATE HEALTH INSURANCE PROGRAMS

In July, 1971, the Personnel Division conducted an up-to-date survey of the benefit provisions and financing arrangements in state health insurance plans of the type now under consideration for South Carolina. Twenty-five states responded with some detail about the plans now in force in their respective states. A copy of the survey results is included in Appendix B. In addition to a summary of each individual plan, the survey provides a comparison among nationwide state totals, southeastern state totals and the plan suggestions contained in the March, 1970 report prepared for the State of South Carolina by T.P.F. & C. Since the survey results speak for themselves, no further elaboration seems necessary at this point. The survey findings were studied carefully, however, in preparing the recommendations contained in this report.

SOUTH CAROLINA HOSPITAL ROOM RATES

The prevailing charges for hospital room and board obviously constitute an important consideration in the design of any health insurance plan. But here in South Carolina, as elsewhere throughout the country, keeping track of rapidly rising hospital charges is no easy task. Fortunately, the South Carolina Hospital Association provided the authors with a fairly detailed breakdown of room charges in major hospitals located throughout the State. This information, reflecting charges as of August, 1971, is included in Appendix C.

Depending upon the location and the type of accommodations involved, per diem rates ranged from a low of about \$20 (for ward

accommodations) to a high of about \$62 (for a private room). If there is a "typical" charge for semi-private accommodations in the State, it would currently be approximately \$35 per day. But daily semi-private rates of \$40 or more are no longer uncommon, particularly in the larger metropolitan areas. It seems almost inevitable, moreover, that the "prevailing" hospital costs will continue to rise at a rapid pace within the foreseeable future, with additional increases likely even before a health insurance plan could be implemented by the State. All of these factors were weighed carefully in arriving at the plan design and funding suggestions to be discussed later in the report.

COMMENTS ON THE 1969 STUDY COMMITTEE REPORT

The 1969 "Report Of The Committee To Study Medical And Hospital Insurance Programs Suitable For State Employees" provided an excellent point of departure for the current study.¹ The information and suggestions contained therein reflect painstaking efforts on the part of many dedicated and knowledgeable persons. It should not detract in any way from the Committee's original findings, therefore, to acknowledge the wisdom of reexamining them in the light of (a) current conditions which could not have been foreseen and (b) the comprehensive employee census data which were not available to the Committee at the time. To this end, the authors would offer the following brief comments on each of the Committee's fourteen recommendations, in turn:

¹See Appendix D for a copy of this report.

1. "Recommendation that South Carolina structure and participate in a health insurance program for State employees as one means of moulding State career service."

Comment: We wholeheartedly concur with both the recommendation and the rationale the committee employed in its support. But, for reasons noted later, we do not believe it would be advisable to take too literally the Committee's suggestion that the system be "comparable to that which Georgia has structured".

2. "Recommendation that (the) program be headed by a high-level policy-planning, rule-making body with (the) State Director of Personnel as chief administrative officer."

Comment: While we agree with this general approach, we strongly urge adoption of more definitive guidelines pertaining to the composition of the Board. For example, we would hope that political considerations would play absolutely no part in the selection of Board members. Some representation from the financial sector of State government would be necessary, of course, but we likewise believe that the Board members should include at least some

health insurance expertise, at least one female and adequate representation of the employees themselves (perhaps through the State Employee's Association).

3. "Recommendation that (the) program be funded by allocation of an amount not exceeding 3% of total outlay for personal services".

Comment: We intuitively feel that a 3% allocation would be affordable by the State, and that it would provide a fairly reasonable level of benefits. However, we take sharp issue with the suggestion that the State's allocation should "not apply to that portion of monthly salary exceeding \$700". Indeed, we believe that this latter suggestion is based upon a faulty premise. The main effect of such a limit would be to lower the State's total allocation; consequently, it would be necessary to lower the level of benefits or increase the allocation percentage. There is no necessary reason, moreover, for there to be a direct relationship between the State's total allocation to the plan and an individual employee's level of contribution.

4. "Recommendation that enabling legislation include provisions which Georgia added by later amendments".

Comments: We agree. The provisions to which

the Committee report refers pertain to inclusion of General Assembly members and subsequent eligibility of persons who originally declined to participate. Our specific suggestions are included in our plan design alternatives, which are outlined in a later section.

5. "Recommendation as to definition of 'employee' under such program".

Comment: As will be noted later, our concern here is twofold. First, we feel that definition of "full-time" employee ought to include the many persons who work more than twenty hours per week for more than five months a year, but who are not currently considered "full-time" for other purposes. Second, while we believe inclusion of retirees is an admirable objective, we are mindful of the fact that this might have a significant impact on total plan costs. All of our plan design suggestions take note of this by suggesting Part B "medicare" coverage for medicare eligibles.

6. "Recommendation that (a) health insurance stabilization fund be authorized with potential as (a) source of (the) State's portion of health insurance premium for retirees".

Comment: We have no strong objections to the

general notion of establishing a "stabilization fund" per se, but we cannot endorse the idea enthusiastically on the basis of the limited information given in the Committee's formal report. Nor do we believe that such a fund is the "essence in fabricating the program" recommended by the Committee. Whether this kind of fund is necessary or desirable depends entirely on the nature of the program adopted. And the Committee did not, of course, address itself to the benefit details of the plan. One can only infer that the Committee felt such a fund to be necessary because it envisioned a plan promising a fixed level of benefits or services (and variable costs). If such a fund is created, we prefer to see some limitations on its size, e.g. that it should not exceed an amount determined periodically by a qualified independent actuary, and we further believe the legislation should include a clear statement of the fund's purpose.

7. "Recommendation that although (the) State pay, if possible, the larger part of the premium under the Plan, the employee contribute substantially toward payment of the premium whether for 'single' coverage or 'family' coverage."

Comment: We find ourselves in the uncomfortable position of agreeing generally with the basic recommendation but disagreeing with the rationale offered by the Committee. There are some who believe that employee contributions result in a "greater appreciation" of the plan by the employees. This proposition may contain an element of truth. However, the major argument in favor of employee contributions is much more persuasive. Given a specified level of State financing, employee contributions permit a much more favorable and generous benefit structure. This argument must be tempered, as a practical matter, by the necessity of meeting insurer participation minimums. If employees cannot afford the prescribed level of contributions, or otherwise deem the contributions excessive, they may not elect to participate and thus the entire plan may fail. Even in an uninsured plan, a low level of participation would have to be considered a failure to achieve the intended objectives. Finally, employee contribution levels should not be set without due regard to the prevailing practices of "competitor" employers. We believe our plan design suggestions reflect proper consideration of all such factors involved. [830

8. "Recommendation that (the) plan include conversion privilege but without 'loading' by insurer for such purpose."

Comment: We are inclined to feel that this approach would impose an undue hardship on employees who terminate for reasons of poor health (and are not eligible for retirement). Since the practice would undoubtedly give rise to more serious adverse selection than that which is inherent in the customary arrangement, the insurer's conversion charge, assuming an insured plan, would probably be very high. As such, it would effectively preclude conversions by terminating employees. A better approach is to require terminating and converting employees to undergo a physical exam. Conversion charges for uninsurables (only) would be levied against the remaining group.

9. "Recommendation that benefit provisions and coverage details be left to those administering the Plan."

Comment: We do not concur. In fact, we do not believe that benefit and coverage matters are aptly described as "details". We can fully understand why the study committee did not attempt to formulate coverage specifics.

Yet it does not follow, in our opinion. that these things should be left to the sole discretion of "those administering the plan."

Decisions of this sort instead should involve a system of safeguards, checks and balances and public discussions.

10. "Recommendation that (the) State assume a major role in (the) administration of (the) group insurance program."

Comment: If the plan to be adopted is either uninsured or only partially insured through a commercial insurer, the State would, inescapably, play a major role in plan administration. Whether the State should elect a wholly or partially uninsured approach is to be dealt with in later sections of this report.

If the plan is to be insured, on the other hand, we do not agree with the above recommendation. It is true enough, as the Committee noted, that the size of an insurer's "retention" would depend upon the extent to which the State assumed responsibility for plan administration. But we question whether any reduction in insurer retention would not, in fact, result in a net reduction in plan cost. To achieve any net savings, the State

must provide comparable administrative services more efficiently and inexpensively than a commercial insurer. From first-hand experiences in similar situations, the authors are keenly aware of the fact that too often alleged savings are really just "disguised" expenses resulting from incomplete cost accounting. Hence, we suggest that the State would be well advised to accumulate cost accounting figures over, say, a two-year period before agreeing to assume any major administrative burden. Even then, it should do so only if net cost savings can be demonstrated clearly.

We likewise have some reservations about the State involving itself unduly in individual claims disputes. One of the major advantages of having a commercial health insurer, we believe, is that the insurer serves as a "buffer" between the employer and the dissatisfied claimant (who, more often than not, is making unreasonable demands). This is not to suggest that the State should never become involved in claims problems. But rather that the State, through its power as a large buyer, insist on prompt, fair settlement of all just claims--no more, no less. Perhaps this is all that was intended in the Committee's

recommendation.

11. "Recommendation that (the) benefit program be nonoptional with coordination of benefit and Medicare limitations."

Comment: The only thing we object to here is the "non-optional" aspect of the recommendation. The Committee urged establishment of "a single program applicable to all without options as to different ranges of benefits". In the context of the entire report, it seems clear that the Committee was here directing itself to the issue of whether employees should be permitted to elect "high" or "low" options similar to those available in the Blue Cross-Shield plans for federal employees. While we agree that permitting such a choice would not be advisable, this does not preclude having prescribed but different benefit structures for different classes of employees. The merits of the latter approach will be elaborated upon in a section on plan design alternatives.

A related question is whether the proposed plan should - or can be - "compulsory" for all State employees. On both legal and practical grounds, we seriously doubt that the plan could be made compulsory for employees already employed

at the time the plan is installed. For them, the plan itself would have to be optional and this, in turn, means that it will have to be attractive enough to assure that at least the required percentage of those eligible will elect to participate. For employees hired after plan installation, participation in the plan could be made a condition of employment. At least there is ample precedent for this approach in similar groups.

A related question is whether individual state agencies should be allowed the right to elect out of the plan, perhaps by a vote of its employees. The Committee urged that the plan be elective as regards the South Carolina Ports Authority and the Public Service Authority, for example, because both agencies are self-supported financially and they receive no State appropriations. Other than these two agencies, the Committee report did not deal specifically with the matter of agency elections and, hence, we can only infer that the proposed health insurance plan was to be compulsory for all other agencies (but elective as regards their individual employees at the inception of the plan). Although this approach may be preferable to the alternatives, we do feel that it is

important to distinguish between agency elections and individual employee elections. For example, adverse selection problems are associated more with the latter than the former kind of elective provision. And either kind of election poses a challenge in terms of meeting minimum insurer participation requirements (for contributory plans, normally at least 75% of the eligible group must elect to participate before the plan could become operative).

12. "Recommendation that enabling legislation include authority for self-insurance program."

Comment: The term "self-insurance" is used to mean so many different things that it is not at all clear what the Committee may have had in mind. Here, we would only like to make the point that the issues involved are exceedingly complex. As such, we would strongly oppose legislation that would give "authority" to establish self-insurance to anyone other than the South Carolina General Assembly.

13. "Recommendation that teachers, their associations and the General Assembly consider study of a similar or comparable plan for teachers at some future time."

Comment: This is a matter well beyond the scope

of our study. Yet we applaud the Committee's recommendation and hope that it will be given the serious attention it deserves.

14. "Recommendation for early implementation of Plan."

Comment: We do not feel that this is for us to decide. Nonetheless, we feel it important to call attention to two major developments of relatively recent origin; namely, the wage-price freeze and the prospects for national health insurance. Our own general observations on each of these two developments are presented in a later section.

In making the foregoing brief comments, we have attempted to be constructive. Largely because we had access to more definitive data, we have disagreed with the Committee on various technical questions. Nevertheless, we enthusiastically endorse the spirit of the Committee's 1969 report. It has been of invaluable assistance in preparing our study.

COMMENTS ON THE T.P.F. & C. REPORT

As noted earlier, the consulting firm of Towers, Perrin, Forster and Crosby was asked to submit its recommendations on the proposed health insurance plan for State employees, as a result of which the "Report On Medical Plan For State Employees" was presented to the State Personnel Director in March, 1970. (see Appendix E). The firm was selected

because of its nationally-recognized expertise in employee benefit planning, as well as its experience in the design and implementation of several other state-sponsored health insurance programs.

T.P.F. & C.'s written report is a lengthy document containing many excellent suggestions. However, the report is now several years out-of-date and it was made, in the first instance, on the basis of very limited information. The authors reviewed the report carefully and feel that the following observations should be made:

1. The T.P.F. & C. report proceeds on the explicit assumption that there is to be a "single, uniform medical insurance plan for all state employees" and that such a plan will - among other things - remove the "inequality and lack of benefits of the current system." We are not sure where the basic assumption came from, but we thoroughly disagree with it.

It is virtually axiomatic that there will be a single plan if there is to be a "State" plan at all. But it by no means follows that it should be a uniform plan (i.e. the same benefits, deductibles, etc. for all employees). Compared to the existing benefits of some sizeable State agencies, in fact, the uniform plan proposed by T.P. F. & C. would take away benefits, not add them. A case in point is the University of South Carolina with 2,000 employees, about 1,700 of whom are eligible for Major Medical insurance

benefits up to a \$50,000 maximum. The T.P.F. & C. report would provide only a \$15,000 maximum benefit, and it would include a lower deductible than most higher-paid employees want or need. Even though the State agreed to pay 50% of the premium (with taxes, paid in part by the employees themselves), we suspect the T.P.F. & C. plan would meet with considerable resistance. This, in turn, might make it difficult to meet insurer participation requirements and general plan objectives. Indeed, a strong case can be made for treating all state college and university faculty members as a "separate group" for plan purposes. They are in a vastly different labor market than most State employees, many are not on a twelve-month basis and they are all in the upper end of the income distribution.

Apart from the foregoing issue, it can be argued persuasively that a uniform plan would introduce or create more "inequalities" than it removes. Flat-dollar amounts and deductibles, for example, are justifiable on equity grounds only when the group is relatively homogeneous in nature. Clearly, this is not the case with the 32,810 employees in question. This alone suggests the desirability of subdividing the

group into two or more parts for plan purposes, relating the amount of the deductible to annual earnings, and so on. We will return to this point in connection with our own plan suggestions.

Given the assumption that it is to be a "single, uniform medical insurance plan" (and in view of the proposed ceiling on State participation in cost at 3% of payroll), the rest of the T.P.F. & C. plan design suggestions follow an acceptable general pattern. We would change many of the specifics, however, and have done so in our own plan alternatives. The more important point to be made here is a fairly subtle one. By assuming a medical insurance plan in the first place, instead of what we prefer to call a "plan of medical insurance benefits," the T.P.F. & C. report jumped too quickly into the details of insurer bidding and the like. Thus, the somewhat superficial discussion of self-insurance reads like an insincere afterthought.

2. It should be stressed that the T.P.F. & C. recommendations were made on the basis of incomplete information concerning the various health insurance benefits that were then in existence for some State employees. Hence, we can well appreciate why they were misled into making some of the suggestions which appeared

in the report. We can likewise appreciate why they might have chosen to assume a single, uniform plan, since they did not have access to comprehensive employee census data. Without these data in hand, though, no man can make good the claim that he has "designed or tailored" a plan to fit the distinguishing characteristics of the group. As it turned out, the 1971 census data collected by the Personnel Division contained a few "surprises" that were not intuitively obvious beforehand. Our own plan suggestions necessarily reflect some compromises, but we do feel they "fit" the group better than the T.P.F. & C. recommendations.

3. T.P.F. & C. recommend that there be no waiting period for employees hired after the plan becomes effective, i.e. such employees would be covered immediately after they authorized contributions and payroll deductions. We concur with this approach only for employees hired on a yearly contractual basis (e.g. university faculty members). For other employees, we suggest a waiting period of, say, 30 days before a new employee becomes eligible. This is to reduce the administrative expenses associated with covering employees who terminate employment shortly after they are hired. We were unable to obtain "turnover" data, but we suspect that a fairly large number of persons

terminate sometime during the first 30 days of employment. At least this is true for many comparable groups.

4. We do not feel that it is necessary to comment on each of the coverage details in the T.P.F. & C. report, but we do think it is important to note that their proposed plan has a fairly heavy emphasis on "first-dollar" protection. In a sense, this kind of benefit structure can be thought of as a "practical necessity" for the thousands of lower-paid State employees who might not otherwise budget for predictable medical expenses. Yet it is likewise a very expensive kind of benefit to purchase. Since the employees are expected to bear about 50% of the cost, this poses a well known dilemma in health insurance planning. Those who probably "need" first-dollar coverage the most, the lower-paid employees, are the least able to afford it. And many higher-paid employees neither want nor need anything but true major medical coverage. Both considerations have an important bearing on the level of participation that is likely to be achieved. If a "basic plus major medical" approach is to be used, therefore, we suggest that employees be given the option of

purchasing (a) major medical only or (b) basic and major medical combined.

5. The T.P.F. & C. discussion of self-insurance is incomplete and superficial. Yet we can sympathize with their admirable attempt to simplify a very complex subject. Moreover, we share their reservations about the State's becoming involved in a plan which both (a) promises specific benefits and (b) is not insured through a commercial insurer. The actuarial and cost implications alone are formidable. As will be noted later, this does not rule out the desirability of an uninsured approach such as the one we feel has merit.
6. Assuming the plan is to be at least partially insured, we take strong issue with T.P.F. & C. on the selection of insurers to submit quotations. There is absolutely no good reason to limit the bidding, as they suggest, to the fifteen largest group health insurers (plus Pilot Life, two domestic insurers and S. C. Blue Cross-Blue Shield). We believe that any licensed insurer should be allowed to bid, and that the matter should be handled on a widely-publicized, competitive, sealed-bid basis. (As a practical matter, relatively few insurers will submit proposals,

anyway). We do not feel, however, that the bid should be awarded automatically to the "low bidder". There are many important variables in group health insurance quotations which, in addition to cost, should weigh heavily in the final decision.

Despite the foregoing criticisms and comments, we acknowledge the fact that the T.P.F. & C. report represents an approach that would probably have many supporters among professional employee benefit planners. Accordingly, we have attempted to preserve the best aspects of their work in the manner suggested below.

OTHER IMPORTANT ISSUES

Before proceeding to our specific suggestions on planning and implementing the proposed program of health insurance benefits, we would like to comment briefly on several additional issues that seem germane to the decisions which must be made.

Pluralistic Approach

In a group of this size, in particular, we do not believe there is any one approach that should be referred to as the "best". For this reason, we would prefer to see several plan alternatives subjected to the bidding process before a final decision is made. We have developed three general approaches, hereinafter referred to as Plans "A", "B", and "D", respectively, Plan "A" is the one suggested by T.P.F. & C., Plan "B" is of our own design and Plan "D" is an uninsured approach. We suggest

that insurers be asked to bid on Plans "A", "B" and "C". Plan C would become "any alternative plan the bidding insurer wishes to propose". This would have several distinct advantages. First, it would avoid "scrapping" the T.P.F. & C. report. Second, it would give the State, without charge, the benefit of advice from many professional insurers. Third, it would permit the S.C. Blue Cross-Blue Shield organizations to bid, if they chose to do so, on a service-benefit (or non-indemnity) approach. Fourth, it would provide much more accurate cost information for those who must make the final decisions.

In our opinion, there is just one potential problem worthy of noting. Many insurers would be very reluctant to prepare detailed bids until they were given adequate assurance that one of the plans would be enacted and funded by the 1972 General Assembly. To wait for formal legislative approval, on the other hand, would delay installation of the plan at least several months beyond such approval. And our idea of subjecting several alternatives to bidding may not be in keeping with the assignment originally given to the State Personnel Division. If we were forced to make a choice at the present time, therefore, we have a slight preference for our Plan "D", as will be noted later, and Plan "B" would be our second choice.

Tax Considerations

We do not feel that any of the studies to date have given adequate attention to the tax considerations. Since we are not members of the S.C. Bar, we requested permission from the Personnel Division to retain

the services of David A. Merline, L.L.B., C.L.U., a very competent tax attorney from Greenville, S.C. Mr. Merline's report is to be submitted under separate cover.

While it may indeed be wise to submit such matters to the Internal Revenue Service, the South Carolina Tax Commission and perhaps the Attorney General's office, we wanted some preliminary indications from Mr. Merline to make sure that our tax observations were generally correct. We strongly feel, for example, that the federal and state income tax treatment of such plans has a major bearing on their relative desirability to employees.

Wage-Price Freeze

At the time of this writing, the "Phase II" guidelines are just beginning to emerge. And it is not yet clear exactly how health insurance plans are to be treated. We believe that clarification ought to be sought, by the S.C. Attorney General, before any major decisions are made regarding a state-sponsored health insurance program.

National Health Insurance

Because the prospects of "National Health Insurance" have such an obvious bearing on the matter at hand, we have included in Appendix F a brief summary of the major proposals now before Congress. We would not hazard any forecasts on how and when Congress might act. We would only make note of the fact that the concept of National Health Insurance now has a broader base of support than it ever has

at any time in our Nation's history. Experts on the subject, including many spokesmen for the private health insurance industry, are now frequently heard saying that some form of national health insurance is inevitable. In fact, before the wage-price freeze was implemented, some experts believed that Congress would enact one of the various bills during 1972. The uncertainties surrounding national health insurance have caused many employers to take a "wait-and-see" attitude on implementation of private plans. We can understand why some members of the South Carolina General Assembly might take a similar stand. In the meantime, though, many thousands of State employees will be without any form of health insurance protection. This has led the authors to conclude that (a) State ought to proceed on schedule with its own plan development, assuming the wage-price freeze would not prevent same, and (b) that any logical plan design ought to take full cognizance of the very real possibility that some kind of national health insurance will be enacted within the next few years.

Health Maintenance Organizations (HMO)

In recent years, our traditional system of delivering health care services has been widely criticized by a growing number of health care professionals. It is argued, for example, that the current system gives rise to inefficiencies, excessive costs and serious misallocations of scarce resources. Among the numerous proposals for reforming the system, few are more directly related to this study than the so-called "health maintenance organization", a relatively new method for delivering health services.

The initials "HMO" are used generically to refer to a variety of approaches, but they all have several common features:

1. a single organization accepts the responsibility to provide, or otherwise assure the delivery of, a comprehensive range of health maintenance and treatment services;
2. the services are provided to a voluntarily enrolled group of persons in a geographic area; and,
3. the organization providing the services receives a fixed, contractual fee which is paid in advance by all subscribers.

Examples of successful prepaid group health or "HMO" plans include the Kaiser Foundation Health Plan, which cares for some two million people largely in California, and the Health Insurance Plan of Greater New York, which cares for about three quarters of a million people. While such plans operate under a variety of sponsors and financing mechanisms, they all share the fundamental "HMO" concepts which have become so appealing, through their demonstrated effectiveness, to health care professionals.

We understand that Governor West has given one of his staff members the responsibility for exploring the possibility of securing federal funds to pilot a similar kind of program in South Carolina. Though we recognize that the HMO concept is still a controversial one among members of the medical community, we applaud the Governor's efforts to explore the matter further. In this connection, we recommend

that the State retain the services of Dr. Alan Bauerschmidt, a faculty member of the University of South Carolina's College of Business administration. Dr. Bauerschmidt is a specialist in the health care area and is especially well versed, we feel, on the HMO concept.

The authors do not feel qualified to make specific recommendations concerning the State's potential involvement in an HMO organization. However, it seems clear that such an approach should be weighed carefully as an alternative (or supplement) to any kind of health insurance program which might evolve.

Coverage For Mental Illness

The extent to which health insurance contracts should provide reimbursement for mental illness expenses has been the subject of a long-standing controversy. The controversy stems from the fact that, historically, virtually all group insurance contracts have contained rather severe limits and restrictions on the coverages for mental "disorders". This, in turn, has aroused the wrath of mental illness professionals (and their patients).

To the insurance industry, mental illness coverage has posed formidable actuarial problems. Reliable data have been extremely scarce or nonexistent, "mental illness" is difficult to define and abuses are not easy to control. Moreover, many employers have insisted on coverage limitations for cost control reasons.

During the past few years, on the other hand, experience in the federal Blue Cross and similar plans has been encouraging to those who have long held that mental illness ought to be covered

by insurance just like any other physical ailment. Utilization and cost experience, according to the most recent studies of plans with generous mental illness coverage, has been much lower than originally supposed. More important, perhaps, is that mental illness professionals insist that certain insurance limitations have an adverse effect on the quantity and quality of necessary treatment which is actually received.

We shall not even attempt to resolve this very complex problem here. Instead, we would merely like to call attention to a significant project now underway in the State. The South Carolina Mental Health Association has appointed an "Insurance Subcommittee" to explore the ways and means of improving the health insurance coverage for mental illness in South Carolina. This committee, upon which one of the authors serves, recently approved a list of mental health services which it earnestly believes should be covered by any private or governmental health insurance arrangement. This list is included in Appendix G to this report. It is based upon a similar set of guidelines developed by the American Psychiatric Association.

We urge the State to give serious consideration to providing, on any health insurance coverage program which might be adopted, as generous a scale of mental illness benefits as would be possible with the financial resources available. We realize that some compromises would have to be made, because mental illness coverage is still not inexpensive. However, we feel that the State is in a position to show some real leadership in addressing itself to a social problem of great import. The South Carolina Mental Health Association (and A.P.A.) coverage guidelines offer an excellent set of goals which we feel should not be dismissed lightly.

Pre-Employment Physical Exams

Apart from whatever health insurance arrangement might be adopted, we recommend that the State study the feasibility of implementing a program to require - and perhaps partially finance - pre-employment physical examinations for all State employees. The general advantages of this approach, which is widely used in business and industry, are fairly obvious. In addition, it might justify abolition (or at least significant relaxation) of the customary insurance limitations on "preexisting conditions" i.e. health problems manifested prior to employment and coverage under the insurance plan. Where an employer does not require physical exams and the group contract does not contain preexisting conditions limits, questions of equity are raised, particularly in a plan requiring employee contributions. The counter-argument is that coverage of otherwise uninsurables is precisely one of the main social advantages of group underwriting.

Physical examinations themselves normally meet with no resistance. The complex questions revolve around what you do with the examination results. Do you refuse to hire an individual in poor health? Do you hire him but exclude him from the health insurance plan? What about elected and/or appointed officials? We have no glib answers for questions such as these. We merely think it would be wise for the State to conduct a thorough study of the matter. Currently, we understand that physical examinations are not required either prior to employment or periodically thereafter. For jobs requiring physical exertion, in particular, this practice seems inadvisable.

Coordination With State Retirement System

We believe that the proposed health insurance plan should be coordinated very carefully with South Carolina State Retirement System benefits. Specifically, we would point to the provision for a pre-retirement death benefit of approximately one times annual salary, which is currently available under the retirement plan. In our opinion, this kind of benefit is better provided under a group insurance plan outside the retirement system. This is, in fact, what most employee benefit specialists recommend. One reason for the latter approach is that private insurers are much more willing to underwrite the health insurance benefits if at least some life insurance is included in the same plan. Many insurers will not even write group health insurance without a minimum volume of group life insurance as a part of the same package. This factor seems especially important for political subdivision plans, which are not - in general - considered to be a very "desirable" class of business. Accordingly, we recommend that group life insurance benefits of one times annual salary be included in any insured group health insurance plan. At a minimum, we feel that cost figures should be obtained so that comparisons can be made with the current costs of providing such benefit through the retirement system. Even if the costs of insured death benefits are identical to the death benefit costs under the retirement plan, it may well be that the reduction in health insurance premiums would result in lower total costs to the State (and to plan participants, who would bear a large portion of the costs in both plans).

PLAN DESIGN RECOMMENDATIONS

In developing our recommendations concerning an appropriate design or structure for the proposed plan of health insurance benefits for State employees, we have attempted to give due consideration to all of the relevant factors involved. Specifically, our design suggestions are based upon a thorough study of the following:

1. 1971 employee census data covering all state employees;
2. payroll estimates supplied by the State Personnel Division;
3. a 1971 survey of other state-sponsored health insurance plans, conducted by the State Personnel Division;
4. a 1971 study of hospital charges by the South Carolina Hospital Association;
5. the 1969 "Report Of The Committee To Study Medical and Hospital Insurance Programs Suitable For State Employees";
6. a March, 1970 report prepared by the consulting firm of T.P.F. & C.; and;
7. other important issues such as -
 - a. tax considerations
 - b. the current wage-price freeze
 - c. the prospects of national health insurance
 - d. the "HMO" concept
 - e. coverage for mental illness

- f. pre-employment physical examinations
- g. coordination with the State Retirement System.

In addition, our recommendations are based upon two major constraints imposed by the State Director of Personnel (and suggested by the 1969 study committee of the General Assembly). These constraints are (1) that the State's appropriation not exceed 3% of payroll for personal services and (2) that the employees be required to pay 50% of the plan cost.

Given these constraints - and in the light of the information at our disposal, we have concluded that there simply is no "best" plan design. Instead, we have developed several logical alternatives that we feel have merit. We have called these Plans A, B, C and D for convenience.

Plan A (T.P.F. & C.)

"Plan A" is the label we have given to the insured group health insurance plan recommended by T.P.F. & C. The Plan A details are outlined fully in the March, 1970 Report and, thus, will not be repeated here. In general, the Plan would provide a combination of "basic" and "major" medical expense benefits, up to a \$15,000 maximum, on a fully insured basis.

From the criticisms presented earlier on pages 19 to 26, it should be obvious that the authors do not feel that the Plan A design structure "fits" the group as well as it should. We have included Plan A among the logical alternatives, nonetheless, in keeping with our

desire to have several different approaches subjected to the bidding process before a final decision is made.

Plan B (Horn and Stinton - Insured Approach)

"Plan B" is the label we have given to an insured group health insurance plan of our own design. In the interest of brevity, we have indicated below only the major ways in which our plan differs from plan A:

1. We suggest a combination of "basic" and "major medical insurance benefits, as did T.P.F. & C.; however, we believe that employees should be given the choice between (a) major medical only or (b) basic and major medical combined.
2. The maximum lifetime benefit under major medical would be \$50,000 and the contract would contain a provision for "automatic reinstatement" of benefits up to \$5,000 per year.
3. For employees electing major medical only, a cash deductible of \$200 per year per individual would apply, the deductible would be applied only once for family members injured in a common accident and a maximum of three deductibles would apply each year per family.
4. On major medical, the insurer would pay 80% of the first \$5,000 of covered expenses in excess of the deductible. The insurer would

pay 100% of covered expenses (up to the plan maximum) in excess of the deductible plus \$5,000.

5. In defining "eligible" employees, we would
- (a) include those who work more than 20 hours per week and 5 months per year.
 - (b) include mentally retarded or physically handicapped dependents of employees beyond age 24 only if they are chiefly dependent upon the employee for financial support.
 - (c) establish a 30 day probationary period for employees hired after the plan effective date (which would be waived for employees governed by formal employment contracts).
 - (d) require that employees elect to enroll and authorize payroll deductions within 30 days after they become eligible. Thereafter, they would be allowed to elect coverage only if they presented satisfactory evidence of good health (at their own expense).
 - (e) continue coverage on a surviving spouse and/or surviving dependent children of a deceased covered employee, provided that they pay the full cost of coverage without any contribution

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by the employer. For a widow(er), coverage could be continued only until remarriage or eligibility for "medicare". For dependent children, coverage would cease upon their marriage, attainment of age 19 (or 24 if full-time students; beyond if mentally retarded or physically handicapped) or upon cessation of coverage for the surviving spouse.

(f) exclude annuitants under the State Retirement System. Coverage for them, if any, would be provided under a separate arrangement to pay all of $\frac{1}{2}$ of their medicare Part B premiums.

6. Generally, there would be no exclusion or benefit limits on so-called "preexisting conditions", especially if the State adopted the idea of requiring preemployment physical exams, but the plan would not cover dependents of the employee who were in the hospital at the time of employee's enrollment (until the employee had been covered for 12 months).

7. Employee contributions - we believe the employee should pay the entire cost of covering his dependents, if they are to be covered at all, and that the State should pay at least 50% of the total employee cost for combined basic and

major medical. We would prefer separate composite rates for (a) both coverages combined and (b) major medical only. The State's share of cost would be based on the combined package. For employees electing only major medical, this could mean the State would pay the entire premium (but no more) for the coverage elected.

8. Regarding hospital room and board charges under the basic plan, we suggest that customary semi-private charges be used but subject to a dollar maximum of \$35 per day (the dollar limit would not be needed on the major medical, however, since the coinsurance sharing applies).
9. Under the basis plan, "miscellaneous" hospital charges would be limited to a maximum of ten times the daily room rate (or \$350).
10. For maternity coverage under the basic plan, hospital room and board charges would be payable only up to four full days.
11. We would not have a deductible on emergency outpatient care rendered pursuant to an accident.
12. We recommend a "corridor" deductible of \$100 between basic and major medical benefits.
13. On non-hospital psychiatric expenses, we suggest a maximum of 80% payment of up to 50 visits (\$20 maximum per visit). We also urge that the contract be written so as to recognize, to the

extent practical, the coverage guidelines recommended by the S.C. Mental Health Association (See Appendix for details).

14. We do not favor a "supplemental" medicare approach for retirees. Instead, we recommend that the State pay one-half of the medicare Part B premium (or 100% of such premium). Given the limited funds available, we feel that a more generous plan for retirees, admirable as the objective might be, is unrealistic. The State, moreover, already is "paying" substantial amounts toward the cost of medicare Part A coverage.

In other respects not specifically mentioned above, Plan B would be very similar to Plan A. The fundamental differences between the two insured plans are important, nonetheless, in terms of benefits cost controls and suitability for the group in question. Plan B should not cost more than Plan A; indeed, we suspect that it will be slightly less expensive. Yet it should be more appealing to employees. If that be true, we believe it is a superior approach that would result in a much higher level of participation. Our specific reasons for this conclusion are far too numerous to list here. But we would be glad to elaborate at a later date if further clarification is needed.

Plan C (Insurer Suggestions)

"Plan C" is the label we have given to "all other plans recommended by private insurers", under the assumption that our recommendations on

pages 26-27 are accepted. In other words, we feel that any bid specifications given to insurers ought to be flexible enough to give the insurers an opportunity to suggest improvements in plan design. The benefits of competitive bidding are more likely to be realized if the specifications are not unduly rigid.

Plan D (Horn and Stinton - Uninsured Approach)

"Plan D" is the label we have given to the kind of uninsured approach which we feel merits careful consideration. In employee benefit planning circles, the approach is generally referred to as a "Medical/Dental Expense Reimbursement Plan." Such plans are specifically provided for in the Internal Revenue Code and are now fairly common in business and industry.

In general, medical/dental expense reimbursement plans call for employer payment of out-of-pocket (and otherwise uninsured) medical and dental expenses incurred by employees in their own behalf or in behalf of dependents. These expenses probably could be paid directly by the employer upon receipt of bills from hospitals, doctors, etc., but usually they are reimbursed at periodic intervals to ease the administrative burden and provide better controls. As a practical matter, it also is customary to limit the maximum benefit to a flat dollar amount or a percent of annual gross compensation. Some tax advisors recommend that covered expenses be defined as those expenses which otherwise would be itemizable as deductions for federal income tax purposes (usually without the 50% limit on health insurance premiums), while others actually specify the items that could be covered.

The popularity of medical/dental expense reimbursement plans stems primarily from their favorable federal income tax treatment. Such expenses paid by the employer are deductible by the employer and, more important, they do not constitute taxable income to the employee. Thus, the approach is much more favorable to an employee than either (1) the same dollar amount of salary increase or (2) the limited tax deductions available to those who itemize expenses or use the standard deduction tables. The plans also can be coordinated with health insurance to "fill the gaps" left by deductibles, exclusions and limitations of various kinds.

As noted earlier in this report, the authors do not wish to imply that they are attempting to render tax advice, which is precisely why Mr. Merline has been asked to review the various tax implications. The foregoing discussion is based upon our understanding of the federal income tax treatment of such plans for a corporation. Unless Mr. Merline suggests otherwise, we can only assume that the payment of such expenses, in a properly drafted plan for State employees, would not constitute taxable income to the employees under federal or state laws. They would not be "deductible" by the State, of course, but neither would health insurance premiums. It also should be noted that most State employees are in low income tax brackets and therefore probably use the "standard" deductions permitted. Assuming favorable income tax treatment thereof, a medical/dental expense reimbursement would seem especially favorable to this group.

Plan details would have to be worked out very carefully, of course, but the following example may help to illustrate the concept. Suppose

first that the State agreed to adopt a medical/dental expense reimbursement plan as its sole approach to providing health insurance benefits for all full-time State employees. We would recommend that the maximum limit on reimbursement be set at 2% of annual salary but in no event more than \$200 per year per employee. However, the State would allocate to the plan an amount equal to 2½% of total payroll for personal services. Based on the current payroll estimate of \$152,000,000, the total State appropriation for the plan would amount to \$3,800,000. Of this amount, about \$3,040,000 would be used for expense reimbursement (actually, it would be less than this because of the \$200 annual limit, but how much less cannot be determined accurately from the figures at our disposal).*

The additional ½% (or about \$760,000) could be used to pay the administrative costs of the plan, establish a modest contingency reserve and pay for any benefits to retirees. According to information furnished the Personnel Division by Mr. Gressetts, there are about 9,000 individuals currently retired under the State Retirement System, of which approximately 3,000 are State employees, strictly defined. Let us assume, then, these latter employees were making an average of \$7,000 as base compensation for retirement benefits. A 2% medical expense reimbursement for such retirees would require an annual outlay of \$420,000. As an alternative to the reimbursement approach for retirees, the State could simply pay the monthly premiums of "medicare" Part B. The latter approach would cost about \$200,000 per year (3,000 X roughly \$65 annually per employee).

The State Highway Department would likewise contribute 2½% of its payroll to the plan. While the basic 2% would be used for medical

*We estimate that a \$200 limit would reduce total expense reimbursements by about \$300,000 per year.

reimbursement to its employees, the additional $\frac{1}{2}\%$ would be available to the plan for administrative costs, retiree benefits and contingencies, as described above. This means that an additional \$200,000 would be available (\$40 million X $\frac{1}{2}\%$), making a total of \$960,000 for the "excess fund".

Compared to the various alternative insured plans that could be adopted, the above approach has the following potential advantages:

1. The State's share of the annual cost can be determined precisely in advance - and it would never exceed the $2\frac{1}{2}\%$ of payroll maximum.
2. The employee receives a benefit every year, presumably on a very favorable tax basis, and it is not subject to the usual insurance deductibles, exclusions, etc.
3. The plan is reasonably equitable among all employees. It "fits" the very heterogeneous group much better than would be possible under a single, uniform insured plan.
4. It would be relatively easy to terminate or amend the plan if some form of national health insurance is adopted during the next few years. Indeed, it would fit nicely with the "catastrophic" national health insurance plan which apparently is supported by Congressman Mills.
5. At least up to the maximum limits, it helps meet the problem of providing coverage for mental illness, drug addiction and alcoholism. Such

expenses would be reimbursed on the same basis as other physical ailments.

6. It should not require a large, highly-skilled staff to administer the plan.
7. It should have great appeal to employees (and, we suspect, the medical community as well).
8. It provides a means of funding the benefits for retirees.
9. It permits establishment of a "fund" similar to the one recommended by the General Assembly Study Committee. But it does not require actuarial services and expenses.
10. It eliminates any insurer profit margin per se.
11. It requires no employee contributions and, thus, it avoids the problem of achieving participation by employees.
12. It can be installed without upsetting any major medical plans now in effect for many State employees. Individual State agencies would be free to adapt their existing insurance arrangements without too much trouble.
13. It is probably "cheaper", in many respects, than buying first dollar insurance coverage (especially if the latter covers maternity).
14. Employees could carry private health insurance and include their premiums, up to the limits prescribed, in eligible expenses for reimbursement.

15. It avoids various underwriting, rating and contract design problems associated with the insured approach.
16. It is safer and much easier to implement than true "self-insurance".
17. There should be fewer claims disputes, since the items subject to reimbursement would be clearly defined (and to some extent policed by the I.R.S.).
18. It favors the lower-paid employees without unduly penalizing the higher-paid employees.
19. It would seem to fit nicely with the H.M.O. concept discussed in a previous section of this report.
20. It coordinates well with the State Retirement System.

Despite the foregoing, the authors would be the first to recognize that there are some potential disadvantages associated with the approach:

1. In our opinion, the single most important disadvantage of the plan is that it does not respond directly to the need for "catastrophic" protection i.e. protection for the large medical expenses. Those with higher income and education levels undoubtedly would continue to carry major medical insurance, individually or through existing group plans.

But we are inclined to believe that thousands of employees would not.

One possible solution to this particular problem might be to superimpose a group major medical insurance plan on top of the medical expense reimbursement plan. Employees might be required to participate in the major medical insurance as a condition of their eligibility for expense reimbursement. The major medical plan would have a calendar year family deductible of \$200 (or 2% of earnings, if lower) and a maximum lifetime benefit of, say, \$50,000. If the 2% medical reimbursement guideline were to be used, however, this would leave a maximum of \$960,000 per year to fund the employer's portion of the major medical insurance cost,* pay administrative costs of the underlying uninsured expense reimbursement plan, provide any benefits for retirees and establish a contingency fund. Assuming \$60,000 for administration and contingencies and \$100,000 for paying one-half of the medicare Part B premium for retirees, this leaves a balance of about \$800,000 (or only about \$24 per year per employee available to pay major medical insurance premiums for active employees). Thus, the

*Plus as much as \$300,000 per year released by imposition of a \$200 limit on reimbursement, assuming our estimates are correct.

employee would have to pay about \$100 per year to cover his family under major medical (or about \$50 for a single employee. This means that the State would pay about 50% of the total program cost, though, because the average per employee cost of medical reimbursement would amount to about \$117. If the State allocated an additional $\frac{1}{2}\%$ of payroll, about \$48 per employee would be available to pay annual major medical insurance premiums. Remember, too, that such premiums would be eligible for reimbursement, up to the 2% or \$200 maximum, along with other itemizable medical expenses.

2. A second potential disadvantage of medical expense reimbursement is the administrative burden inherent in the approach. We do not believe that administrative problems would be insurmountable. Nor do we feel that administrative costs would be prohibitive. But in the absence of definitive cost estimates, our optimism is based almost entirely on judgment and intuition.
3. Reimbursement for maternity expenses might pose some problems. It could be argued that maternity expenses should not be reimbursed at all. This would leave the employee with no maternity coverage whatever, since major medical contracts do not

afford coverage for routine pregnancies. If maternity expenses are to be eligible for reimbursement, on the other hand, a waiting period of at least 10 months after initial employment would be highly advisable. And guidelines would have to be established concerning such matters as pregnancy benefits for dependents of employees, the maximum limit payable to females who terminate at the end of the sixth month of pregnancy (the usual case) and whether such benefits are to be "cumulative" when the maximum was not used up in prior years. These issues are more philosophical than technical, but they at least should be acknowledged.

4. Some might feel that a medical expense reimbursement plan would lend itself to widespread abuse. We do not share this concern because, as a practical matter, every employee could be expected to use his full maximum anyway (except through ignorance). In that sense, the plan should be viewed as somewhat comparable to a "salary increase". Moreover, we suspect that the I.R.S. might help police any abuse problem, i.e. employees who submit phony bills (or bills for expenses that would not be deductible for tax purposes) would be running the risk of having the amount included in his taxable income.

5. A final potential disadvantage is that such a plan would represent a new and perhaps confusing concept to many employees. Compared to similar problems on insured plans, though, we think the reimbursement notion would be easier to explain than insured benefits. The employee simply would have to save his medical bills and present them for reimbursement on a monthly, semi-annual or similar basis.

After weighing the potential advantages and disadvantages carefully, we have concluded that a medical expense reimbursement approach (with or without major medical insurance superimposed thereon) is the most appealing of the logical alternatives. While many of the plan details are debatable, we strongly believe that the concept is worthy of very serious consideration, especially in view of the somewhat limited funds available for health insurance benefits.

HEALTH INSURANCE PLAN PROPOSALS

	TPF & C PLAN A	HORN AND STINTON PLAN B
Eligible Employees	<p>A. <u>Employees</u> - All full-time employees of the State who;</p> <ul style="list-style-type: none"> - receive compensation from a department, agency or institution of the State, or - are members or administrative and clerical personnel of the General Assembly, or - annuitants who at time of retirement meet the above criteria and receive a monthly benefit from the State Retirement System <p>B. <u>Dependents</u> - Spouses and</p> <ul style="list-style-type: none"> - unmarried children from birth to age 19, and - dependent children who are full-time students up to age 24, and - physically or mentally handicapped children regardless of age <p>C. <u>Surviving Spouse and Dependent Children</u> - The surviving spouse and dependent children of a deceased active employee, provided the necessary contrivutions are made</p>	<p>A. include those who work more than 20 hours per week and 5 months per year</p> <p>B. include mentally retarded or physically handicapped dependents of employees beyond age 24 only if they are chiefly dependent upon the employee for financial support</p> <p>C. continue coverage on a surviving spouse and/or surviving dependent children of a deceased covered employee, provided that they pay the full cost of coverage without any contribution by the employer. For a widow(er), coverage could be continued only until remarriage or eligibility for "medicare". For dependent children, coverage would cease upon their marriage, attainment of age 19 (or 24 if full-time students; beyond if mentally retarded or physically handicapped) or upon cessation of coverage for the surviving spouse</p> <p>D. <u>exclude</u> annuitants under the State Retirement System. Coverage for them, if any, would be provided under a separate arrangement to pay all or ½ of their medicare Part B premiums</p>
Date Of Inclusion	<p>A. immediate coverage for active employees and their dependents</p> <p>B. employees hired after the effective date and their dependents, will be covered as of the first day of the following pay period</p>	<p>A. Same</p> <p>B. 30 day probationary period, thereafter, if coverage is elected, the employee must present proof of good health (at his own expense)</p> <p>C. employees hired on a 12 months contract would be covered immediately</p>

HEALTH INSURANCE PLAN PROPOSALS

TPF & C

HORN AND STINTON

Pre-existing Conditions Limitations	<p>A. none for active employees hired prior to the effective date of the plan</p> <p>B. new employees and dependents. No coverage for conditions treated within 6 months of effective date of coverage. Provision waived after 6 months coverage for employee and 12 months coverage for dependents</p>	<p>A. Same</p> <p>B. None, if preemployment physical exams are required. Dependents confined in the hospital at the time of the employee's enrollment will not be covered until the employee is covered for 12 months</p>
Coordination Of Benefits	The standard insurance industry coordination of benefits provision will apply. Will not apply to individual insurance policies the employee may have in force	Same
Employee Contribution	employee pay 50% for individual coverage and their dependents	<p>employee pay 50% for individual coverage and 100% for dependent coverage.</p> <p>State cost may vary if basic and major medical coverage is given or just major medical. (see explanation in plan provision section)</p>

Plan Provisions - Active and Retired Employees and Dependents Under Age 65

BASIC MEDICAL

Deductible	\$20 deductible for each hospital confinement or outpatient treatment	<p>Employees should be given the choice between (a) major medical only or (b) basic and major medical combined</p> <p>If major medical is elected, a \$200 per year individual deductible would apply. Deductible would apply only once for family members injured in a common accident. Maximum of three deductibles each year per family would apply.</p>
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HEALTH INSURANCE PLAN PROPOSALS

TPF & C

HORN AND STINTON

Room and Board	Average semi-private rate for a period of 70 days	Maximum of \$35 per day
Miscellaneous Hospital Charges	Full coverage	Limited to \$350 coverage under the basic plan
Surgical Benefits	\$400 maximum	Same
Maternity Benefits	Room and Board and Miscellaneous charges covered for 5 days	Room and Board changes for 4 days
	Obstetrical charges reimbursed up to:	Same
	Normal delivery \$100	
	Caesarean section \$200	
	Miscarriage \$ 50	
In-Hospital Doctor's Visits	\$5 per day to a maximum of 70 days	Same
Diagnostic X-Ray and Laboratory Exam	When conducted in a doctor's office or a hospital out-patient clinic coverage up to \$50 for each accident and all illness in a calendar year	Same
Emergency Out-patient Care	Up to \$300 coverage because of an accident if treated within 72 hours. Subject to \$20 deductible	Same, but no deductible for emergency out-patient treatment
Surviving Spouse & Dependent Children Benefit	Coverage available if contributions are made by surviving spouse. Coverage would terminate upon spouse's remarriage or attainment of age 65.	Surviving spouse must pay the full cost for coverage. Coverage would terminate upon spouse's remarriage or attainment of age 65.

HEALTH INSURANCE PLAN PROPOSALS

TPF & C

HORN AND STINTON

<u>MAJOR MEDICAL</u>		
Deductible	\$150 for individual and \$450 for family per calendar year	If major medical is elected only, then a \$200 per year deductible would apply (see deductible under basic medical) For basic medical and major medical coverage, a \$100 deductible would apply
Coinsurance	80% paid by the plan	Pay 80% of the first \$5000 then 100% thereafter up to the plan's maximum
Maximum Lifetime Benefit	\$15,000 lifetime benefit with automatic \$1,000 restoration each year	\$50,000 lifetime benefit and automatic reinstatement up to \$5,000 per year
Psychiatric Limitations	Pay 50% of non-hospital psychiatric expenses up to a maximum benefit of \$10 per visit for 50 visits per year	80% payment on non-hospital psychiatric expenses up to 50 visits with a \$20 maximum per visit

Plan Provisions - Active and Retired Employees and Dependents Age 65 and Over

Eligible For Medicare	Medicare supplement same as under age 65 plan except major medical lifetime benefit is \$7,500	State should either pay 50% or 100% of the Medicare Part B premium
Not Eligible For Medicare	Coverage should be the same as for other persons age 65 or over	
Life Insurance		Recommend that group life insurance benefits of one times annual salary be included in the group health insurance plan. Recommend that the plan be coordinated with the Retirement System.

EXHIBIT III
JANUARY 13, 1972

A Brief Outline of Alternatives
(see report for details)

Plan "A" (T.P.F. & C.)

Basic plus major medical
\$15,000 maximum (\$1,000 restoration)
\$20 in hospital deductible (basic)
\$150 corridor deductible (\$450/year/family)
80% coinsurance
Fully insured

Plan "B" (Horn and Stinton)

Basic plus major medical
\$50,000 maximum (\$5,000 restoration)
May elect both or major medical only
\$100 deductible (basic)
\$200 deductible (major) - 3 times family max.
Fully insured
Numerous technical differences from Plan A
Coinsurance 80% X \$5,000; 100% thereafter

Plan "C" (Insurer Suggestions)

Plan "D" (Horn and Stinton)

Uninsured medical/dental expenses reimbursement
2% of salary up to \$200/yr. maximum
Supplemental major medical with 2% deductible
Medicare Part B premium for retirees

Other (Horn)

State would pay up to \$10/month/employee
toward cost of any group plan now in
existence for state employees.

January 13

April 17, 1972

Honorable T. P. Guerard
Sinkler, Gibbs, Simons & Guerard
2 Prioleau Street
Charleston, South Carolina 29402

Dear Teddy:

RE: \$1,000,000 York County, South Carolina,
First Mortgage Industrial Revenue Bonds,
Series 1972 (Huntley of York, Ltd. -
Lessee).

At your request we are returning 10 copies of the resolution acted upon by the Budget and Control Board approving the supplemental petition of York County relating to the issuance of the above bonds.

A certificate of Board action is attached to each copy.

Very truly yours,

P. C. Smith
State Auditor

PCS:dr

Enclosures

875

SINKLER GIBBS SIMONS & GUÉRARD
ATTORNEYS & COUNSELLORS AT LAW
PROFESSIONAL ASSOCIATION

TELEPHONE 722-3366
AREA CODE 803

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

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

THOMAS A. HUTCHESON
ROBERT H. HOOD
CHARLES F. AILSTOCK

April 3, 1972

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

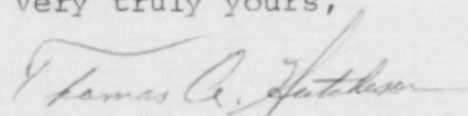
Dear Mr. Smith:

Re: \$1,000,000 York County, South Carolina, First
Mortgage Industrial Revenue Bonds, Series
1972 (Huntley of York, Ltd. - Lessee).

You will be receiving a Supplemental Petition from Mr. John Spratt, the attorney for York County, in connection with the above bond issue. A change has been made in the agreement between Huntley and the Trustee concerning the obligations of Huntley in the event of a default under the Lease Agreement. Though the change in the agreement does not in our opinion affect the Lease or the obligation of the County, it was felt that information concerning the change should be presented to the Budget and Control Board for its approval. We are enclosing an original and ten copies of a proposed Resolution for the Budget and Control Board in connection with this Supplemental Petition. If this Resolution meets with the approval of the Board, we would appreciate you completing the Resolution and certificate and returning the ten copies to us for inclusion in the closing papers.

If you have any questions in connection with this matter, please do not hesitate to call us.

Very truly yours,



TAH:mbd
Enclosures

cc: John M. Spratt, Esq.
Attorney at Law
Post Office Box 626
York, South Carolina 29745

876

A RESOLUTION
OF THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA REAFFIRMING ITS APPROVAL OF THE PROJECT TO BE FINANCED THROUGH THE ISSUANCE OF A 1,000,000 YORK COUNTY FIRST MORTGAGE INDUSTRIAL REVENUE BONDS PURSUANT TO ACT NO. 103 OF 1967 AS SET FORTH IN SUPPLEMENTAL PETITION ON BEHALF OF THE BOARD OF DIRECTORS OF YORK COUNTY.

BE IT RESOLVED that the Supplemental Petition submitted by the Attorney for York County on behalf of the Board of Directors of York County dated April 2, 1972, setting forth an Agreement in lieu of the Bond Guaranty Agreement originally proposed in connection with the undertaking by the Board of Directors of York County pursuant to Act No. 103 of 1967 to finance the acquisition and construction of certain warehouse and distribution facilities in York County to be leased to Huntley of York, Ltd., be, and the same hereby is, accepted and, inasmuch as there has been no modifications of the Project or the undertaking as originally proposed in the Petition of the Board of Directors of York County dated January 5th, 1972, which was approved by this Board on January 13, 1972, the approval of the State Budget and Control Board to the Project and the undertaking by the Board of Directors of York County set forth in the said Petition and Supplemental Petition (including any additional changes or modifications which do not materially affect the undertaking) is reaffirmed, and no further notice of such approval need be published.

JOHN M. SPRATT
JOHN M. SPRATT, JR.

SPRATT & SPRATT
ATTORNEYS AT LAW
26 WEST LIBERTY STREET
YORK, SOUTH CAROLINA 29745

P. O. BOX 626
AREA CODE 803
684-4316
684-3559

April 4, 1972

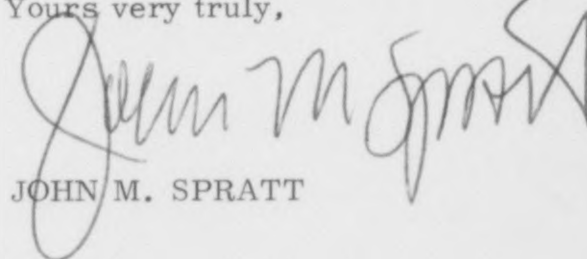
Honorable P. C. Smith
State Auditor
Post Office Box 11333
Columbia, South Carolina 29211

Re: \$1,000,000 York County, S. C., First Mortgage
Industrial Revenue Bonds, Series 1972 (Huntley
of York, Ltd. - Lessee).

Dear Mr. Smith:

At the request of Messrs. Sinkler, Gibbs, Simons & Guerard I
herewith enclose Supplemental Petition to the State Budget and
Control Board in connection with the above captioned industrial
bond issue.

Yours very truly,



JOHN M. SPRATT

JMS:H
(Enc.)

STATE OF SOUTH CAROLINA

COUNTY OF YORK

TO THE STATE BUDGET AND CONTROL)

BOARD OF SOUTH CAROLINA)

SUPPLEMENTAL PETITION

The Supplemental Petition of the Attorney for York County (Petitioner) on behalf of the Board of Directors of York County (the County Board), pursuant to Act No. 103 of the Acts of the General Assembly of the State of South Carolina for the year 1967, respectfully shows:

1. The County Board has heretofore, under date off January 5th, 1972, petitioned the State Budget and Control Board seeking approval of the proposal whereby the County Board would finance, by issuance of \$1,000,000 YORK COUNTY FIRST MORTGAGE INDUSTRIAL REVENUE BONDS (Huntley of York - Lessee) (the Bonds), pursuant to Act No. 103 of the Acts of the General Assembly of the State of South Carolina for the year 1967 (the Act), the acquisition and construction of warehouse and distribution facilities on 7.5 acres of land located in York County (the Project), to be leased to Huntley of York, Ltd., a North Carolina corporation (Huntley).

2. The proposed financing contemplated that the Bonds, in addition to the security provided by a pledge of rents to be paid by Huntley to York County and a Trust Indenture, would be unconditionally guaranteed by Huntley under the terms of a Bond Guaranty Agreement. It was contemplated that pursuant to the Bond Guaranty Agreement, Huntley would pay all installments of principal and interest due on the Bonds in the event of a default under the Lease Agreement.

3. The proposed undertaking is now about to be consummated and instead of a Bond Guaranty Agreement as origi-

nally proposed, it is now contemplated that Huntley and the Trustee will enter into an Agreement whereby Huntley will unconditionally bind itself to pay to the Trustee for the benefit of the Bondholders amounts equal to any amounts due on the Bonds and unpaid, in the event there shall be a default under the Lease Agreement. This modification was to clarify the original intent that the Bonds shall be payable solely out of the revenues derived from the leasing of the Project which the Bonds are issued to finance, as required by the Act.

4. The other terms and provisions of the proposed financing remain substantially the same and attached hereto for your information is a draft of the proposed Agreement between Huntley and the Trustee. The Trust Indenture has been modified from the Trust Indenture originally proposed so as to eliminate all references to a Bond Guaranty Agreement, and to recite only the existence of said Agreement.

5. By action heretofore taken on January 13, 1972, the State Budget and Control Board approved the undertaking of the County Board set forth in the original Petition and due notice of such approval was duly published in "The Evening Herald" and the Columbia, S. C. "The State" on January 20, 1972, and no challenge has been made to the validity of the State Board in approving such undertaking of the County Board.

6. Except for the modifications above set forth, the arrangement as originally proposed and advertised as aforesaid remains basically the same and for that reason the County Board does not propose to readvertise any further approval by the State Board of the modifications hereinabove described.

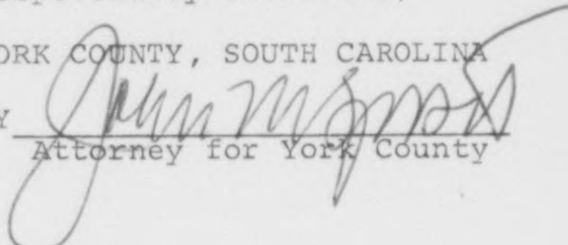
WHEREFORE, Petitioner, on behalf of the County Board respectfully prays:

That the State Budget and Control Board accept the filing of the Supplemental Petition herewith and make a finding that there has been no substantial modification of the proposal as originally approved and that the State Board approval heretofore given be reaffirmed.

Respectfully submitted,

YORK COUNTY, SOUTH CAROLINA

BY


Attorney for York County

April 4th, 1972

E N D

EXHIBIT IV

JANUARY 13, 1972

SPRATT & SPRATT

ATTORNEYS AT LAW

26 WEST LIBERTY STREET

YORK, SOUTH CAROLINA 29745

JOHN M. SPRATT
JOHN M. SPRATT, JR.

P. O. BOX 626
AREA CODE 803
684-4316
684-3559

January 10, 1972

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

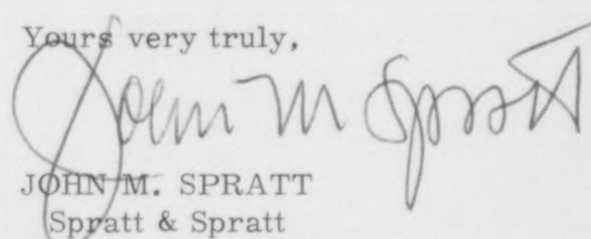
Re: \$1,000,000 York County, South Carolina, First
Mortgage Industrial Revenue Bonds, Series 1971
(Huntley of York, Ltd. - Lessee).

Dear Mr. Smith:

I am enclosing herewith a Petition from the Board of Directors of York County to the State Budget and Control Board seeking approval of the project to be financed through the issuance of the captioned bonds. This Petition was forwarded to me by Teddy Guérard, who wrote you about this matter on January 7th and sent you other documents in connection therewith.

With kind regards.

Yours very truly,



JOHN M. SPRATT
Spratt & Spratt

JMS:H
(Enc.)

cc: Theodore B. Guérard, Esq.

8 224 883

January 18, 1972

Honorable T. B. Guerard
Sinkler, Gibbs, Simons & Guerard
Post Office Box 340
Charleston, South Carolina 29402

RE: \$1,000,000 York County, South Carolina, First
Mortgage Industrial Revenue Bonds, Series 1971
(Huntley of York, Ltd. - Lessee).

Dear Teddy:

At your request we are returning ten copies of the resolution adopted by the Budget and Control Board at its meeting January 13 approving the petition of York County to be allowed to issue the above bonds.

Each of the enclosed copies has attached a certificate of Board action on the petition.

Very truly yours,

P. C. Smith
State Auditor

PCS:dr

Enclosures

SINKLER GIBBS SIMONS & GUÉRARD

PROFESSIONAL ASSOCIATION

ATTORNEYS & COUNSELLORS AT LAW

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

THOMAS A. HUTCHESON
ROBERT H. HOOD

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

January 7, 1972

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

Dear Pat:

Re: \$1,000,000 York County, South Carolina, First
Mortgage Industrial Revenue Bonds, Series 1971
(Huntley of York, Ltd. - Lessee).

You may have already received a Petition from the Board of Directors of York County to the State Budget and Control Board seeking approval of the project to be financed through the issuance of the captioned bonds, but if not, you shortly will receive such a Petition from John Spratt. It will be in the form attached to the Resolution which was enclosed in your copy of my letter dated December 23, 1971.

In connection with the said Petition, we now enclose a draft of the Lease Agreement, Trust Indenture and Bond Guaranty Agreement, all of which I believe are substantially in final form although there will undoubtedly be some further changes.

I am also enclosing the original and 10 copies of a Resolution for consideration by the State Board approving the said Project. When this Resolution has been adopted, please return 10 certified copies to me.

Very truly yours,

Taddy Guérard

TBG:mbd
Enclosures

P. S. Please notice that attached to the Lease are proposed Section 10.2A and Section 11.2A which the parties intend to include.

T. B. G.

88.

SINKLER GIBBS SIMONS & GUÉRARD

PROFESSIONAL ASSOCIATION

Honorable P. C. Smith

Page 2

January 7, 1972

cc: (with enclosure)
John M. Spratt, Esq.
Attorney at Law
Post Office Box 318
York, South Carolina 29745

(with enclosure)
Peter C. Mohr, Esq.
Hendrix, Mohr & Yardley, Inc.
1007 Union Bank Building
Montgomery, Alabama 36104

(with enclosure)
William M. Brice, Jr., Esq.
Attorney at Law
Post Office Box 275
York, South Carolina 29745

(with enclosure)
Herbert P. Moglin, Esq.
Vice President, Finance
Huntley of York, Ltd.
Post Office Box 419
York, South Carolina 29745

(with enclosure)
Mr. John F. Brownlow
Assistant Vice President
North Carolina National Bank
Post Office Box 120
Charlotte, North Carolina 28201

(with enclosure)
R. Malloy McKeithen, Esq.
Helms, Mulliss & Johnston
800 North Carolina National Bank Bldg.
Charlotte, North Carolina 28202

(with enclosure)
Robert W. King, Jr., Esq.
Moore & Van Allen
1600 Johnston Building
Charlotte, North Carolina 28202

STATE OF SOUTH CAROLINA

COUNTY OF YORK

TO THE STATE BUDGET AND CONTROL BOARD
OF SOUTH CAROLINA

P E T I T I O N

The Petition of the Board of Directors of York County (the County Board), pursuant to Act No. 103 of the Acts of the General Assembly of the State of South Carolina for the year 1967, respectfully shows:

1. The County Board is the governing body of York County as established under Article I, Chapter 62, Title 14, South Carolina Code of Laws, 1962, and as such it is the "County Board" referred to in Act No. 103 of the South Carolina General Assembly enacted at its 1967 Session (the Act).

2. The Act authorizes and empowers the County Board if it shall comply with the provisions set forth in the Act, to acquire land, buildings and other improvements deemed necessary, suitable and useful by any manufacturing, warehouse and distribution enterprise; to lease the same; and to finance the acquisition and construction of the same through the issuance of bonds payable from and secured by a pledge of the revenues to be derived from the leasing of such land, buildings and other improvements.

3. The County Board has agreed with Huntley of York, Ltd., a North Carolina corporation (the Lessee), that the County Board will undertake to finance the acquisition, construction and equipping of new facilities for the manufacture and distribution of garments to be located in York County by the Lessee through the issuance of not exceeding \$2,000,000 Industrial Revenue Bonds pursuant to the Act. The original proposal included the existing

2.

facilities operated by the Lessee and the refinancing of a mortgage upon the existing facilities. The original proposal has been modified now to exclude the existing facilities and the refinancing feature. In this connection the County Board will accept a conveyance of 7.5 acres (consisting of 2 parcels of land adjacent to the existing facilities operated by the Lessee) on which the new facilities will be located (said land and the buildings constituting the said new facilities, including the air conditioning and heating system, an air purification system and overhead crane system, being hereinafter referred to as Project), and the County Board will issue only \$1,000,000 Industrial Revenue Bonds pursuant to the Act in order to finance the acquisition and construction of the Project which, when completed, will constitute a warehouse and distribution center for the shipment of garments and fabrics, and will house equipment and machinery (which will be owned by the Lessee and in which the County will have no interest) for the manufacture of fabrics.

4. The County Board is advised by the Lessee that the cost of acquiring the said land included in the Project is approximately \$7,000 and the cost of constructing the said buildings is approximately \$1,472,000; and that in order to finance the acquisition and construction of the Project, including the costs and charges incident to the issuance and sale of the bonds hereinafter described, it will be necessary that the County Board issue One Million Dollars (\$1,000,000) York County First Mortgage Industrial Revenue Bonds, Series 1971 (Huntley of York, Ltd. - Lessee) (the Bonds), inasmuch as the Lessee has arranged to obtain an additional \$500,000 from other sources which will be used, together with the proceeds of the Bonds, to defray the cost of

completing the Project. The Lessee further advises that in order to effect the sale of the Bonds, the Lessee will (a) grant to the initial purchaser of the Bonds, North Carolina National Bank, an option to purchase approximately 5,000 shares of Lessee's common stock at the price of \$7.00 per share (the stock now being traded at about \$12.00 per share), and (b) will further secure the Bonds by an assignment of Lessee's option to purchase the stock of York County Development Corporation, a South Carolina corporation, from which Lessee leases the facilities which it now operates adjacent to the Project.

5. When the Project is complete, it will employ approximately _____ persons in addition to those now employed in the existing facilities, and the construction of the Project will provide additional employment during the period of construction.

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

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

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

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

<u>December 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1977	\$100,000	6.50%
1978	100,000	6.65
1979	100,000	6.80
1980	100,000	7.00
1981	100,000	7.25
1982	100,000	7.50
1983	100,000	7.50
1984	100,000	7.50
1985	100,000	7.50
1986	100,000	7.50

The Bonds will be subject to redemption as provided in Article III of the Trust Indenture hereinafter described.

(d) The Lessee will also enter into a Guaranty Agreement by which it will unconditionally guarantee the payment of the Bonds.

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

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

7. Pursuant to Section 17 of the Act, the County Board sets forth the following information:

(a) The Project to be undertaken consists of land, buildings, and other improvements which will constitute a warehouse and distribution center for the shipment of garments and fabrics and to house equipment and machinery for the manufacture of fabrics.

(b) The Project will provide considerable employment during the period of its construction and when completed will provide permanent employment for approximately ____ persons in addition to those now employed by Lessee at its existing facilities. It is, therefore, believed that the Project will have an extremely beneficial effect upon the economy of the County and areas adjacent thereto.

(c) The cost of the Project is approximately One Million Five Hundred Thousand Dollars (\$1,500,000), including construction costs, cost of land, financing costs, and all other expenses to be incurred in connection therewith, of which One Million Dollars

5.

(\$1,000,000) will be financed from the proceeds of the said Bonds and the balance will be provided by the Lessee.

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

(a) To finance the cost of the acquisition and construction of the Project, the County will issue \$1,000,000 of York County First Mortgage Industrial Revenue Bonds, Series 1971 (Huntley of York, Ltd. - Lessee). All Bonds will be secured by a pledge of the rents to be paid by the Lessee and will be further secured by a Trust Indenture, as authorized by Section 5 of the Act, to North Carolina National Bank, as Trustee, and the payment of the Bonds will be unconditionally guaranteed by the Lessee under the terms of a Guaranty Agreement.

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

(c) The Lease will contain a specific provision by which the Lessee will unconditionally agree to make payment to York County, to any School District in York 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 York 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 Lessee will enter into an agreement (the Guaranty Agreement) pursuant to which the Lessee will unconditionally guarantee the payment of the Bonds.

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

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

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

(c) All moneys paid by the Lessee under the Guaranty Agreement.

(d) 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.

(e) The right, title and interest of the Lessee in its option to purchase stock of York County Development Corporation.

The Indenture makes provision for the issuance of One Million Dollars (\$1,000,000) of Bonds to be secured thereunder in the form of a single, fully registered Note which can be exchanged at the option of the holder, for coupon Bonds. It provides for the payment and redemption of the Bonds, the establishment of a Bond Fund into which the proceeds of the rents payable by the Lessee are placed, and the use of said fund for the payment of the Bonds. It imposes upon the Lessee the obligation to pay, in addition to the moneys required for the payment of the principal and interest of the Bonds, all other costs and expenses resulting from the execution and delivery of the Indenture and the issuance of the Bonds pursuant thereto.

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

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

That the State Budget and Control Board accept the filing of the Petition presented herewith and that it do, thereafter, and as soon as practicable, makes its independent investigation of the Project and the terms and provisions of the Lease, the Guaranty Agreement and the Trust Indenture, as it deems advisable, and that thereafter, the said State Board make a finding that the proposed Project will promote the purpose of the Act and that it is reasonably anticipated to effect such result, and on the basis of such finding, that it does approve the Project, including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking, and give published notice of its approval in the manner set forth in Section 14 of the Act.

January 5, 1972

Respectfully submitted,

YORK COUNTY, SOUTH CAROLINA

(SEAL)

By

Ed. Allen
Chairman, Board of Directors of
York County

Attest:

Nancy B. Moore
Secretary, Board of Directors
of York County

RESOLUTION

STATE OF SOUTH CAROLINA BUDGET AND CONTROL BOARD

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

WHEREAS, the proposed undertaking consists of the acquisition by the County Board of two non-contiguous parcels of land containing together approximately 7.5 acres and located adjacent to existing facilities in York County now operated by Huntley of York, Ltd., a North Carolina corporation (the Lessee), on which 2 parcels the County Board will finance the construction of a warehouse and distribution center for the shipment of garments and fabrics and which will house equipment and machinery (which will be owned by the Lessee and in which the County will have no interest) for the manufacture of fabrics (said parcels of land and the buildings constituting said facilities, including the air conditioning and heating systems, air purification system and crane system, but not including any other equipment and machinery or other property installed by the Lessee, being hereinafter referred to as the Project), and the County Board proposes to lease the Project to the Lessee at a rental sufficient to provide for the payment of the Bonds of York County hereafter referred to, and costs and expenses resulting from the issuance thereof; and

WHEREAS, in order to finance the Project the County Board proposes to provide for an issue of \$1,000,000 York County First Mortgage Industrial Revenue Bonds payable from the rentals

derived from the Lessee and secured by a Trust Indenture between York County and North Carolina National Bank, as Trustee; and

WHEREAS, the Lessee will enter into a Bond Guaranty Agreement with the said Trustee whereby the Lessee will unconditionally guarantee the payment of the Bonds; and

WHEREAS, the form of the Lease Agreement between York County and the Lessee, of the Trust Indenture and of the Bond Guaranty Agreement have been considered by this Board; and

WHEREAS, the Lessee will assign to the Trustee as additional security for the payment of the Bonds, the Lessee's option to purchase the stock of York County Development Corporation, a South Carolina corporation, and the owner of the said existing facilities now operated by the Lessee; and

WHEREAS, this Board is further advised that the said Bonds will be purchased by North Carolina National Bank, and Lessee in connection with such purchase will give the said Bank the option to purchase 5,000 shares of the Lessee's common stock at \$7.00 per share; and

WHEREAS, the total cost of acquiring and constructing the Project is estimated to be \$1,500,000, of which the Lessee will provide approximately \$500,000 from other sources.

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

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

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

(b) That the County Board has filed a proper petition to the State Board establishing a reasonable estimate of the cost of the Project, a general summary of the terms and conditions of the Lease and the Trust Indenture to be made by the County Board and has established that the Lessee will pay as additional

rentals, in lieu of taxes, the sums prescribed by Section 6 of the Act.

(c) That the Project will provide employment for approximately 225 persons and will be of benefit to York County and adjoining areas.

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

2. On the basis of the foregoing findings the proposed undertaking of the County Board to acquire the land included in the Project, to finance the construction thereon of the buildings and improvements included in the Project, to lease the Project to the Lessee and to finance the cost of acquiring and constructing the Project through the issuance of \$1,000,000 York County First Mortgage Industrial Revenue Bonds payable from the revenues to be derived from the leasing of the Project and secured by the forecloseable mortgage lien of the Trust Indenture, by the Lessee's assignment of its option to purchase the stock of York County Development Corporation and by the Bond 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 York County above described in paragraph 2, supra, shall be published in THE STATE and in THE EVENING HERALD, both of which are newspapers having general circulation in York County.

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

EXHIBIT "A"

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

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

The acquisition by the County Board of two non-contiguous parcels of land together containing approximately 7.5 acres and located adjacent to the existing facilities operated by Huntley of York, Ltd., a North Carolina corporation (the Lessee), in York County, on which 2 parcels the County Board will finance the construction of a warehouse and distribution center for the shipment of garments and fabrics which will house equipment and machinery (which will be owned by the Lessee and in which York County will have no interest) for the manufacture of fabrics (said tracts of land and the buildings (but not including any equipment and machinery) constituting the said facilities being hereinafter referred to as the Project); to finance the acquisition and construction of the Project, the County Board will issue \$1,000,000 of York County First Mortgage Industrial Revenue Bonds (the Bonds) pursuant to Act No. 103 of the Acts of the South Carolina General Assembly for the year 1967; and the County Board will lease the Project to the Lessee under a Lease Agreement. The Bonds of York 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, and the Bonds will be secured by a Trust Indenture which will constitute a forecloseable lien upon the Project and by an assignment of the Lessee's option to purchase the stock of York County Development Corporation, a South Carolina corporation, which owns the said existing facilities now operated by the Lessee.

In addition the Lessee has agreed to pay as additional rentals to York 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 York 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 York County will lease the Project to the Lessee will provide that the Lessee shall purchase the Project for One Dollar (\$1.00) upon the payment in full of the Bonds.

When completed, it is estimated that the Project will provide employment for approximately 225 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 York County.

THE STATE BUDGET AND CONTROL BOARD

By: P. C. SMITH, Secretary

PUBLICATION DATE:

_____, 1972 **898**

STATE OF SOUTH CAROLINA,
COUNTY OF RICHLAND.

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

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

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

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

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

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

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

That due notice of meeting of said Board, called to be
held at the office of the State Auditor, in the Hampton Office
Building, at Columbia, South Carolina, at _____ . M.,
_____, 1972, was given to all members in writing,
and at least four (4) days prior to said meeting; that all
members of said Board were present at said meeting, with the
exception of:

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

FOR MOTION

AGAINST MOTION

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

Secretary

_____, 1972.

YORK COUNTY, SOUTH CAROLINA

AND

HUNTLEY OF YORK, LTD.

LEASE AGREEMENT

Dated as of December 1, 1971

THIS LEASE AGREEMENT dated as of December 1, 1971, between YORK COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina, acting by and through the Board of Directors of York County which constitutes the governing body of York County as established by Article I, Chapter 62, Title 14, South Carolina Code of Laws, 1962, party of the first part, and HUNTLEY OF YORK, LTD., a corporation organized and existing under the laws of the State of North Carolina, duly qualified to conduct business in the State of South Carolina, party of the second part,

WITNESSETH:

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

ARTICLE I

DEFINITIONS

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

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

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

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

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

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

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

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

"BUILDING" means the buildings and all other facilities forming a part of the Project as set out in Section 4.1(a) hereof, which are being constructed on the Leased Land, as they may at any

time exist, including the air conditioning and heating systems, and an air purification system and overhead crane system (which shall be deemed fixtures), but shall not include any other equipment and machinery or other property installed by the Lessee on the Leased Land or in the Building.

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

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

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

"COUNTY" means York 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 Board of Directors of the County, and any successor body.

"INDENTURE" means the Trust Indenture between the County and North Carolina National Bank, as Trustee, of even date herewith, pursuant to which (i) the terms, conditions and provisions of the Bonds are prescribed, and (ii) the County's interest in this Agreement, and the lease rentals, revenues and receipts received by the County from the Project (except payments pursuant to Section 5.5 or Section 8.7 of this Agreement) are pledged and the Project is mortgaged as security for the payment of principal, premium, if any, and interest on the Bonds, including any indenture supplemental thereto.

"INDEPENDENT COUNSEL" means an attorney duly admitted to practice law before the highest court of any state and not an employee of either the County, 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 created in this Agreement as specified in Section 5.1 hereof.

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

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

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

"PERMITTED ENCUMBRANCES" means, as of any particular time, (i) liens for ad valorem taxes not then delinquent, (ii) this Agreement and the Indenture, (iii) utility, access and other easements and rights of way, flood rights, encroachments, leases, restrictions and exceptions that an Independent Engineer and the Authorized Lessee Representative certify will not interfere with or impair the operations being conducted in the Building (or, if no operations are being conducted therein, the operations for which the Building was designed or last modified), (iv) such minor defects, irregularities, encumbrances, easements, rights of way, and clouds on title as normally exist with respect to properties similar in character to the Project and as do not in the opinion of an Independent Counsel, materially impair

the property affected thereby for the purposes for which it was acquired or is held by the County, and (v) mechanics' and materialmen's liens not filed or perfected in the manner prescribed by Chapter 5 of Title 45, Code of Laws of South Carolina, 1962, as in effect on the date hereof or otherwise.

"PROJECT" means the Leased Land and the Building, all of which will constitute, when the Project is complete, a warehouse and distribution center for the shipment of garments and fabrics and will house equipment and machinery for the manufacture of fabrics.

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

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

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

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

ARTICLE II

REPRESENTATIONS AND UNDERTAKINGS

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

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

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

(c) Heretofore, and before construction of the Building was begun, the County and the Lessee did agree

that the County would finance the cost of acquiring and constructing the Project. The Lessee has estimated that such cost should not exceed \$1,500,000 of which the Lessee will provide approximately \$500,000 from other sources and the County now proposes to issue the Bonds in the aggregate principal amount of \$1,000,000, which will be dated, mature and bear interest as set forth in Section 202 of the Indenture and which will be subject to redemption on the occasions and at the redemption prices set forth in Section 301 of the Indenture, in order to finance the cost of acquiring and constructing the Project.

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

(a) The Lessee is a corporation duly incorporated under the laws of North Carolina, in good standing under its Charter and the Laws 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 and constructing the Project as aforesaid, the Lessee has heretofore begun construction of the Building on the Leased Land.

(d) The Lessee intends to continue to operate the Project, from the Completion Date to the expiration or earlier termination of the Lease Term as provided herein as a plant for the manufacture of fabrics and as a warehouse and distribution center for the shipment of garments and fabrics, or for the manufacture, warehousing and distribution of such other products as the Lessee may deem appropriate.

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

ARTICLE III

DEMISING CLAUSE, WARRANTY OF TITLE AND TITLE INSURANCE

SECTION 3.1. Demise of the Leased Land and Building.

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

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

SECTION 3.3. Title Insurance. At the time of the delivery of the Bonds, the County will provide a Mortgage Title Insurance Policy (or an appropriate Binder) upon the Leased Land and Building issued by a company approved by the Trustee insuring the lien of the Indenture upon the Leased Land and Building, subject to no encumbrances other than Permitted Encumbrances, in the amount of not less than \$1,000,000. Any Net Proceeds therefrom shall be used to remedy the title defect resulting in the payment thereof or deposited in the Bond Fund.

ARTICLE IV

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

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

(a) It will cause the Building to be completed on the Leased Land wholly within the boundary lines thereof (the Building to contain approximately 130,000 square feet, and to be used for the purposes set forth in Article II hereof); all of which will be constructed in accordance with a general description heretofore furnished to the County by the Lessee.

(b) It will cause to be acquired and installed in the Building or on the Leased Land for use of Lessee those items of machinery and equipment (which shall remain the property of the Lessee and in which the County shall have no interest) which in Lessee's judgment may be necessary for the operation of the Project for the purposes intended.

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

SECTION 4.2. Agreement to Issue Bonds; Application of Bond Proceeds. In order to provide funds for payment in part of the costs of the Project, the County agrees that it will, on or before the 29th day of February, 1972, sell and cause to be delivered to the purchasers thereof the Bonds in the aggregate principal amount of \$1,000,000, and will thereupon (i) deposit in the Bond Fund all accrued interest received on the sale of the Bonds and (ii) deposit in the Construction Fund the balance of the proceeds received from said sale.

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

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

(b) Payment to the Lessee or the County, as the case may be, of such amounts, if any, as shall be necessary to reimburse the Lessee and the County in full for all advances and payments made by them or either of them prior to or after the delivery of the Bonds for expenditures in connection with (i) the acquisition by the County of title to the Leased Land, including the cost of the Leased Land and the preparation of plans and specifications for the Project (including any preliminary study or planning of the Project or any aspect thereof) and (ii) clearing the Leased Land, the construction of the Building, 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 legal, financial and accounting fees and expenses, any title insurance premium, and printing and engraving costs incurred in connection with the authorization, sale and issuance of the Bonds, the preparation of this Agreement, the Indenture, any Official Statement, and all other documents in connection therewith and in connection with the acquisition of title to the Leased Land 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 the cost of the

construction, acquisition, and installation of utility services or other facilities, and all real and personal property deemed necessary in connection with the Project and payment for the miscellaneous expenses incidental to any of the foregoing items, including the premium on any surety bond.

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

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

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

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

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

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

(k) All moneys remaining in the Construction Fund

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

Provided that:

(1) Each of the payments made pursuant to the preceding subsections (a), (b), (c), (d), (e), (g), (i) and (j) of this Section shall be made only upon receipt by the Trustee of a written order by the Authorized Lessee Representative and by the Authorized County Representative which shall certify with respect to each such payment; (i) that none of the items for which the payment is proposed to be made has formed the basis for any payment theretofore made from the Construction Fund and (ii) that each item for which the payment is proposed to be made is or was necessary in connection with the Project, and, wherever appropriate, in conformance with the plans and specifications therefor.

(2) In the case of any contract providing for retention by the Lessee of a portion of the contract price, there shall be paid from the Construction Fund only the

net amount remaining after deduction of any such portion, until such retainage becomes due under such contract.

SECTION 4.4. Trustee May Rely on Order and Certifications.

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

SECTION 4.5. Establishment of Completion Date. The Completion Date shall be evidenced to the Trustee by a certificate signed by the Authorized Lessee Representative stating that, except for amounts retained by the Trustee for Project costs not then due and payable as provided in Section 4.3(k), (i) construction of the Building has been completed in accordance with the specifications therefor and all labor, services, materials and supplies used in such construction have been paid for, and (ii) all other facilities necessary in connection with the Project have been constructed, acquired and installed in accordance with the specifications therefor and all costs and expenses incurred in connection therewith have been paid. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being. It shall be the duty of the Lessee to cause the certificate contemplated by this Section 4.5 to be furnished as soon as the Project shall have been completed.

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

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

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

SECTION 4.9. Investment of Construction Fund Moneys Permitted. Any moneys held as a part of the Construction Fund shall at the written request of the Authorized Lessee Representative be invested or reinvested by the Trustee in (i) obligations of the United States and agencies thereof; (ii) general obligations of the State of South Carolina or any of its political units; (iii) Savings and Loan Associations to the extent that the same

are secured by the Federal Deposit Insurance Corporation; or (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. Such investments shall be as specified by the Authorized Lessee Representative.

ARTICLE V

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

SECTION 5.1. Effective Date of this Agreement; Duration of Lease Term. This Agreement shall become effective upon its delivery, and the leasehold estate created in this Agreement shall then begin, and, subject to the provisions of this Agreement (including particularly Articles X and XI and Section 12.1), shall expire December 1, 1986.

SECTION 5.2. Delivery and Acceptance of Possession. The County agrees to deliver to the Lessee sole and exclusive possession of the Project upon the execution and delivery of this Agreement and Lessee, thereupon and thereafter shall have sole and exclusive possession of the Project during the Lease Term (subject to the right of the County and Trustee to enter thereon for inspection purposes and to the other provisions of Section 8.2 hereof).

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

In any event each rental payment under this Section shall be sufficient to pay the total amount of interest or interest

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

The Lessee agrees to pay to the Trustee until the principal of, premium, if any, and interest on the Bonds shall have been fully paid (i) an amount equal to the annual fee of the Trustee for the ordinary services of the Trustee, as Trustee, rendered and its ordinary expenses, as Trustee, incurred under the Indenture, as and when the same becomes due, (ii) reasonable fees and charges of the Trustee, as Bond Registrar and paying agent, and any other paying agents on the Bonds for acting as paying agents as provided in the Indenture, as and when the same become due, and (iii) the reasonable fees and charges of the Trustee for the necessary extraordinary services rendered by it and extraordinary expenses incurred by it under the Indenture, as and when

the same become due; provided, that the Lessee may, without creating a default hereunder, contest in good faith the necessity for any such extraordinary services and extraordinary expenses and the reasonableness of any such fees, charges or expenses.

In the event the Lessee shall fail to make any of the payments required in this Section 5.3, the item or installment so in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid, and the Lessee agrees to pay the same with interest thereon at the rate of 8% per annum until fully paid. The provisions of this Section shall be subject to the provisions of Section 9.6 hereof.

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

SECTION 5.5. Payments in Lieu of Taxes . It is recognized that under the provisions of the Act when any project is leased by a county pursuant to the Act the lessee thereof shall be required to make payments to the county, the school district or school districts, and other political units wherein the project shall be located in lieu of taxes, in such amounts as would result from taxes levied on the Project by such county, school district or school districts, and other political unit or units, if the project were owned by the lessee, but with appropriate reductions similar to the tax exemptions, if any, which would be afforded to the lessee if it were the owner of the project. For the sole purpose of enabling the Lessee to comply with the

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

any such taxes for which a payment in lieu thereof has been made to the State or to any city, county, town, school district or other political unit, any other statute to the contrary notwithstanding. In the event the Lessee shall fail to make any of the payments required by this Section 5.5, the amount or amounts so in default shall continue as an obligation of the Lessee until fully paid and the Lessee agrees to pay the same with interest thereon at eight per centum (8%) per annum until fully paid.

SECTION 5.6. Obligations of Lessee Hereunder Unconditional.

Subject to the provisions of this Section and Section 9.6 hereof, the obligations of the Lessee to make the payments required in Sections 5.3 and 5.5 hereof and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the County, and until such time as the principal of, and interest and premium, if any, on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Lessee (i) will not suspend or discontinue any payments provided for in Section 5.3 hereof, (ii) will perform and observe all of its other agreements contained in this Agreement, and (iii) except as provided in Section 11.1 hereof will not terminate the Lease Term for any cause including, without limiting the generality of the foregoing, failure by the Lessee to complete the Project, the taking by eminent domain of title to or the right of temporary use of all or any part of the Project, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, commercial frustration of purpose, any 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 safe condition as its operations shall permit and (ii) keep the Building and all other improvements forming a part of the Project in good repair and in good operating condition, making from time to time, subject to the provisions of Section 6.2, all necessary repairs thereto and renewals and replacements thereof. The Lessee may, also at its own expense, make from time to time any additions, modifications or improvements to the Project it may deem desirable for its business purposes that do not adversely affect the operations being conducted in and upon the Project (or, if no operations are being conducted, the operations for which the Project was designed or last modified); provided that no addition, modification or improvement shall be made if the estimated market value of the Project after such addition, modification or improvement shall be less than one and one-half times the principal amount of the Bonds at the time outstanding. In the event the Lessee, the County and the Trustee shall disagree as to such market value, the same shall be established by three appraisers, one appointed by the Lessee, one appointed by the Trustee with the approval of the County, and the third appointed by the two appraisers so appointed by the Lessee and the Trustee; and the determination of market value by a majority of such appraisers shall be conclusive for the purposes of this Agreement. The costs of all such appraisers shall be borne by the Lessee. Subject to the provisions of Section 6.2 hereof, such additions, modifications and improvements so made by the Lessee shall be on the Leased Land and become a part of the Project. The Lessee shall not permit any mechanics' or other

liens to be established or remain against the Project for labor or materials furnished in connection with any additions, modifications, improvements, repairs, renewals or replacements so made by it; provided, that if the Lessee shall first notify the Trustee of its intention so to do, the Lessee may in good faith contest any mechanics' or other liens filed or established against the Project, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Trustee shall notify the Lessee that, in the opinion of Independent Counsel, by non-payment of any such items the lien of the Indenture as to any part of the Project will be materially endangered or the Project or any part thereof will be subject to loss of forfeiture, in which event the Lessee shall promptly pay and cause to be satisfied and discharged all such unpaid items. The County will cooperate fully with the Lessee in any such contest.

SECTION 6.2. Installation of Lessee's Own Machinery and Equipment. The Lessee may from time to time, in its sole discretion and at its own expense, install machinery, equipment and other personal property in the Building or on the Leased Land and which may be attached or affixed to the Building or the Leased Land. All such machinery, equipment and other personal property, shall remain the sole property of the Lessee and the Lessee may remove the same from the Building or the Leased Land at any time, in its sole discretion and at its own expense; provided, that any damage to the Project resulting from any such removal shall be repaired by the Lessee at the expense of the Lessee. The Lessee may create any mortgage, encumbrance, lien or charge on any such machinery, equipment and other personal property provided that the same will not diminish or impair

the security intended to be given by or under the Indenture. Neither the County nor the Trustee shall have any interest in or landlord's lien on any such machinery, equipment or personal property so installed pursuant to this Section 6.2 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 6.3. Taxes, Other Government Charges and Utility Charges. The County and the Lessee acknowledge (i) that pursuant to Section 13 of the Act, no part of the Project owned by the County will be subject to taxation in South Carolina, that under present law the income and profits (if any) of the County from the Project are not subject to either Federal or South Carolina taxation and that under present law there is no tax imposed upon leasehold estates in South Carolina and (ii) that these factors, among others, have induced the Lessee to enter into this Agreement.

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

to the Lessee in the Project), all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by lien on the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Lessee shall be obligated to pay only such installments as are required to be paid during the Lease Term.

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

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

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

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

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

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

The term "full insurable value" means such value as shall be determined from time to time at the request of the County,

Lessee or Trustee (but not more frequently than once in every twenty-four (24) months) by one of the insurers selected by Lessee.

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

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

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

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

(d) Policies of insurance provided for in Section 6.4(a) shall name the County and the Lessee as insureds as their respective interests may appear, provided, however, that the Trustee

shall also be named as a party insured pursuant to a standard mortgagee clause as its interests may appear, and provided further that while any Bonds remain outstanding all casualty insurance shall be payable as provided in Section 7.1 hereof.

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

SECTION 6.5. Application of Net Proceeds of Insurance.

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

SECTION 6.6. Advances by the County or the Trustee.

In the event the Lessee shall fail to maintain the full insurance coverage required by this Agreement or shall fail to keep the Project in as reasonably safe condition as its operations will permit, or shall fail to keep the Project in good repair, the County or the Trustee may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same or make required repairs; and all amounts so advanced therefor by the County or the Trustee shall become an additional obligation of the Lessee to the one making the advancement, which amounts, together with interest thereon at the rate of 8% per annum from the date thereof, the Lessee agrees to pay.

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

SECTION 7.1. Damage and Destruction. (a) Unless the Building shall be damaged to the extent prescribed by, and the Lessee shall elect to exercise its option to purchase pursuant to, the provisions of Section 11.2(a) hereof, if prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) the Project is damaged by fire or other casualty to such extent that the claim for loss under the insurance policies required to be carried pursuant to Section 6.4(a) hereof resulting from such destruction or damage is not greater than \$50,000, the Lessee (i) shall promptly repair, rebuild or restore the Project to substantially the same condition thereof as existed prior to the event causing such damage or destruction with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Lessee and as will not impair the value or the character of the Project as set forth in Section 2.2(d) and (ii) will apply for such purpose so much as may be necessary of any Net Proceeds of Insurance resulting from such claims for losses. All Net Proceeds of Insurance resulting from such claims for losses not in excess of \$50,000 shall be paid to the Lessee, subject to the provisions of Section 7.1(e).

(b) Unless the Building shall be destroyed or damaged to the extent prescribed by, and the Lessee shall elect to exercise its option to purchase pursuant to, the provisions of Section 11.2(a) hereof, if prior to full payment of the Bonds (or provisions for payment thereof having been made in accordance with the provisions of the Indenture) the Project is destroyed or is

damaged (in whole or in part) by fire or other casualty to such extent that the claim for loss under the insurance policies required to be carried pursuant to Section 6.4(a) hereof resulting from such destruction or damage is in excess of \$50,000, the Lessee shall promptly give written notice thereof to the Trustee. All Net Proceeds of Insurance resulting from such claims for losses in excess of \$50,000 shall be paid to and held by the Trustee in a separate trust account, whereupon the Lessee shall proceed promptly to repair, rebuild or restore the Project to substantially the same condition thereof as existed prior to the event causing such damage or destruction with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Lessee and as will not impair the value or the character of the Project as set forth in Section 2.2(d), whereupon the Trustee shall apply so much as may be necessary of the Net Proceeds of such insurance to the payment of the costs of such repair, rebuilding or restoration, either on completion thereof or as the work progresses.

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

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

(e) Any balance of such Net Proceeds remaining after payment of all costs of such repair, rebuilding or restoration

shall be paid into the Bond Fund. If the Bonds have been fully paid (or provision therefor has been made in accordance with the Indenture), all Net Proceeds shall be paid to the Lessee.

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

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

(b) To the acquisition, by construction or otherwise, in the name of the County of improvements consisting of a building or buildings, facilities, machinery, equipment or other properties suitable for the Lessee's operations at the Project (which improvements shall be deemed a part of the Project and available for use and occupancy by the Lessee without the payment of any rent other than as herein provided to the same extent as if such other improvements were specifically described herein and

demised hereby); provided, that such improvements shall be acquired by the County subject to no liens or encumbrances, other than Permitted Encumbrances.

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

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

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

The County shall cooperate fully with the Lessee in the handling and conduct of any prospective or pending condemnation proceeding with respect to the Project or any part thereof and

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

SECTION 7.3. Condemnation of Lessee-Owned Property.

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

ARTICLE VIII

SPECIAL COVENANTS

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

SECTION 8.2. County's and Trustee's Right of Access to the Project. The Lessee agrees that the County, the Trustee and the duly authorized agents of each of them shall have the right at all reasonable times to enter upon the Leased Land and to examine and inspect the Project, including such rights of access to the Project as may be reasonably necessary for the proper maintenance of the Project in the event of failure by the Lessee to perform its obligations under Section 6.1 hereof. The rights of access hereby reserved to the County and the Trustee may be exercised only after any such agent shall have executed release of liability and secrecy agreements in the form then currently used by the Lessee. However, nothing contained in this Section 8.2 or in any other provision of this Agreement shall be construed to entitle the County or the Trustee to any information or inspection involving the confidential know-how of the Lessee.

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

consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, or sell or otherwise transfer to another corporation all or substantially all of its assets as an entirety and thereafter dissolve, but only on condition (i) that such surviving, successor or transferee corporation is a solvent corporation organized and existing under, or is duly qualified to do business in, the State of South Carolina, (ii) that the surviving, resulting or transferee corporation shall expressly assume and agree to perform and abide by all of the Lessee's covenants and obligations under this Lease Agreement, and (iii) in connection with any such consolidation or merger, there shall be filed with the County, the original purchaser of the Bonds and the Trustee a letter or certificate by a firm of certified public accountants (which is of the size and type commonly referred to as nationally known certified public accountants and which is acceptable to the Trustee), certifying that after the consummation of such consolidation or merger the corporation resulting from or surviving such consolidation or merger will have a Tangible Net Worth (as defined in Section 8.8) at least as great as the Lessee would have had if such consolidation or merger had not occurred; or (iv) in connection with any such sale there shall be filed with the County, the original purchaser of the Bonds, and the Trustee a letter or certificate by a firm of certified public accountants (which is of the size and type commonly referred to as nationally known certified public accountants and which is acceptable to the Trustee) certifying that at the consummation of such transfer the corporation to which such transfer is made as a Tangible Net Worth (as defined in Section 8.8) at least as great as the Lessee would have had if such transfer had not been made.

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

SECTION 8.5. Release of Certain Land. In addition to the rights granted by Section 11.3 hereof, the parties hereto reserve the right at any time and from time to time to amend this Agreement for the purpose of effecting the release of and removal from this Agreement and the leasehold estate created hereby (i) of any unimproved part of the Leased Land (on which the Building is not situated, but upon which transportation or utility facilities may be situated) on which the County then proposes to construct, or cause to be constructed, improvements for lease to the Lessee or any subsidiary or affiliated corporation thereof under another and different lease agreement or (ii) any part (or interest in such part) of the Leased Land with respect to which the County proposes to grant an easement or convey fee title to a railroad, public utility or public body in order that railroad, utility services or roads may be provided for the Project; provided, that if at the time any such amendment is made any of the Bonds are outstanding and unpaid there shall be deposited with the Trustee the following:

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

(b) A resolution of the County Board (i) stating that the County is not in default under any of the provisions of the Indenture and the Lessee is not to the knowledge of the County in default under any of the provisions of this Agreement, (ii) giving an adequate legal description of that portion (together with the interest in such portion) of the Leased Land to be

released, (iii) stating the purpose for which the County desires the release, (iv) stating that the said improvements which will be so constructed will be such as will promote the continued industrial development of South Carolina and (v) requesting such release.

(c) A resolution of the board of directors of the Lessee approving such amendment and a certificate of the president, any vice president or treasurer of the Lessee stating that the Lessee is not in default under any of the provisions of this Agreement.

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

(e) A certificate of an Independent Engineer who is acceptable to the Trustee, dated not more than sixty days prior to the date of the release and stating that, in the opinion of the person signing such certificate, (i) the portion of the Leased Land so proposed to be released is necessary or desirable in order to obtain railroad, utility services or roads to benefit the Project or is not otherwise needed for the operation of the Project for the purposes hereinabove stated and (ii) the release so proposed to be made will not reduce the value of the Project by an amount in excess of the release price paid, nor impair the usefulness of the Project as a manufacturing, warehouse and distribution facility and will not destroy the means of ingress thereto and egress therefrom.

And, provided further, if such release relates to Leased Land on which transportation or utility facilities

are located, the County shall retain an easement to use such transportation or utility facilities to the extent necessary for the efficient operation of the Project as set forth in Section 2.2(d).

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

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

SECTION 8.6. Granting of Easements. If no event of default under this Agreement shall have happened and be continuing, the Lessee may at any time or times grant easements, licenses, rights of way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to any property included in the Project, free from the lien of the Indenture, or the Lessee may release existing easements, licenses, rights of way and other rights or privileges with or without consideration, and the County agrees that it shall execute and deliver and will cause and direct the Trustee to execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right of way or other right or privilege upon receipt of: (i) a copy of the instrument of grant or release; (ii) a written application signed by the president or a vice president or the chairman of the board of directors of the Lessee requesting such instrument; and (iii) a certificate executed by the president or a vice president or the chairman of the board of directors of the Lessee stating (1) that such grant or release is not detrimental to the proper conduct of the business of the Lessee, and (2) that such grant or release will not impair the effective

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use or interfere with the operation of the Project and will not weaken, diminish or impair the security intended to be given by or under the Indenture. No grant or release effected under the provisions of this Section shall entitle the Lessee to any abatement or diminution of the rents payable under Section 5.3 hereof.

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

(b) Notwithstanding the fact that it is the intention of the parties that the County shall not incur pecuniary liability by reason of the terms of this Agreement, or the undertakings required of the County hereunder, by reason of the issuance of the Bonds, by reason of the execution of the Indenture, by reason of the the performance of any act requested of it by

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

SECTION 8.8. Negative Covenants. The Lessee covenants and agrees that from the date of this Agreement until payment in full of the principal, interest and premium, if any, on the Bonds (or until provision for payment thereof has been made in accordance with the provisions of the Indenture) it will not, nor will it permit any subsidiary to, either directly or indirectly:

(a) Indebtedness. Incur, create, assume or permit to exist any indebtedness or liability on account of deposits or advances or any indebtedness or liability evidenced by notes, bonds, debentures or similar obligations (including but not limited to conditional sales or similar title retention agreements) in excess of an aggregate of \$250,000, except indebtedness

(1) arising under this Agreement;

(2) incurred prior to the date of this Agreement on account of the lease of any real or personal property, provided that such indebtedness is repaid in accordance with the schedule of payments in effect as of the date of this Agreement;

(3) arising under that certain Loan Agreement dated _____ between Lessee and North Carolina National Bank;

(4) for amounts advanced against unmatured sales or as unsecured overadvances under that certain Factoring Agreement dated _____ between Lessee and Southeastern Factors Corporation or such future factoring agreements as may exist from time to time; provided, however, that any such unsecured overadvances are repaid for one period of at least 60 consecutive days or two periods of at least 30 consecutive days during each of Lessee's fiscal years;

(5) for amounts arising under seasonal lines of credit or such other short-term borrowing arrangements as may exist from time to time; provided, however, that any such indebtedness is repaid in the aggregate for 1 period of at least 60 consecutive days or 2 periods of at least 30 consecutive days during each of Lessee's 2 fiscal years.

(6) arising under that certain Factoring Agreement dated _____ between Lessee and Southeastern Factors Corporation, provided that the principal amount of such indebtedness shall not exceed an aggregate of \$1,600,000 and shall bear interest at a rate of not more than 4% above the prevailing short-term prime commercial rate and, provided further, that such indebtedness is repaid in accordance with the terms of such Factoring Agreement as in effect as of the date of this Agreement.

(b) Liens. Incur, create, assume or suffer to exist any mortgage, pledge, lien, charge or encumbrance of any nature whatsoever on any of its property or assets, whether now or hereafter owned, other than

(1) Permitted Encumbrances;

(2) those arising under the Loan Agreement dated _____ between Lessee and North Carolina National Bank;

(3) those arising under the Factoring Agreement dated _____ between Lessee and Southeastern Factors Corporation which are either in existence or for which provision has been made as of the date of this Agreement;

(4) those in existence as of the date of this Agreement, provided that the indebtedness secured thereby shall not at any time exceed that amount which is outstanding on the date of this Agreement and provided further that any such indebtedness shall be repaid in accordance with the terms of repayment in effect as of the date of this Agreement; and

(5) those securing indebtedness arising from the purchase or acquisition of property after the date of this Agreement; provided, however, that such mortgages, pledges, liens, charges or encumbrances apply only to the property so acquired and that the indebtedness secured thereby does not in the aggregate exceed \$250,000.

(c) Working Capital. Permit its working capital to be less than \$2,200,000. "Working Capital" for purposes of this Agreement shall mean the excess of Lessee's current

assets over Lessee's current liabilities, each as determined in accordance with generally accepted accounting principles consistently applied.

(d) Tangible Net Worth. Permit its Tangible Net Worth to be less than \$3,350,000. "Tangible Net Worth" for purposes of this Agreement shall mean the aggregate net book value of all of the assets of the Lessee after deduction therefrom of (i) the book value of all intangible assets in the nature of but not limited to good will, patents, leasehold improvements, franchises, trademarks and trade names and research and development expenses and (ii) all liabilities of the Lessee, all determined in accordance with generally accepted accounting principles.

(e) Worth to Debt Ratio. Permit its Worth to Debt Ratio to be or become less than .60 to 1 from the date of this Agreement to December 30, 1975, and 1 to 1 on December 31, 1975 and thereafter. "Worth to Debt Ratio" as used in this Agreement shall mean the ratio of Lessee's Tangible Net Worth to its total liabilities.

(f) Long-term Indebtedness. Permit, on a cumulative basis, its total annual obligations payable on long-term indebtedness during any fiscal year or years beginning after the date of this Agreement to exceed 75% of Lessee's cumulative cash flow from operations during such fiscal year or years. "Long-term Indebtedness" for purposes of this Agreement shall mean any indebtedness for borrowed money or lease indebtedness which is reflected on Lessee's audited fiscal balance sheets and which is payable over a term in excess of twelve months. "Cash flow from operations" for purposes of this Agreement shall mean the sum of (i) Lessee's net

earnings after provision for income taxes and (ii) the aggregate depreciation or amortization charge with respect to all tangible property of Lessee as computed for financial reporting purposes.

(g) Payment of Dividends and Expenditures for Fixed Assets. Permit, on a cumulative basis, the sum of the payment of dividends (other than dividends payable solely in Lessee's capital stock) and expenditures for fixed assets during any fiscal year or years beginning after December 31, 1971 to exceed 75% of the amount by which, on a cumulative basis, Lessee's cash flow from operations shall exceed the amount payable during such fiscal year or years on long-term indebtedness; provided, however, that during the fiscal year ending December 31, 1972, the calculation of expenditures for fixed assets shall exclude (i) amounts capitalized in Lessee's financial statements as expended for the additions to Lessee's plant facilities located in York County, South Carolina which are to be leased in accordance with the terms hereof, provided that the aggregate cost of such additions during the fiscal years ending December 31, 1971 and December 31, 1972 shall not exceed \$1,500,000 and (ii) amounts expended for equipment related to Lessee's expansion into the warp knitting area which equipment is to be financed pursuant to the terms of an agreement dated _____ between Lessee and Southeastern Factors, Inc., provided that the aggregate cost of such equipment during the fiscal years ending December 31, 1971 and December 31, 1972 shall not exceed \$1,300,000.

(h) Loans or Advances. Make or permit to exist any loans or advances to, or own, purchase or acquire any stock or securities of or investment in any person, except that Lessee may

(1) upon the giving of prior written consent by the Trustee, acquire and own stock or securities of a corporation which immediately after such purchase or acquisition will be a subsidiary of Lessee;

(2) upon the giving of prior written consent by the Trustee, acquire and own stock or securities received in settlement of debts (created in the ordinary course of business) owing to Lessee;

(3) own, purchase or acquire short term obligations of the United States of America, and time certificates of deposit issued by North Carolina National Bank;

(4) make or permit to exist loans or advances not exceeding the aggregate of \$100,000 to subsidiaries of the Lessee; and

(5) make or permit to exist loans or advances not exceeding the aggregate amount of \$25,000 to all employees of the Lessee and any subsidiary of the Lessee.

(i) Sale of Assets, Consolidation, Merger, Acquisition.

(1) Sell, lease, exchange, transfer or otherwise dispose of, to any person, other than in the ordinary course of business, Lessee's assets, whether now owned or hereafter acquired, except as permitted in the case of the Lessee by Section 8.3 hereof.

(2) Consolidate with or merge into any other corporation or acquire or agree to acquire for cash, stock, debt or combination thereof all or any substantial part of the property, assets or stock of any person except as permitted in the case of the Lessee by Section 8.3 hereof;

(j) Dividends. Purchase, redeem or acquire for value any of Lessee's capital stock now or hereafter outstanding, provided, however, that nothing herein contained shall prevent the Lessee from purchasing Lessee's capital stock pursuant to that certain Warrant Agreement dated _____ between Lessee and North Carolina National Bank.

(k) Guaranties. Guarantee, assume, endorse or otherwise become or remain liable in connection with the obligations of any other persons, firms or corporations, other than obligations not exceeding \$100,000 of subsidiaries of the Lessee, except (i) endorsements of negotiable instruments for deposit or collection, and (ii) liabilities of the Lessee arising under that certain Bond Guaranty Agreement dated as of December 1, 1971 executed by the Lessee for the benefit of the holders of the Bonds, and (iii) guaranties of secured obligations of officers and employees of Lessee not exceeding an aggregate of \$100,000.

SECTION 8.9. Affirmative Covenants. The Lessee covenants that from the date of this Agreement until payment in full of the principal and interest on the Bonds (or until provision for payment thereof has been made in accordance with the provisions of the Indenture), it will:

(a) Financial Reports and Other Data. Furnish to the Trustee and upon request to the holder of any Bond, the following:

(1) As soon as practical and in any event within forty-five (45) days after the end of each quarterly period, other than the last, of each fiscal year of the Lessee, a balance sheet of the Lessee and its consolidated subsidiaries, if any, at the end of such quarterly period, and the related statement of earnings, including a statement of depreciation charges, for the period from the beginning of the current fiscal year to the end of such quarterly period, setting forth in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and certified by an authorized financial officer of Lessee to have been prepared in accordance with generally accepted principles of accounting, subject to changes resulting from year-end adjustments;

(2) As soon as practicable and in any event within ninety (90) days after the end of each fiscal year, a balance sheet of the Lessee and its consolidated subsidiaries, if any, as at the end of such fiscal year, and related statements of earnings and application of funds for such fiscal year, setting forth in each case in comparative form corresponding figures from the preceding annual audit, all in reasonable detail and satisfactory in scope to the Trustee and certified by and containing the unqualified opinion of the independent certified public accountants;

(3) Together with each delivery of financial statements required by subsections (1) and (2) above, a certificate of the President or a Vice President of the Lessee setting forth that to the best of his knowledge, the Lessee has kept, observed, performed and fulfilled each and every agreement binding on it contained in this Agreement, and is not at the time in default in the keeping, observance, performance or fulfillment of any of the terms, provisions and conditions hereof, and that none of the events of default specified in Section 10.1 has occurred, or if the Lessee shall be so in default or if any event specified in Section 10.1 hereof shall have occurred, specifying all such defaults and events of which he may have knowledge;

(4) Together with each delivery of the financial statements required by subsection (2) above, a certificate of such accountants setting forth that in making the examination necessary to said certification of the financial statements, they obtained no knowledge of any default by the Lessee in the fulfillment of this Agreement, insofar as they pertain to financial or accounting matters, or which, after notice by the County or lapse of time, or both, would constitute such a default; or if the accountants have obtained knowledge of any default, a statement specifying the nature and period of existence of any such default disclosed by their examination. In addition, such accountants' certificate shall state that with respect to the fulfillment of any of the terms, covenants, provisions or conditions under this Agreement other than those relating to financial

or accounting matters, they have obtained no knowledge of any default by the Lessee, or if the accountants have obtained knowledge of any such default, they shall disclose such default, but the accountants shall not be liable to the County, Trustee or holders of the Bonds for any failure to obtain knowledge of any default referred to in this sentence;

(5) A copy of all reports submitted to the stockholders of the Lessee, the Securities and Exchange Commission and State Securities Commissions and any reports which may be required to be submitted by the Lessee by any recognized stock exchange either before or after any listing of the Lessee's stock with such exchange.

(b) Taxes and Liens. Promptly pay, or cause to be paid, all taxes, assessments and other governmental charges which may lawfully be levied or assessed upon the income or profits of the Lessee, or upon any property, real, personal or mixed, belonging to the Lessee, or upon any part thereof, and also any lawful claims for labor, material and supplies which, if unpaid, might become a lien or charge against any such property; provided, however, the Lessee shall not be required to pay any such tax, assessment, charge, levy or claims so long as the validity thereof shall be actively contested in good faith by proper proceedings, but provided further that any such tax, assessment, charge, levy or claim shall be paid forthwith upon the commencement of proceedings to foreclose any lien securing the same.

(c) Insurance on Properties. Keep its business and properties insured at all times in responsible insurance companies against the risks and to the extent that provision for such insurance is usually made by other corporations engaged in a similar business similarly situated, and carry such other types and amounts of insurance as are usually carried by corporations engaged in the same or a similar business similarly situated.

(d) Maintain Property. Maintain its property in good repair and order.

(e) True Books. Keep true books of record and accounts in which full, true and correct entries will be made of all of its dealings and transactions, and set up on its books such reserves as may be required by generally accepted principles of accounting with respect to all taxes, assessments, charges, levies and claims referred to in subsection (b) hereof, and with respect to its business in general, and include such reserves in interim as well as year-end financial statements.

(f) Certificate of Default. Deliver to the County and Trustee forthwith, and in any event within ten (10) days, upon any officer of the Lessee obtaining knowledge of any event of default under this Agreement or any other obligation of the Lessee, a certificate of such officer describing the event of default, the period of existence thereof, and the steps, if any, taken or being taken to correct the same.

(g) Depositories. Maintain North Carolina National Bank as the principal banking depository and not permit deposit balances in any other bank or banks or savings and loan associations or similar associations to average, in

the aggregate, more than \$25,000, such average to be determined on a quarterly basis.

(h) Covenants Extended to Subsidiaries. Cause each subsidiary, if any, to do with respect to itself, its business and its assets, each of the things required of the Lessee in subsections (a) to (g), inclusive.

None of the covenants hereinabove set forth in this Section 8.9 is intended to supersede or be in lieu of any other covenant or obligation of the Lessee set forth in this Agreement; but all such other covenants and obligations remain in full force and effect and shall be complied with by the Lessee in accordance with the provisions thereof.

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

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

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

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

SECTION 9.2. Mortgage of Project by County. The County will mortgage the Project by the Indenture, and assign its interest in and pledge any moneys receivable under this Agreement (except payments made pursuant to Sections 5.5 and 8.7) pursuant to the Indenture, to the Trustee as security for payment of the

principal of, premium, if any, and interest on the Bonds, but each such mortgage, assignment or pledge, shall be subject and subordinate to this Agreement.

SECTION 9.3. Restrictions on Sale of Project by County.

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

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

SECTION 9.5. Prepayment of Rents. There is expressly reserved to the Lessee the right, and the Lessee is authorized and permitted, at any time it may choose, to prepay all or any part of the rents payable under Section 5.3 hereof, and the County agrees that the Trustee may accept such prepayment of rents when the same are tendered by the Lessee. All rents so prepaid shall be credited on the rental payments specified in Section 5.3 hereof, in the order of their due dates, or, if requested by the Lessee, the County shall direct the Trustee to apply such rents to the purchase of Bonds in accordance with Section 306 of the Indenture.

SECTION 9.6. Lessee Entitled to Certain Rent Abatements if Bonds Paid Prior to Maturity. If at any time the aggregate moneys in the Bond Fund shall be sufficient to retire in

accordance with the provisions of the Indenture all of the Bonds at the time outstanding, and to pay all fees and charges of the Trustee and any paying agents on the Bonds due or to become due through the date on which the last of the Bonds is retired, under circumstances not resulting in termination of the Lease Term, and if the Lessee is not at the time otherwise in default hereunder, the Lessee shall be entitled to use and occupy the Project from the date on which such aggregate moneys are in the hands of the Trustee to and including December 1, 1986, 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. Reference to Bonds Ineffective After Bonds Paid. Upon payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and all fees and charges of the Trustee, all references in this Agreement to the Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the Bonds shall thereafter have any rights hereunder, saving and excepting those that shall have theretofore vested. For purposes of this Agreement the Bonds shall be deemed fully paid:

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

(b) If there have been irrevocably deposited with the Trustee (i) moneys sufficient to pay, redeem and

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

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

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

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

(b) Failure by the Lessee to observe and perform any covenant, condition or agreement in this Agreement on the part of the Lessee to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, given to the Lessee by the County or the Trustee, unless the County and the Trustee shall agree in writing to an extension of such time prior to its expiration (or in the case of any such default, other than a default under Sections 8.7 or 8.8, which cannot with due diligence be cured within such 30-day period, if Lessee shall fail to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence, it being intended in connection with such a default, other than a default under Sections 8.7 or 8.8, not susceptible of being cured with due diligence within the 30 days that the time of Lessee

within which to cure the same shall be extended for such period as may be necessary to complete the curing of the same with all due diligence).

(c) The dissolution or liquidation of the Lessee or the filing by the Lessee of a voluntary petition in bankruptcy, or failure by the Lessee promptly to lift any execution, garnishment or attachment of such consequence as will impair the ability of the Lessee to carry on its operations at the Project, or the commission by the Lessee of any act of bankruptcy, or adjudication of the Lessee as a bankrupt, or assignment by the Lessee for the benefit of its creditors, or the entry by the Lessee into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee in any proceeding for its reorganization instituted under the provisions of the general bankruptcy act, as amended, or under any similar act in any domestic or foreign jurisdiction which may now be in effect or hereafter enacted. The term "dissolution or liquidation of the Lessee", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Lessee resulting either from a merger or consolidation of the Lessee into or with another corporation or a dissolution of 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 this Section are subject to the following limitations: If by reason of force majeure the Lessee

is unable in whole or in part to carry out the agreements of the Lessee on its part herein contained, other than the obligations on the part of the Lessee contained in Article V and Sections 6.3, 6.4, 8.7 and 8.8 hereof, the Lessee shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of South Carolina or any their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause 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 hereof shall have happened and be subsisting, the County may take any one or more of the following remedial steps:

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

whereupon the same shall become immediately due and payable.

(b) The County, with the prior written consent of the Trustee, may re-enter and take possession of the Project without terminating this Agreement, and sublease the Project for the account of the Lessee, holding the Lessee liable for the difference in the rent and other amounts actually paid by such sublessee in such subleasing and the rents and other amounts payable by the Lessee hereunder; provided, that in the case of an event of default referred to in Section 10.1(a) hereof, the County shall not be entitled to take such action until the sixth day after the giving of notice as prescribed in Section 10.1(a).

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

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

(e) The County may take whatever action at law or in equity as may appear necessary or desirable to collect the rent and other amounts due and thereafter to become

due or to enforce performance and observance of any obligation, agreement or covenant of the Lessee under this Agreement.

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

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

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

also extend to the Trustee and the Trustee and the holders of the Bonds shall be deemed third party beneficiaries of all covenants and agreements herein contained.

SECTION 10.4. Agreement to Pay Attorneys' Fee and Expenses.

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

SECTION 10.5. No Additional Waiver Implied by One Waiver.

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

ARTICLE XI

OPTIONS IN FAVOR OF LESSEE

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

(a) At any time prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Lessee may terminate the Lease Term by paying to the Trustee an amount which, when added to the amount on deposit in the Bond Fund, will be sufficient to pay, retire and redeem all the outstanding Bonds in accordance with the provisions of the Indenture (including, without limiting the generality of the foregoing, principal, interest to maturity or earliest applicable redemption date, as the case may be, premium, expenses of redemption and Trustee's and paying agent's fees and expenses), and in case of redemption making arrangements satisfactory to the Trustee for the giving of the required notice of redemption, and by paying to the County any and all sums then due to the County under this Agreement.

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

SECTION 11.2. Option to Purchase Project Prior to Payment of the Bonds. The Lessee shall have, and is hereby

granted, the option to purchase the Project prior to the full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), if any of the events set forth in the following clauses shall have occurred:

(a) The Building shall have been damaged or destroyed to such extent, as evidenced by a certificate of an Independent Engineer filed with the County and the Trustee, (i) that it cannot be reasonably restored within a period of six months to the condition thereof immediately preceding such damage or destruction, or (ii) that the Lessee is thereby prevented from carrying on its normal operations at the Project for a period of six months, or (iii) that that cost of restoration thereof would exceed by \$100,000 the Net Proceeds of insurance carried thereon pursuant to the requirements of Section 6.4(a) hereof.

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

(c) As a result of any changes in the Constitution of South Carolina or the Constitution of the United States

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

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

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

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

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

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

SECTION 11.3. Option to Purchase Unimproved Land. If no event of default under this Agreement shall have happened and then be continuing, the Lessee shall have, and is hereby granted the option to purchase any part of the Leased Land on which the Building is not located, but upon which transportation or utility facilities may be located, at any time and from time to time at and for a purchase price of \$_____ per acre provided that it furnishes the County with the following:

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

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

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

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

SECTION 11.4. Conveyance on Exercise of Option to Purchase.

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

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

(b) Documents conveying to the Lessee good and marketable title to the property being purchased, as such property then exists, subject to the following: (i) those liens and encumbrances (if any) to which title to said property was subject when conveyed to the County; (ii) those liens and encumbrances created by the Lessee or to the creation or suffering of which the Lessee consented; (iii) those liens and encumbrances resulting from the failure of the Lessee to perform or observe any of the agreements on its part contained in this Agreement; (iv) Permitted Encumbrances other than the Indenture and this Agreement; and (v) if the option is exercised pursuant to the provisions of Section 11.2(b) hereof, the rights and title of the condemning authority.

SECTION 11.5. Relative Position of Options and Indenture.

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

ARTICLE XII

ADDITIONAL OBLIGATION OF LESSEE AND COUNTY

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

ARTICLE XIII

MISCELLANEOUS

SECTION 13.1. Quiet Enjoyment. The County agrees so long as the Lessee shall fully and punctually pay all of the rents and other amounts provided to be paid hereunder by the Lessee, and shall fully and punctually perform all of its other covenants and agreements hereunder, that the Lessee shall peaceably and quietly have, hold and enjoy the Project during the Lease Term.

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

SECTION 13.3. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, or given when dispatched by telegram when telegraphic notice is permitted by express provisions of this Agreement, addressed as follows: if to the County, to the Board of Directors of York County, York County Courthouse, York, South Carolina; if to the Lessee, at _____

_____; if to the Trustee, at _____, Attention: Corporate Trust Department. The County, the Lessee, and the Trustee may, by notice given to all parties to this Agreement and the Indenture, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

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SECTION 13.4. Recording and Filing.

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

(b) The deed conveying the Leased Land to the County, this Agreement and the Indenture may be recorded prior to the delivery of the Bonds. If subsequent to such recording the Bonds shall not be delivered on or before the date prescribed in Section 4.2, or such later date as the Lessee may agree upon in writing, then the said deed, this Agreement and the Indenture shall be of no

force and effect and in such event the County and the Lessee do hereby mutually release and discharge each other from any and all claims of any character which either may have against the other by reason of or arising from a failure to deliver the Bonds; and the County shall transfer and reconvey to the Lessee or its designee all properties conveyed to the County by the said deed and for the same consideration paid by the County less any advances made therefor by the Lessee. Both parties shall execute such further instruments as may be necessary to fully implement the provisions of this subsection (b) of Section 13.4.

SECTION 13.5. Other Instruments.

(a) The Lessee covenants to deliver to the County and the Trustee within 60 days after June 1, 1972, after every June 1 thereafter to the Completion Date, after the Completion Date, and after the close of each fiscal year of the Lessee following the Completion Date, a description of the Project, on such June 1, Completion Date, or such last day of a fiscal year, as appropriate, if the Project is not adequately described in the granting clauses of the Indenture as then supplemented, and in the demising clauses of this Agreement as then amended. Such description shall be sufficiently detailed so as to enable counsel to render the opinion referred to in clause (4) of the next succeeding sentence. Within 30 days after delivery of such description the Lessee covenants that it will:

(1) prepare a supplement to the Indenture and an amendment to this Agreement, each containing an adequate and full description of the Project;

(2) deliver the supplement to the Indenture to the Trustee and the County and the supplement to this Agreement to the County, for execution;

(3) deliver the fully executed supplement to the Indenture and the fully executed supplement to this Agreement to the Trustee for recording and filing or re-recording or re-filing in all places required by the opinion of counsel referred to in subsection (a)(4) of this Section 13.5; and

(4) deliver to the Trustee a written opinion of counsel (who may be counsel for the County or the Lessee), addressed to the Trustee that the description of the Mortgaged Property (as defined in Article I of the Indenture) contained in the granting clauses of the Indenture, as supplemented, and the description of the Project contained in the demising clauses of this Agreement, as supplemented, are adequate for all purposes thereof and hereof and in the opinion given with respect to the Completion Date, that such descriptions include descriptions of the entire Project; that the Indenture, as supplemented, constitutes a valid first mortgage lien on the interest of the County in the said Mortgaged Property, subject only to Permitted Encumbrances other than the Indenture; that the Indenture, as supplemented, this Agreement, as supplemented, and all financing statements, continuation statements, notices and other instruments required by applicable law have been recorded or filed or re-recorded or re-filed in such manner and in such places required by law in order fully to preserve and protect the rights of the holders or owners of the Bonds and the Trustee in the Project (and in the assignment to the Trustee of the rents payable under this Agreement) as against creditors of, or purchasers for value from, the County or the Lessee.

(b) The Lessee, the County and the Trustee shall execute and deliver all instruments and shall furnish all information and evidence deemed necessary or advisable by such counsel in order to enable him to render the opinion referred to in subsection (a)(4) of this Section 13.5. The Trustee shall file and record and re-record or cause to be filed and recorded and re-recorded all instruments required to be filed and recorded and re-recorded pursuant to the opinion of such counsel and shall continue or cause to be continued the liens of such instruments for so long as the Bonds shall be outstanding, except as otherwise in this Agreement required.

SECTION 13.6. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the County, the Lessee and their respective successors and assigns, subject, however, to the limitations contained in Sections 8.3, 9.1, 9.2 and 9.3 hereof.

SECTION 13.7. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 13.8. Amounts Remaining in Bond Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or sooner termination of the Lease Term, as provided in this Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the fees, charges and expenses of the Trustee and paying agents in accordance with the Indenture, shall belong to and be paid to the Lessee by the Trustee as overpayment of rents.

SECTION 13.9. Amendments, Changes and Modifications. This Agreement may not be amended, changed, modified, altered

or terminated without in each instance the prior written consent of the Trustee.

SECTION 13.10. Net Lease. This Agreement shall be deemed and construed to be a "net lease", and the Lessee shall pay absolutely net during the Lease Term the rent and all other payments required hereunder, free of any deductions, without abatement, diminution or set-off other than those herein expressly provided.

SECTION 13.11. Tax-Exempt Status of Bonds. The Lessee covenants that the proceeds of the Bonds are to be used primarily with respect to facilities to be located in York County, South Carolina; that the Lessee will be the principal user of the facilities to be acquired and constructed with the proceeds of the Bonds within the meaning of Section 103(c)(6) of the Internal Revenue Code; and that there are no outstanding obligations of any state, territory or possession of the United States, or any political subdivision of the foregoing or of the District of Columbia, the proceeds of which have been or are to be used primarily with respect to facilities located in York County, South Carolina, and which are to be used primarily by the Lessee (including any person related to the Lessee within the meaning of Section 103(c)(6)(C) of the Internal Revenue Code) other than the Bonds.

SECTION 13.12. Execution of Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 13.13. Law Governing Construction of Agreement. This Agreement is prepared and entered into with the intention that the law of the State of South Carolina shall govern its construction.

IN WITNESS WHEREOF, YORK COUNTY, SOUTH CAROLINA, has executed this Lease Agreement by causing its name to be hereunto subscribed by the Chairman of its Board of Directors, its corporate seal to be impressed hereon and attested by the Secretary of its Board of Directors; and HUNTLEY OF YORK, LTD., has executed this Lease Agreement by causing its corporate name to be hereunto subscribed by its President and its corporate seal to be impressed hereon and attested by its Secretary, all being done as of the day and year first above written.

YORK COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman of the Board of
Directors of York County

Attest:

Secretary of the Board of
Directors of York County

Signed, Sealed and delivered in
the presence of:

HUNTLEY OF YORK, LTD.

(SEAL)

By _____
President

Attest:

Secretary

Signed, Sealed and delivered in
the presence of:

STATE OF SOUTH CAROLINA,
COUNTY OF YORK.

PERSONALLY appeared before me _____,
who being duly sworn says that he saw the corporate seal of
York County, South Carolina, affixed to the foregoing Lease
Agreement, and that he also saw _____
as Chairman of the Board of Directors of York County, and
_____ as Secretary of the Board of Directors
of York County, sign and attest the same and that he with _____
_____ witnessed the execution and delivery
thereof as the act and deed of the said York County, South Carolina.

SWORN to before me this
_____ day of _____, A.D. 1971.
_____(L.S.)
Notary Public for South Carolina
My Commission Expires _____.

STATE OF _____,
COUNTY OF _____.

PERSONALLY appeared before me _____
who being duly sworn says that he saw the corporate seal of
Huntley of York, Ltd., affixed to the foregoing Lease Agreement,
and that he also saw _____ as President and
_____ as Secretary of said Corporation, sign
and attest the same, and that he with _____
_____ witnessed the execution and delivery thereof
as the act and deed of the said Huntley of York, Ltd.

SWORN to before me this
_____ day of _____, A. D. 1971.
_____(L.S.)
Notary Public for _____
My Commission Expires _____.

EXHIBIT "A"

DESCRIPTION OF LEASED LAND

(Attached to Lease Agreement between York County, South Carolina, and Huntley of York, Ltd., dated as of December 1, 1971)

TRACT NO. 1

All that certain piece, parcel or tract of land located in York Township, County and State aforesaid and near the southern city limits of the City of York, South Carolina, and on the east side of old Chester Highway (near U. S. Highway No. 321) containing 2.859 acres more or less and being designated as Tract No. 1 on a plat of survey prepared by John Quinn Hall, Registered Land Surveyor, dated August 16, 1971, entitled "Property of York Community Development Corporation" and said plat recorded in Plat Book 39 at page 235, R. M. C. Office for York County, South Carolina. Said Tract No. 1 is more fully described by metes and bounds as follows:

Beginning at a point in center of old Chester Highway; thence S. 89-34 E. 480 feet more or less to a corner; thence S. 0-26 W. 240 feet to corner and wall of existing building; thence with said wall N. 89-34 W. 267 feet more or less to corner; thence S. 0-26 W. 96.7 feet more or less to corner; thence N. 89-34 W. 35 feet more or less to corner; thence N. 0-26 E. 96.7 feet more or less to corner; thence N. 89-34 W. 217 feet more or less to corner in center of old Chester Highway; thence with center of old Chester Highway N. 9-40 E. 243.2 feet more or less to the beginning point and corner.

TRACT NO. 2

All that certain piece, parcel or tract of land located in York Township, County and State aforesaid and near the southern city limits of the City of York, South Carolina, and on the east side of old Chester Highway (near U. S. Highway 321) containing 4.712 acres more or less and being designated as Tract No. 2 on a plat of survey prepared by John Quinn Hall, Registered Land Surveyor, dated August 16, 1971, entitled "Property of York Community Development Corporation", and said plat recorded in Plat Book 39 at page 235, R. M. C. Office for York County, South Carolina. Said Tract No. 2 is more fully described by metes and bounds as follows:

Beginning at a point in center of old Chester Highway thence S. 89-34 E. 306.7 feet more or less to a corner; thence N. 0-26 E. 133.5 feet more or less to corner; thence S. 89-34 E. 35 feet more or less to corner and wall of existing building; thence S. 0-26 W. 133.5 feet more or less to corner; thence S. 89-34 E. 328.9 feet more or less to corner; thence S. 0-26 W. 317 feet more or less to corner; thence N. 89-34 W. 435.2 feet more or less to corner; thence N. 7-26 E. 58 feet more or less to corner; thence N. 82-34 W. 303.7 feet more or less to corner in center of old Chester Highway; thence with center of old Chester Highway N. 15-18 E. 231 feet more or less to the beginning point and corner.

EXHIBIT "A"

DESCRIPTION OF LEASED LAND (Cont'd)

EASEMENTS

The following Easements which are appurtenant to the above described Tracts 1 and 2 for the purpose of providing access between the separate portions of the Building to be constructed thereon and for the purpose of providing utility services to the Building:

1. The Easement and Right-of-way for ingress and egress between the above described Tracts 1 and 2 over the premises lying between said Tracts 1 and 2 as such premises are more fully shown on the plat hereinabove described, provided that this Easement and Right-of-way shall be limited to the passageways and access available on the date of this Agreement upon the said premises located between Tracts 1 and 2 and to such other passageways and access as may be substituted therefor by the Lessee with the consent of the County and the Trustee.

2. Easements and Rights-of-way over, upon and under the premises located between the said Tracts 1 and 2 as shown on the said plat for the purpose of maintaining, repairing, replacing, improving and enlarging pipes, conduits, wires and lines providing water, sewer, electric and gas service to Tracts 1 and 2. These Easements shall be located and relocated upon the said premises lying between Tracts 1 and 2 as designated from time to time by the Lessee, its successors or assigns.

ASSIGNMENT OF THE LEASE AGREEMENT

STATE OF SOUTH CAROLINA)
) SS:
COUNTY OF YORK)

KNOW ALL MEN BY THESE PRESENTS, that York County, a body politic and corporate and a political subdivision of the State of South Carolina, acting by and through the Board of Directors of York 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 North Carolina National Bank, as Trustee under that certain Trust Indenture dated as of December 1, 1971, between said York County and said North Carolina National Bank, as Trustee, and its successors in trust:

All of the right, title and interest of said York County in and to the foregoing Lease Agreement dated as of December 1, 1971, between said York County, as Lessor, and Huntley of York, Ltd., as Lessee.

This assignment is made pursuant to and subject to all the terms and conditions of said Trust Indenture dated as of December 1, 1971, the terms of which are incorporated by this reference as fully as if the same were set forth at length herein, said Trust Indenture being intended to be duly recorded immediately subject to the recording of said Lease Agreement and this Assignment.

IN WITNESS WHEREOF, York County, South Carolina, has executed this Assignment causing its name to be hereunto subscribed by the Chairman of the Board of Directors of York County and the official seal of said Board of Directors to be impressed hereon and attested by the Secretary of said Board of Directors,

all being done as of the 1st day of December, 1971.

YORK COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman of the Board of Directors
of York County

Attest:

Secretary of the Board of
Directors of York County

Signed, sealed and delivered
in the presence of:

STATE OF SOUTH CAROLINA)
) SS:
COUNTY OF YORK)

PERSONALLY appeared before me _____
who being duly sworn says that (s)he saw the corporate seal of
York County, South Carolina, affixed to the foregoing Assignment
of Lease Agreement, and that (s)he also saw _____
_____, as Chairman, and _____, as
Secretary of the Board of Directors of York County, sign and
attest the same, and the (s)he with _____
witnessed the execution and delivery thereof as the act and deed
of the said York County, South Carolina.

SWORN to before me this

_____ day of _____, A. D. 197__.

Notary Public for South Carolina (LS)

My Commission Expires _____.

PROPOSED

SECTION 10.2A. Lessee's Right to Procure Sale of Project

Under Certain Conditions. Upon the occurrence of an event of default described in subsection (c) of Section 10.1 while any Bonds are outstanding and unpaid, upon the written request of the Lessee delivered to the Trustee not later than 5 days after the occurrence of such event of default, the Trustee, in its sole discretion, may designate by written notice to the County and Lessee such period of time as the Trustee, in its sole discretion, deems appropriate, expiring not later than 180 days after the occurrence of such event of default, within which the Lessee may seek to negotiate and consummate a sale of the Project (but not less than the entire Project) for a price which will provide adequate cash funds within the time so designated with which (i) to pay and redeem on the earliest possible redemption date after the giving of notice as prescribed by the Indenture all outstanding Bonds, including principal, interest to the date of payment and the applicable redemption premium under the Indenture, and (ii) to pay to the County and the Trustee any sums due either of them under this Agreement or the Indenture.

In the event the Lessee makes such written request in the manner and within the time designated and the Trustee designates a period of time pursuant thereto within which Lessee may seek to negotiate and consummate a sale of the Project upon the terms prescribed above, so long as no other event of default occurs and is continuing neither the County nor the Trustee shall be entitled to exercise any remedy described in subsection (b) or (c) of Section 10.2 of this Agreement prior to the expiration of the time so designated by the Trustee unless the Lessee, in the Trustee's sole judgment, fails to make a bona fide effort to negotiate and consummate such a sale of the Project.

2.

In the event (a) the Lessee fails to make the written request within the time and in the manner prescribed by the first sentence of this Section 10.2A, or (b) such a request is made and the Trustee fails to designate a period of time pursuant thereto, or (c) such a request is made by the Lessee and the Trustee designates a period of time pursuant thereto and (i) Lessee fails, in the Trustee's sole judgment, to make a bona fide effort to negotiate and consummate a sale of the Project or (ii) the period of time so designated expires prior to any such sale of the Project, then in any such event the County and the Trustee may proceed forthwith to exercise any remedy available under subsections (b) or (c) of Section 10.2 of this Agreement as a result of such event of default under subsection (c) of Section 10.1 of this Agreement.

Nothing in this Section 10.2A is intended to limit or restrict in any manner the County or the Trustee in the exercise of any remedies available to them or either of them, including the remedies provided by subsections (b) and (c) of Section 10.2 of this Agreement, in the case of any default under subsection (a) or (b) of Section 10.1 of this Agreement, even if an event of default under subsection (c) of Section 10.1 should also exist and be continuing.

PROPOSED

SECTION 11.2A. Sale of Project Pursuant to Right Reserved to Lessee under Section 10.2A. No sale of the Project pursuant to Section 10.2A of this Agreement shall be effected without the prior written approval of the Trustee thereto, and such approval may be given or withheld by the Trustee in its sole discretion. In the event Lessee is successful in negotiating a sale of the Project in accordance with Section 10.2A of this Agreement and the Trustee approves the same, the Trustee shall forthwith so notify the County and specify the date of closing the purchase, which date shall be not later than the expiration of the period designated by the Trustee pursuant to the provisions of Section 10.2A of this Agreement. The County shall upon receipt of the purchase price deliver to the Lessee, or the Lessee's designee, the documents described in subsection (b) of Section 11.4 hereof and the Trustee shall thereupon release the property purchased from the lien of the Indenture and make all necessary arrangements to give notice of redemption of all outstanding Bonds on the earliest possible date in accordance with the provisions of the Indenture. So much of the purchase price as shall be necessary to pay and retire the Bonds, including principal, interest and premium (and interest on past due interest, if any) at the earliest possible date after notice as prescribed by the Indenture shall be first paid into the Bond Fund and used so to pay and retire the Bonds. The balance of the purchase price remaining after the payment in full therefrom of any amounts due the County or the Trustee under this Agreement or the Indenture shall be paid to the Lessee.

YORK COUNTY, SOUTH CAROLINA

TO

NORTH CAROLINA NATIONAL BANK
As Trustee

TRUST INDENTURE

Dated as of December 1, 1971

TRUST INDENTURE

THIS TRUST INDENTURE made and entered into as of the first day of December, 1971, by and between YORK COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina (hereinafter sometimes referred to as the "County"), as party of the first part, and NORTH CAROLINA NATIONAL BANK, a national banking association duly organized, existing and authorized to accept and execute trusts of the character herein set out, under and by virtue of the laws of the United States, as Trustee, party of the second part;

WITNESSETH:

WHEREAS, the County is authorized and empowered by the provisions of Act No. 103 of the Acts of the General Assembly of the State of South Carolina, for the year 1967, approved by the Governor of South Carolina on March 21, 1967 and appearing as Article 2.1, Chapter 8, Title 14, Code of Laws of South Carolina, 1962, 1970 Cumulative Supplement (the "Act") to acquire, own, lease, dispose of, and mortgage the properties hereinafter described in order that the industrial development of South Carolina will be promoted and trade developed by inducing manufacturing enterprises to locate in South Carolina and thus utilize and employ manpower and other resources of South Carolina; and

WHEREAS, the County is further authorized by the Act to issue revenues bonds payable solely from the lease rentals, revenues and receipts from any such project and secured by a pledge of said lease rentals, revenues and receipts and by a mortgage on the land, buildings and improvements so acquired; and

WHEREAS, the County has made the necessary arrangements with Huntley of York, Ltd., a corporation organized and existing

under the laws of the State of North Carolina (hereinafter sometimes referred to as the "Lessee"), for the acquisition and construction of a warehouse and distribution center for the shipment of garments and fabrics and which will house equipment and machinery (which equipment and machinery will be owned by the Lessee and in which the County will have no interest) for the manufacture of fabrics (hereinafter sometimes referred to as the "Project") which will be of the character and accomplish the purpose provided by the Act, and the County has further entered into a Lease Agreement with the Lessee specifying the terms and conditions of the acquisition and construction of the Project and the leasing of the same to the Lessee, and the said Huntley of York, Ltd. has also entered into a Bond Guaranty Agreement with the Trustee whereby the said Huntley of York, Ltd. unconditionally guarantees the payment of the bonds provided for herein to be issued by the County under this Indenture, including principal, interest and premium, if any; and

WHEREAS, the execution and delivery of this Trust Indenture (hereinafter sometimes referred to as the "Indenture") have been authorized by Resolutions duly adopted by the Board of Directors of York County (hereinafter sometimes referred to as the "County Board"), as established by Article I, Chapter 62, Title 14, South Carolina Code of Laws, 1962, and the County in accordance with the requirements of Section 14 of the Act has submitted its Petition to the State Budget and Control Board of South Carolina, including a general summary of the terms and conditions of the Indenture, and the State Budget and Control Board of South Carolina has duly approved the Project in accordance with the provisions of the Act and thereby authorized the County Board to proceed with the acquisition and financing of the Project. Notice

of the approval was duly published in a newspaper having general circulation in York County and notwithstanding more than twenty days have elapsed from the date of the publication of such notice, no challenge was made to the validity of such approval as provided in the Act; and

WHEREAS, it has been determined that the estimated amount necessary to finance the cost of the Project, including necessary expenses incidental thereto, will require the issuance, sale and delivery of Bonds designated as YORK COUNTY FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, SERIES 1971 (HUNTLEY OF YORK, LTD. - LESSEE), in the aggregate principal amount of \$1,000,000 as hereinafter provided; and

WHEREAS, the issuance of such Bonds under the Act has been in all respects duly and validly authorized by resolutions duly passed and approved by the County Board; and

WHEREAS, the Bonds in the form of a single fully registered Note have been sold to the said North Carolina National Bank, as purchaser thereof; and

WHEREAS, the \$1,000,000 aggregate principal amount of Bonds to be issued, the interest coupons to be attached thereto, and the Trustee's Certificate of Authentication to be endorsed on such Bonds, are all to be in substantially the following forms, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture, to wit:

(FORM OF COUPON BOND)

UNITED STATES OF AMERICA

STATE OF SOUTH CAROLINA

YORK COUNTY

FIRST MORTGAGE INDUSTRIAL REVENUE BOND, SERIES 1971

(HUNTLEY OF YORK, LTD. - LESSEE)

Number _____ \$5,000.00

KNOW ALL MEN BY THESE PRESENTS that York County, a body politic and corporate, and a political subdivision of the State of South Carolina (hereinafter called the "County"), for value received promises to pay, but only from the source and as hereinafter provided, to bearer, or, if this Bond be registered, to the registered holder hereof, on December 1, 19__, the principal sum of Five Thousand Dollars and in like manner to pay interest on said sum from date hereof at the rate of _____ per centum (_____%) per annum on June 1, 1972, and semi-annually thereafter on December 1 and June 1 of each year until said principal sum is paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may become applicable hereto, principal of, premium, if any, and interest on this Bond being payable in lawful money of the United States of America at the principal office of North Carolina National Bank, in the City of Charlotte, State of North Carolina, or its successor in trust.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of \$1,000,000 issued for the purpose of acquiring a warehouse and distribution center for the shipment of garments and fabrics and which will house equipment and machinery, which equipment and machinery will be owned by Huntley of York, Ltd., a North Carolina corporation (hereinafter referred

to as the "Lessee") and in which the County will have no interest, and leasing the said warehouse and distribution center to the Lessee (the land, buildings and improvements comprising such facilities, but not including said equipment and machinery, being hereinafter called the "Project") and paying necessary expenses incidental thereto so as to thereby promote industry and develop trade in South Carolina. Said Bonds are issued under and are equally and ratably secured and entitled to the protection given by a Trust Indenture (hereinafter called the "Indenture"), dated as of December 1, 1971, duly executed and delivered by the County to North Carolina National Bank, as Trustee (the term "Trustee" where used herein referring collectively to said Trustee or its successors in said trust). The Project has been leased to the Lessee under and pursuant to a Lease Agreement between the County and the Lessee dated as of December 1, 1971 (herein referred to as the "Lease Agreement"). Under the Lease Agreement the Lessee must pay to the County such rentals as will be fully sufficient to pay the principal of, premiums, if any, and interest on the Bonds as the same mature and become due and, under the Lease Agreement it is the obligation of the Lessee to pay the cost of maintaining the Project in good repair and to keep it properly insured. The Lessee has also entered into a Bond Guaranty Agreement with the Trustee dated as of December 1, 1971, whereby the Lessee unconditionally guarantees the payment of the Bonds of this issue, including principal, interest and premium, if any. Copies of the Indenture, the Lease Agreement and the Bond Guaranty Agreement are on file at the principal office of the Trustee in the City of Charlotte, North Carolina, and are recorded in the office of the Clerk of Court for York County, South Carolina, and reference is made to the Indenture, the Lease

Agreement and the Bond Guaranty Agreement for a description of the security, the provisions, among others, with respect to the nature and extent of the security, the charging and collection of rentals for the Project, the rights and remedies of the holders of the Bonds and the coupons appertaining thereto, the rights, duties and obligations of the County, the Lessee, and the Trustee, and the terms upon which the Bonds are issued and secured.

This Bond and appurtenant coupons are fully negotiable and shall pass by delivery, but this Bond may be registered as to principal only on the registration books of the County in said principal office of the Trustee as Bond Registrar, upon presentation hereof at such office and the notation of such registration endorsed hereon by the Bond Registrar, and this Bond may thereafter be transferred on such books at the written request of the registered holder or by his legal representative, evidence of such transfer to be in like manner endorsed hereon. Such transfer may be to bearer, and thereby transferability by delivery shall be restored, subject, however, to successive registrations and transfers as before. The principal of this Bond, if registered, unless registered to bearer, shall be payable only to or upon the order of the registered holder or his legal representative. Interest accruing on this Bond will be paid only on presentation and surrender of the attached interest coupons as they respectively become due, and registration of this Bond as to principal as aforesaid will not affect the transferability by delivery of such coupons; provided, that if upon registration of this Bond, or at any time thereafter while this Bond be registered in the name of the holder, the unmatured coupons attached evidencing interest to be thereafter paid hereon shall be surrendered to said Bond Registrar, a statement to that effect will be

endorsed hereon by the Bond Registrar and thereafter interest evidenced by such surrendered coupons will be paid by check or draft by the Bond Registrar at the times provided herein to the registered holder of this Bond by mail to the address shown on the registration books. This Bond when so converted into a Bond registered as to both principal and interest may be reconverted into a coupon Bond at the written request of the registered holder and upon presentation at the office of said Bond Registrar. Upon such reconversion the coupons representing the interest to become due thereafter to the date of maturity will again be attached to this Bond and a statement will be endorsed thereon by the Bond Registrar in the registration blank on the back of this Bond as to whether it is then registered as to principal alone or payable to bearer.

The Bonds of this issue are initially issuable in the form of a fully registered Note in the denomination of \$1,000,000, payable to North Carolina National Bank or registered assigns. The owner of the fully registered Note may in the manner, subject to the conditions and upon the payment of the charges provided in the Indenture, surrender the same (together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney) in exchange for an aggregate principal amount of coupon Bonds in the denomination of \$5,000 each of the same maturities with appropriate coupons attached equal to the aggregate principal amount of the fully registered Note at the time outstanding. There is no corresponding privilege to convert coupon Bonds into a fully registered Note or Notes.

The Bonds of this issue are noncallable for redemption prior to December 1, 1976, except in the event of (i) exercise

by the Lessee of its options to purchase the Project as provided in Section 11.2 of the Lease Agreement, or (ii) the sale of the Project in accordance with the provisions of Section 11.2A of the Lease Agreement. If called for redemption as a result of the Lessee's exercise of its options to purchase the Project as provided in Section 11.2 of the Lease Agreement, the Bonds shall be subject to redemption by the County at any time whether or not an interest payment date after due notice as provided in the Indenture, in whole and not in part, at the redemption prices (expressed as percentages of the principal amount) set forth in the table below, plus accrued interest to the redemption date:

<u>Redemption Dates</u> <u>(dates inclusive)</u>	<u>Redemption Price</u>
December 1, 1971 - November 30, 1973	103.75%
December 1, 1973 - November 30, 1975	103.00%
December 1, 1975 - November 30, 1977	102.25%
December 1, 1977 - November 30, 1979	101.50%
December 1, 1979 - November 30, 1981	100.75%
December 1, 1981 and thereafter	100.00%

If called for redemption as a result of a sale of the Project pursuant to Section 11.2A of the Lease Agreement, the Bonds shall be subject to redemption by the County at any time whether or not an interest payment date after the giving of notice as provided in the Indenture, in whole and not in part, at the redemption prices (expressed as percentages of the principal amount) set forth in the table below, plus accrued interest to the redemption date:

<u>Redemption Date</u> <u>(dates inclusive)</u>	<u>Redemption Price</u>
December 1, 1971 - November 30, 1977	110.00%
December 1, 1977 - November 30, 1978	109.50%
December 1, 1978 - November 30, 1979	109.00%
December 1, 1979 - November 30, 1980	108.50%
December 1, 1980 - November 30, 1981	108.00%
December 1, 1981 and thereafter	107.50%

The Bonds are also subject to redemption by the County prior to maturity on any interest payment date on or after December 1, 1976, in whole or in part, but if in part, in inverse numerical order, at the redemption prices (expressed as percentages of the principal amount) set forth in the table below, plus accrued interest to the redemption date:

Redemption Date (dates inclusive)	<u>Redemption Price</u>
December 1, 1976 and June 1, 1977	110.00%
December 1, 1977 and June 1, 1978	109.50%
December 1, 1978 and June 1, 1979	109.00%
December 1, 1979 and June 1, 1980	108.50%
December 1, 1980 and June 1, 1981	108.00%
December 1, 1981 and thereafter	107.50%

In the event any of the Bonds are called for redemption as aforesaid, notice thereof specifying the Bonds to be redeemed shall be given by publication not less than thirty days and not more than sixty days prior to the redemption date in a newspaper or financial journal of general circulation published in the City of New York, New York, and in the case of the redemption of registered Bonds, upon mailing a copy of the redemption notice by first class mail at least thirty days prior to the date fixed for redemption to the holder of each registered Bond to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of Bonds. If all of the Bonds to be redeemed are registered Bonds, notice by mailing given by first class mail to the holder or holders thereof, at the addresses shown on the registration books, not less than thirty days prior to the date fixed for redemption as aforesaid shall be sufficient, and published notice of the call for redemption need not be given,

and failure duly to give such notice by mailing, or any defect in the notice, to the holder of any registered Bond designated for redemption shall not affect the validity of the proceedings for the redemption of any other Bond. All Bonds so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit with the Trustee and shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture. If, because of the temporary or permanent suspension of the publication or general circulation of any newspaper or financial journal or for any other reason, it is impossible or impractical to publish such notice of call for redemption in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of notice.

This Bond and the issue of which it forms a part are issued pursuant to the authorization of and for the purposes prescribed by Act No. 103 of the Acts and Joint Resolutions enacted at the 1967 Session of the General Assembly of the State of South Carolina, approved by the Governor of South Carolina on March 21, 1967, and pursuant to resolutions duly adopted by the Board of Directors of York County and with the approval of the State Budget and Control Board of South Carolina. This Bond and the issue of which it forms a part and the interest coupons appertaining hereto are limited obligations of the County and are payable solely out of the lease rentals, revenues and receipts (excluding amounts paid by the Lessee pursuant to Sections 5.5 or 8.7 of the Lease Agreement) derived from the leasing or sale of the Project, which has been financed through the issuance of the Bonds and leased to the Lessee.

This Bond and the interest coupons appertaining hereto, are not and shall never constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

Pursuant to the Lease Agreement, rental payments sufficient for the prompt payment when due of the principal of, premium, if any, and interest on the Bonds are to be paid to the Trustee for the account of the County and deposited in a special account created by the County and designated "York County Industrial Revenue Bond Fund--Huntley of York Project" and have been pledged for that purpose, and in addition the Project has been subject to the lien of the Indenture to secure payment of such principal and interest and premium.

The holder of this Bond and the bearers of the coupons appertaining hereto shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all of the Bonds issued under the Indenture and then outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon. Modifications or alterations of the Indenture, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law; and that the issuance of this Bond and the issue of which it forms a part, together with all other obligations of the County, does not exceed or violate any constitutional or statutory limitation.

This Bond and the interest coupons appertaining hereto shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the Trustee's certificate of authentication hereon shall have been duly executed by the Trustee.

IN WITNESS WHEREOF, York County, South Carolina, has caused this Bond to be executed by the Chairman of the Board of Directors of York County, by his facsimile signature, and its corporate seal to be impressed or reproduced hereon, and attested by the Secretary of its said Board of Directors, by his manual signature, and has caused the interest coupons attached to be executed by the facsimile signatures of said Chairman and said Secretary, all as of the 1st day of December, 1971.

YORK COUNTY, SOUTH CAROLINA

(SEAL)

By

Chairman of the Board of Directors
of York County

Attest:

Secretary of the Board of
Directors of York County

This Bond is one of the Bonds of the issue described in the within mentioned Indenture.

NORTH CAROLINA NATIONAL BANK,
as Trustee

By _____
Authorized Signature

CERTIFICATE OF REGISTRATION

(There must be no writing in the space below
except by the Bond Registrar)

Date of Registration	Name of Registered Holder	Manner of Registration	Signature of Bond Registrar
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

(FORM OF INTEREST COUPON)

No. _____ \$ _____

On the first day of _____, 19____, York County,
South Carolina (unless the Bond to which this coupon appertains
shall have been duly called for previous redemption and payment
of the redemption price made or provided for) will pay to bearer,
subject to the provisions of the Indenture, but solely from
the lease rentals, revenues and receipts pledged therefor, all
as described in the Bond hereinafter mentioned, and upon presenta-
tion and surrender of this coupon at the principal office of
the Trustee, North Carolina National Bank, in the City of
Charlotte, State of North Carolina, or its successor in trust,
the amount shown hereon in lawful money of the United States
of America, as provided in and being semi-annual interest then
due on its First Mortgage Industrial Revenue Bond, Series 1971

(Huntley of York, Ltd. - Lessee), dated as of December 1, 1971,
Numbered _____.

By _____
Chairman of the Board of Directors
of York County

Secretary of the Board of
Directors of York County

(FORM OF FULLY REGISTERED NOTE)

UNITED STATES OF AMERICA

STATE OF SOUTH CAROLINA

YORK COUNTY

FIRST MORTGAGE INDUSTRIAL REVENUE NOTE, SERIES 1971

(HUNTLEY OF YORK, LTD. - LESSEE)

Number R-1

\$1,000,000.00

KNOW ALL MEN BY THESE PRESENTS that York 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 North Carolina National Bank, or registered assigns, the principal sum of One Million Dollars (\$1,000,000) in annual installments on each December 1 hereafter in the amounts and in the years as follows:

<u>Year</u>	<u>Principal Due December 1</u>	<u>Interest Rate</u>
1977	\$100,000	6.50%
1978	100,000	6.65
1979	100,000	6.80
1980	100,000	7.00
1981	100,000	7.25
1982	100,000	7.50
1983	100,000	7.50
1984	100,000	7.50
1985	100,000	7.50
1986	100,000	7.50

and in like manner to pay interest on each said principal installment from the date hereof until paid at the rate set opposite such installment above on June 1, 1972, and semi-annually thereafter on December 1 and June 1 of each year until such principal installment is paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may become applicable hereto, principal of, premium, if any, and interest on this Note being payable in lawful money of the United States of America. Payment

of principal (except the final principal payment due) and interest shall be by check or draft mailed by the National Bank of North Carolina, as Trustee under the Indenture hereinafter described, at the times provided herein to the registered holder of this Note at the address shown on the registration books, without the necessity of surrendering this Note and all such payments shall fully discharge the obligation of the County herein to the extent of the payment so made. The Trustee shall keep a record of all such payments. The final payment of principal due on this Note is payable to or upon the order of the registered owner or his legal representative at the principal office of the Trustee in the City of Charlotte, State of North Carolina, upon presentation and surrender of this Note for cancellation.

This Note is an authorized issue of Bonds (initially issued in the form of this single fully registered Note) in the aggregate principal amount of \$1,000,000 issued for the purpose of acquiring a warehouse and distribution center for the shipment of garments and fabrics and which will house equipment and machinery, which equipment and machinery will be owned by Huntley of York, Ltd., a North Carolina corporation (hereinafter referred to as the "Lessee") and in which the County will have no interest, and leasing the said warehouse and distribution center to the Lessee (the land, buildings and improvements comprising such facilities, but not including said equipment and machinery, being hereinafter called the "Project") and paying necessary expenses incidental thereto so as to thereby promote industry and develop trade in South Carolina. Said Bonds are issued under and are equally and ratably secured and entitled to the protection given

by a Trust Indenture (hereinafter called the "Indenture"), dated as of December 1, 1971, duly executed and delivered by the County to North Carolina National Bank, as Trustee (the term "Trustee" where used herein referring collectively to said Trustee or its successors in said trust). The Project has been leased to the Lessee under and pursuant to a Lease Agreement between the County and the Lessee dated as of December 1, 1971 (herein referred to as the "Lease Agreement"). Under the Lease Agreement the Lessee must pay to the County such rentals as will be fully sufficient to pay the principal of, premiums, if any, and interest on said Bonds as the same mature and become due and, under the Lease Agreement, it is the obligation of the Lessee to pay the cost of maintaining the Project in good repair and to keep it properly insured. The Lessee has also entered into a Bond Guaranty Agreement with the Trustee dated as of December 1, 1971, whereby the Lessee unconditionally guarantees the payment of the said Bonds, including principal, interest and premium, if any. Copies of the Indenture, the Lease Agreement and the Bond Guaranty Agreement are on file at the principal office of the Trustee in the City of Charlotte, North Carolina, and are recorded in the office of the Clerk of Court for York County, South Carolina, and reference is made to the Indenture, the Lease Agreement and the Bond Guaranty Agreement for a description of the security, the provisions, among others, with respect to the nature and extent of the security, the charging and collection of rentals for the Project, the rights and remedies of the holders of the Bonds and the coupons appertaining thereto, the rights, duties and obligations of the County, the Lessee, and the Trustee, and the terms upon which the Bonds are issued and secured.

This Note is transferable, as provided in the Indenture, only upon the books of the County kept for that purpose at the above mentioned office of the Trustee by the registered owner hereof in person, or by his duly authorized attorney, upon surrender of this Note together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new registered Note maturing and bearing interest in the same principal installments and at the same rates of interest as the outstanding principal balance of the surrendered Note shall be issued to the transferee in exchange therefor as provided in the Indenture, and upon payment of the charges therein prescribed. The County, the Trustee and any paying agent may deem and treat the person in whose name this Note is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

The owner of this Note may in the manner, subject to the conditions and upon the payment of the charges provided in the Indenture, surrender the same (together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney) in exchange for an aggregate principal amount of coupon Bonds in the denomination of \$5,000 each equal to, and of the same maturities and bearing the same interest rates with appropriate coupons attached as, the aggregate principal amount of this Note at the time outstanding. There is no corresponding privilege to convert coupon Bonds into a fully registered Note or Notes.

This Note is noncallable for redemption prior to December 1, 1976, except in the event of (i) exercise by the Lessee of its options to purchase the Project as provided in Section 11.2 of the Lease Agreement, or (ii) the sale of the Project in accordance

with the provisions of Section 11.2A of the Lease Agreement. If called for redemption as a result of the Lessee's exercise of its options to purchase the Project as provided in Section 11.2 of the Lease Agreement, this Note shall be subject to redemption by the County at any time whether or not an interest payment date after due notice as provided in the Indenture, in whole and not in part, at the redemption prices (expressed as percentages of the principal amount redeemed) set forth in the table below, plus accrued interest to the redemption date:

<u>Redemption Date</u> <u>(dates inclusive)</u>	<u>Redemption Price</u>
December 1, 1971 - November 30, 1973	103.75%
December 1, 1973 - November 30, 1975	103.00%
December 1, 1975 - November 30, 1977	102.25%
December 1, 1977 - November 30, 1979	101.50%
December 1, 1979 - November 30, 1981	100.75%
December 1, 1981 and thereafter	100.00%

If called for redemption as a result of a sale of the Project pursuant to Section 11.2A of the Lease Agreement, this Note shall be subject to redemption by the County at any time whether or not an interest payment date after the giving of notice as provided in the Indenture, in whole and not in part, at the redemption prices (expressed as percentages of the principal amount redeemed) set forth in the table below, plus accrued interest to the redemption date:

<u>Redemption Date</u> <u>(dates inclusive)</u>	<u>Redemption Price</u>
December 1, 1971 - November 30, 1977	110.00%
December 1, 1977 - November 30, 1978	109.50%
December 1, 1978 - November 30, 1979	109.00%
December 1, 1979 - November 30, 1980	108.50%
December 1, 1980 - November 30, 1981	108.00%
December 1, 1981 and thereafter	107.50%

The principal installments of this Note are also subject to redemption by the County prior to maturity on any interest payment date on or after December 1, 1976, in whole or in part, but

if in part, in multiples of \$5,000, and in inverse order of maturity, at the redemption prices (expressed as percentages of the principal amount redeemed) set forth in the table below, plus accrued interest to the redemption date:

<u>Redemption Date</u> <u>(dates inclusive)</u>	<u>Redemption Price</u>
December 1, 1976 and June 1, 1977	110.00%
December 1, 1977 and June 1, 1978	109.50%
December 1, 1978 and June 1, 1979	109.00%
December 1, 1979 and June 1, 1980	108.50%
December 1, 1980 and June 1, 1981	108.00%
December 1, 1981 and thereafter	107.50%

In the event any principal installments of this Note are called for redemption as aforesaid, notice thereof specifying each principal installment (or the portion of any principal installment in a multiple of \$5,000) to be redeemed shall be given by first class mail to the holder hereof, at the address shown on the registration books, not less than thirty days prior to the date fixed for redemption as aforesaid, and no published notice of the call for redemption need be given. All principal installments (or portions as aforesaid) so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit with the Trustee and shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture.

This Note is issued pursuant to the authorization of and for the purposes prescribed by Act No. 103 of the Acts and Joint Resolutions enacted at the 1967 Session of the General Assembly of the State of South Carolina, approved by the Governor of South Carolina on March 21, 1967, and pursuant to resolutions duly adopted by the Board of Directors of York County and with the approval of the State Budget and Control Board of South Carolina. This Note, including principal, interest and premium, if any, 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 and 8.7 of the Lease Agreement) derived from the leasing or sale of the Project, which has been financed through the issuance of this Note and leased to the Lessee.

This Note, the interest payable hereon, and premium, if any, 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 this Note are to be paid to the Trustee for the account of the County and deposited in a special account created by the County and designated "York County Industrial Revenue Bond Fund--Huntley of York Project" and have been pledged for that purpose, and in addition the Project has been subject to the lien of the Indenture to secure payment of such principal and interest and premium.

The holder of this Note shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal installments of this Note then outstanding may become or may be declared due

and payable before the stated maturity thereof, together with interest accrued thereon. Modifications or alterations of the Indenture, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and the issuance of this 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.

This Note shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the Trustee's certificate of authentication hereon shall have been duly executed by the Trustee.

IN WITNESS WHEREOF, York County, South Carolina, has caused this Note to be executed by the Chairman of the Board of Directors of York County, by his manual signature, and its corporate seal to be impressed hereon, and attested by the Secretary of its said Board of Directors, by his manual signature, all as of the 1st day of December, A. D. 1971.

YORK COUNTY, SOUTH CAROLINA

(SEAL)

By

Chairman of the Board of Directors
of York County

Attest:

Secretary of the Board of
Directors of York County

This Note is the single fully registered Note of this issue described in the within mentioned Indenture.

NORTH CAROLINA NATIONAL BANK,
as Trustee

By _____
Authorized Signature

RECORD OF PRINCIPAL PAYMENTS

DATE	PRINCIPAL INSTALLMENT DUE	SIGNATURE OF AUTHORIZED OFFICER OF REGISTERED OWNER
December 1, 1977	100,000	_____
December 1, 1978	100,000	_____
December 1, 1979	100,000	_____
December 1, 1980	100,000	_____
December 1, 1981	100,000	_____
December 1, 1982	100,000	_____
December 1, 1983	100,000	_____
December 1, 1984	100,000	_____
December 1, 1985	100,000	_____
December 1, 1986	100,000	_____

and;

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal obligations of the County according to the import thereof, and to constitute this Indenture a valid lien on the properties mortgaged and a valid pledge of the lease rentals, revenues and receipts herein made to the payment of the principal of, premium, if any, and interest on the Bonds, have been done and performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS, THIS TRUST INDENTURE WITNESSETH:

That the County in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the holders and owners thereof, and of the sum of one dollar, lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable considerations, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect and the performance and observance by the County of all the covenants expressed or implied herein and in the Bonds, does hereby, subject to the terms and provisions of the Lease Agreement, grant, bargain, sell, convey, mortgage, pledge and assign unto North Carolina National Bank, as Trustee, and unto its successors in trust, and to its assigns forever, for the securing of the performance of the obligations of the County hereinafter set forth, the following:

I

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

II

All right, title and interest of the County in and to the Lease Agreement, dated as of December 1, 1971, between the County and Huntley of York, Ltd. and all lease rentals, revenues and receipts received or to be received under said Lease Agreement, except amounts paid by the Lessee thereunder to the County and other local taxing authorities in lieu of taxes pursuant to Section 5.5 thereof and all amounts paid by Lessee to the County pursuant to Section 8.7 thereof.

III

All right, title and interest of the County in and to the Bond Guaranty Agreement, dated as of December 1, 1971, by Huntley of York, Ltd., a North Carolina corporation, and all amounts received or to be received under the said Bond Guaranty Agreement.

IV

All lease rentals, revenues and receipts arising out of or in connection with the ownership of the Project, except amounts paid under Section 5.5 or Section 8.7 of the aforementioned Lease Agreement.

V

All right, title and interest of the County in and to an Agreement dated as of December 1, 1971 between York County

Development Corporation, a South Carolina corporation, and Huntley of York, Ltd., granting an option to purchase the stock of the said York County Development Corporation.

VI

Any and all other property from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder by the County or by anyone on its behalf or with its written consent to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended so to be, to the Trustee and its successors in said trust and to them and their assigns forever.

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all holders and owners of the Bonds and interest coupons thereto appertaining issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds or interest coupons thereto appertaining over any of the others of the Bonds or interest coupons;

PROVIDED, HOWEVER, that if the County shall pay or cause to be paid to the holders and owners of the Bonds and bearers of interest coupons the principal, interest and premium, if any, to become due thereon at the times and in the manner stipulated therein and herein and if the County shall keep, perform and observe all and singular the covenants and promises in the Bonds and in this Indenture expressed as to be kept, performed

and observed by it or on its part, or if the issuance of the Bonds is not made within the time provided in Section 4.2 of the Lease Agreement, then these presents and the estate and rights hereby granted shall, at the option of the County, cease, determine and be void, and thereupon the Trustee shall cancel and discharge the lien of this Indenture and execute and deliver to the County such instruments in writing as shall be requisite to satisfy the lien hereof, and deliver to the County any property at the time subject to the lien of this Indenture which may then be in its possession, except amounts in the Bond Fund required to be paid to the Lessee under Section 510 hereof and except cash held by the Trustee for the payment of interest on and retirement of the Bonds; otherwise this Indenture to be and remain in full force and effect.

THIS TRUST INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said lease rentals, revenues and receipts hereby pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the County has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective holders and owners, from time to time, of the said Bonds and the bearers of the interest coupons thereto appertaining, or any part thereof, as follows, that is

ARTICLE I

DEFINITIONS

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

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

"BOND" or "BONDS" means the \$1,000,000 First Mortgage Industrial Revenue Bonds, Series 1971 (Huntley of York, Ltd. - Lessee) of the County to be issued hereunder, including the fully registered Note in the principal amount of \$1,000,000 payable to North Carolina National Bank, or its registered assigns, initially issued hereunder.

"BOND FUND" or "YORK COUNTY INDUSTRIAL REVENUE BOND FUND - HUNTLEY OF YORK PROJECT" means the fund created in Section 502 hereof.

"BOND GUARANTY AGREEMENT" means the Bond Guaranty Agreement executed by Huntley of York, Ltd., dated as of December 1, 1971, and attached as Exhibit B to this Indenture.

"BONDHOLDER" or "HOLDER" or "OWNER OF THE BONDS" means the bearer of any coupon Bond and the registered owner of any Bond.

"CONSTRUCTION FUND" or "YORK COUNTY INDUSTRIAL CONSTRUCTION FUND - HUNTLEY OF YORK PROJECT" means the fund created by Section 602 hereof.

"COUNTY" means York 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 Board of Directors of York County, as the governing body of York County, and any successor body.

The term "DEFAULT" means any of those defaults specified in and defined by Section 1001 hereof.

"EXTRAORDINARY SERVICES" and "EXTRAORDINARY EXPENSES" means all services rendered and all expenses incurred under the Indenture other than Ordinary Services and Ordinary Expenses.

"INDENTURE" means these presents and other indentures supplemental hereto with the Trustee in pursuance hereof.

"LEASE AGREEMENT" means the Lease Agreement executed by and between the County and the Lessee dated as of December 1, 1971, and any amendments or supplements thereto.

"LESSEE" means Huntley of York, Ltd., a North Carolina corporation, and its successors and assigns and any surviving, resulting or transferee corporation as provided in Section 8.3 of the Lease Agreement.

"MORTGAGED PROPERTY" means the properties conveyed as security hereunder in paragraphs I, II, III, IV, V and VI of the granting clause preceding this Article.

"ORDINARY SERVICES" and "ORDINARY EXPENSES" mean those services normally rendered and those expenses normally incurred by a trustee under instruments similar to this Indenture.

The term "OUTSTANDING" or "BONDS OUTSTANDING" means all Bonds which have been duly authenticated and delivered by the Trustee under this Indenture, except:

- (a) Bonds theretofore cancelled by the Trustee or theretofore delivered to the Trustee for cancellation;

(b) Bonds for the payment or redemption of which cash funds shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee, shall have been filed with the Trustee; and

(c) Bonds in lieu of which others have been authenticated under Section 207 hereof, unless proof satisfactory to the Trustee is presented to the Trustee that any such Bonds are held by bona fide purchasers as that term is defined in Article 8 of the South Carolina Uniform Commercial Code, as amended, in which case the Bond or Bonds so replaced and the Bond or Bonds authenticated and delivered therefor shall be deemed outstanding.

"PERSON" means natural persons, firms, associations, corporations and public bodies.

"PROJECT" means the land, buildings and other facilities leased under the Lease Agreement.

"PURCHASER" means North Carolina National Bank which will purchase the Bonds as initially issued in the form of a single fully registered Note.

"TRUST ESTATE" means the Mortgaged Property.

"TRUSTEE" means North Carolina National Bank, the party of the second part hereto, and any successor trustee pursuant to Sections 1105 or 1108 hereof at the time serving as successor trustee hereunder.

ARTICLE II

THE BONDS

SECTION 201. Restriction on Issuance of Bonds. No Bonds may be issued under provisions of this Indenture except in accordance with this Article.

The total principal amount of Bonds that may be issued is hereby expressly limited to \$1,000,000.

SECTION 202. Issuance of Bonds. The Bonds in the aggregate principal amount of \$1,000,000 dated as of December 1, 1971, shall be designated "First Mortgage Industrial Revenue Bonds [Note], Series 1971 (Huntley of York, Ltd. - Lessee)." They shall bear interest from December 1, 1971 at the respective rates per annum as set forth in the following schedule, payable June 1, 1972, and semi-annually thereafter on December 1 and June 1 of each year. They shall when issued in coupon form, be in the denomination of \$5,000 each, be numbered consecutively from 1 upwards and mature in numerical order. The Bonds shall mature on December 1 in each of the years set forth in, and in the principal amount set opposite each year in, the following schedule:

<u>December 1 in the years</u>	<u>Principal Amount Maturing</u>	<u>Interest Rate</u>
1977	\$100,000	6.50%
1978	100,000	6.65
1979	100,000	6.80
1980	100,000	7.00
1981	100,000	7.25
1982	100,000	7.50
1983	100,000	7.50
1984	100,000	7.50
1985	100,000	7.50
1986	100,000	7.50

The interest on the coupon Bonds, shall be evidenced by coupons. The principal of, premium, if any, and interest on the coupon Bonds, except as otherwise provided in the case of regis-

tration of coupon Bonds as provided in Section 208 hereof, shall be payable to bearer upon presentation and surrender of the coupon Bonds or coupons as they respectively become due at the principal office of the Trustee, in the City of Charlotte, North Carolina. Payment of principal (except the final principal payment due) and interest made in respect of the Bonds outstanding in the form of a single fully registered Note, shall be by check or draft mailed by the Trustee to the registered owner of the said Note at the address shown on the registration books without the necessity of surrendering the said Note and all such payments shall fully discharge the obligation of the County thereon to the extent of the payments so made, and the Trustee shall keep a record of all such payments. The final payment of principal due on the said single fully registered Note, shall be made to or upon the order of the registered owner or his legal representative upon presentation or surrender of such Note at the office of the Trustee.

SECTION 203. Execution; Limited Obligation. The Bonds shall be executed on behalf of the County by the Chairman of the County Board and the corporate seal of the County or a facsimile thereof shall be impressed or reproduced thereon and attested by the Secretary of the County Board, provided that at least one of said signatures shall be a manual signature. The coupons attached to the Bonds shall be executed by the facsimiles of the official signatures of said Chairman and Secretary and such facsimiles shall have the same force and effect as if said Chairman and Secretary had manually signed each of the coupons. The Bonds, together with interest thereon, shall be limited

obligations of the County payable from the Bond Fund and shall be a valid claim of the respective holders thereof only against such fund and the lease rentals, revenues and receipts from the leasing or sale of the Project pledged to such fund (but in addition shall be secured by the lien of the Indenture on the Project), which lease rentals, revenues and receipts (except amounts paid by the Lessee to local taxing authorities in lieu of taxes pursuant to Section 5.5 and amounts paid pursuant to Section 8.7 of the Lease Agreement) are hereby pledged and assigned for the equal and ratable payment of the Bonds and the coupons and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in this Indenture. The Bonds and coupons do not now and shall never constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

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

SECTION 204. Authentication. Only such Bonds as shall have endorsed thereon a certificate of authentication substantially in the form hereinabove set forth duly executed by the Trustee shall be entitled to any right or benefit under this Indenture. No Bond and no coupon appertaining to any Bond shall be valid or obligatory for any purpose unless and until such certificate

of authentication shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized signature of the Trustee, but it shall not be necessary that the same person sign the certificate of authentication on all of the Bonds issued hereunder. Before authenticating or delivering any Bonds, the Trustee shall detach and cancel all matured coupons, if any, appertaining thereto, and such cancelled coupons shall be cremated by the Trustee.

SECTION 205. Forms of Bonds. The Bonds issued under this Indenture and the coupons attached thereto shall be substantially in the forms hereinabove set forth with such appropriate variations, omissions and insertions as are permitted or required by this Indenture.

SECTION 206. Delivery of Bonds. Upon the execution and delivery of this Indenture, the County shall execute and deliver to the Trustee and the Trustee shall authenticate the Bonds in the aggregate principal amount of \$1,000,000 and deliver them to the purchase as may be directed by the County as hereinafter in this Section 206 provided.

Prior to the authentication by the Trustee of any of the Bonds there shall be filed with the Trustee:

1. A copy, duly certified by the Secretary of the County Board, of the resolution of the County Board authorizing the execution and delivery of the Lease Agreement.

2. An original executed counterpart of the Lease Agreement with assignment thereof by the County to the Trustee attached.

3. A copy, duly certified by the Secretary of the County Board, of the resolution of the County Board authorizing the execution and delivery of this Indenture and the issuance of the \$1,000,000 aggregate principal amount of the Bonds.

4. An original executed counterpart of this Indenture and of the Bond Guaranty Agreement.

5. The written opinion of counsel for the County, or other counsel satisfactory to the Trustee, expressing the conclusion that upon payment of the purchase price of the land and easements described in Exhibit A attached hereto and acceptance of the instruments of conveyance, all as theretofore agreed upon, the County will have title free and clear of liens and encumbrances upon said land and easements (except for Permitted Encumbrances as defined in the Lease Agreement).

6. A title insurance policy (or an appropriate binder) meeting the requirements of Section 3.3 of the Lease Agreement.

7. A request and authorization to the Trustee on behalf of the County Board and signed by the Chairman and Secretary of the County Board to authenticate and deliver the Bonds in the aggregate principal amount of \$1,000,000 to the purchasers therein identified upon payment to the Trustee but for account of the County of a sum specified in such request and authorization plus accrued interest thereon to the date of delivery. Such proceeds shall be paid over to the Trustee and deposited to the credit of the Bond Fund and Construction Fund as hereinafter provided under Article VI hereof.

SECTION 207. Mutilated, Lost, Stolen or Destroyed Bonds or Coupons. In the event any Bond is mutilated, lost, stolen or destroyed, the County may execute and the Trustee may authenticate a new Bond of like date, maturity and denomination as that muti-

lated, lost, stolen or destroyed, which new Bond shall have attached thereto coupons corresponding in all respects to those (if any) on the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond together with all coupons (if any) appertaining thereto shall first be surrendered to the County, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the County and the Trustee evidence of such loss, theft or destruction satisfactory to the County and the Trustee, together with indemnity satisfactory to them. In the event any such Bond or coupon shall have matured, instead of issuing a duplicate Bond or coupon the County may pay the same without surrender thereof. The County and the Trustee may charge the holder or owner of such Bond with their reasonable fees and expenses in this connection.

SECTION 208. Registration of Coupon Bonds; Persons Treated As Owners. Each of the coupon Bonds issued hereunder shall be fully negotiable and pass by delivery but shall be subject to registration (as hereinafter provided) as to principal only or as to both principal and interest in the name of the owner on registration books to be provided for that purpose by the County at said principal office of the Trustee, as Bond Registrar. Upon presentation at said office any coupon Bonds may be registered as to principal only and such registration shall be evidenced by notation to that effect by the Bond Registrar in the registration blank on the reverse side thereof, after which no transfer thereof shall be valid unless made at the written request of the registered owner or his duly authorized attorney on said registration books and similarly endorsed thereon. Such registered Bonds may be thus transferred to bearer whereupon transferability by delivery shall be restored but the Bonds may again, from time to time, be registered or transferred to bearer as before.

Such registration of any coupon Bonds shall not affect the transferability by delivery only of the coupons thereunto appertaining, provided that if upon registration of any such Bond, or at any time thereafter while registered in the name of the owner, the unmatured coupons attached evidencing interest to be thereafter paid thereon shall be surrendered to said Bond Registrar a statement to that effect will be endorsed thereon and thereafter interest evidenced by such surrendered coupons will be paid by check or draft at the times provided therein to the registered owner by mail to the address shown on the registration books. Each coupon Bond when converted as aforesaid into a Bond registered as to both principal and interest may be reconverted into a coupon Bond at the written request of the registered owner or his duly authorized attorney and upon presentation at the office of said Bond Registrar. Upon such reconversion the coupons representing the interest to become due thereafter to the date of maturity will be attached to the Bond and a statement will be endorsed thereon by said Bond Registrar in the registration blank on the back of the Bond as to whether it is then registered as to principal alone or payable to bearer. No charge shall be made to any Bondholder for the privilege of registration and transfer hereinabove granted, but any bondholder requesting any such registration or transfer shall pay any tax or other governmental charge required to be paid with respect thereto. As to any coupon Bond registered as to principal, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and payment of or on account of the principal of any such Bond shall be made only to or upon the order of the registered owner thereof, or his duly authorized attorney, and neither the County, the Trustee, any paying agent nor the Bond Registrar shall be affected by any notice to the contrary, but such registration may be changed as

herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. The County, the Trustee, the Bond Registrar and any paying agent may deem and treat the bearer of any coupon Bond which shall not at the time be registered as to principal (except to bearer), and the bearer of any coupon appertaining to any Bond, whether such Bond be registered as to principal or not, as the absolute owner of such Bond or coupon, as the case may be, whether such Bond or coupon shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and neither the County, the Bond Registrar, any paying agent nor the Trustee shall be affected by any notice to the contrary.

SECTION 209. Forms; Denominations; Medium of Payment. The Bonds shall be in coupon form in the denomination of \$5,000 each, payable to bearer, except that the Bonds may be initially issued in the form of a single fully registered Note in the denomination of \$1,000,000. The Bonds shall be payable with respect to principal, interest and premium, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

SECTION 210. Interest. The Bonds shall be dated as of December 1, 1971, and shall bear interest from such date, except that in the event the Bonds are initially issued in the form of a single fully registered Note which is thereafter exchanged for coupon Bonds in accordance with the provisions of Section 211, such coupon Bonds shall bear interest only from the interest payment date next preceding the date of authentication unless authentication shall be upon an interest payment date in which case such coupon Bonds shall bear interest only from the date

of authentication or unless authentication shall occur prior to June 1, 1972, in which case coupon Bonds shall bear interest from December 1, 1971.

SECTION 211. Exchangeability of Bonds Issued as a Single Fully Registered Note for Coupon Bonds. The Bonds, if initially issued in the form of a single fully registered Note, upon surrender thereof at the principal office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his duly authorized attorney, may, at the option of the registered owner thereof, and upon payment by such registered owner of any charges which the Trustee may make as provided in Section 213, be exchanged for an aggregate principal amount of coupon Bonds in the denomination of \$5,000 each equal to, and of the same maturities and bearing the same interest rates with appropriate coupons attached as, the aggregate principal amount of this Note at the time outstanding. There is no corresponding privilege to exchange coupon Bonds for a fully registered Note or Notes.

SECTION 212. Negotiability, Transfer and Registry of Bonds Initially Issued in the Form of a Single Fully Registered Note.

1. The Bonds so long as they are outstanding in the form of a single fully registered Note as originally issued hereunder, shall be transferable, in whole and not in part, only upon the books of the County, which shall be kept for the purpose at the principal office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Upon such transfer the County shall issue in the name of the transferee a new single fully registered Note or, at the option of the transferee,

coupon Bonds, with appropriate coupons attached, of the same aggregate principal amount, maturity and interest rate as the surrendered Note.

2. The County, the Trustee and any paying agent may deem and treat the person in whose name the Bonds outstanding in the form of a single fully registered Note as originally issued shall be registered upon the books of the County as the absolute owner of such Bonds, whether the same shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or premium, if any, and interest on such Bonds and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bonds to the extent of the sum or sums so paid, and neither the County, nor the Trustee or any paying agent shall be affected by any notice to the contrary.

3. The Bonds, when outstanding in the form of a single fully registered Note as originally issued, shall have such attributes of negotiability as are provided for under the laws of South Carolina.

SECTION 213. Regulations With Respect to Exchange and Transfers. In all cases in which the privilege of exchanging Bonds, or transferring registered Bonds, outstanding in the form of a single fully registered Note as originally issued is exercised, the County shall execute and the Trustee shall authenticate and deliver the Bonds in accordance with the provisions of the Indenture. There shall be no charge for such exchange or transfer of Bonds except that the Trustee may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer. Neither the

County nor the Trustee shall be required (a) to register, transfer or exchange Bonds for a period of ten days next preceding an interest payment date on the Bonds or next preceding any selection of Bonds to be redeemed or thereafter until after the first publication or mailing of any notice of redemption or (b) to register, transfer or exchange any Bonds called for redemption.

ARTICLE III

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 301. Redemption Dates and Prices. The Bonds of this issue are noncallable for redemption prior to December 1, 1976, except in the event of (i) exercise by the Lessee of its options to purchase the Project as provided in Section 11.2 of the Lease Agreement, or (ii) the sale of the Project in accordance with the provisions of Section 11.2A of the Lease Agreement. If called for redemption as a result of the Lessee's exercise of its options to purchase the Project as provided in Section 11.2 of the Lease Agreement, the Bonds shall be subject to redemption by the County at any time whether or not an interest payment date after due notice as provided in the Indenture, in whole and not in part, at the redemption prices (expressed as percentages of the principal amount) set forth in the table below, plus accrued interest to the redemption date:

<u>Redemption Date</u> <u>(dates inclusive)</u>	<u>Redemption Price</u>
December 1, 1971 - November 30, 1973	103.75%
December 1, 1973 - November 30, 1975	103.00%
December 1, 1975 - November 30, 1977	102.25%
December 1, 1977 - November 30, 1979	101.50%
December 1, 1979 - November 30, 1981	100.75%
December 1, 1981 and thereafter	100.00%

If called for redemption as a result of a sale of the Project pursuant to Section 11.2A of the Lease Agreement, the Bonds shall be subject to redemption by the County at any time whether or not an interest payment date after the giving of notice as provided in the Indenture, in whole and not in part, at the redemption prices (expressed as percentages of the principal amount) set forth in the table below, plus accrued interest to the redemption date:

<u>Redemption Date</u> <u>(dates inclusive)</u>	<u>Redemption Price</u>
December 1, 1971 - November 30, 1977	110.00%
December 1, 1977 - November 30, 1978	109.50%
December 1, 1978 - November 30, 1979	109.00%
December 1, 1979 - November 30, 1980	108.50%
December 1, 1980 - November 30, 1981	108.00%
December 1, 1981 and thereafter	107.50%

The Bonds are also subject to redemption by the County prior to maturity on any interest payment date on or after December 1, 1976, in whole or in part, but if in part, in inverse numerical order (or, in the case of partial redemption of the principal installments to become due or the single fully registered Note, in inverse order of maturity and in multiples of \$5,000), at the redemption prices (expressed as percentages of the principal amount) set forth in the table below, plus accrued interest to the redemption date:

<u>Redemption Date</u> <u>(dates inclusive)</u>	<u>Redemption Price</u>
December 1, 1976 and June 1, 1977	110.00%
December 1, 1977 and June 1, 1978	109.50%
December 1, 1978 and June 1, 1979	109.00%
December 1, 1979 and June 1, 1980	108.50%
December 1, 1980 and June 1, 1981	108.00%
December 1, 1981 and thereafter	107.50%

SECTION 302. Notice of Redemption. In the event any of the Bonds are called for redemption, the Trustee shall give notice, in the name of the County, of the redemption of such Bonds, which notice shall specify the maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any maturity are to be redeemed, the numbers of such Bonds so to be redeemed, and, in the case of Bonds outstanding in the form of a single fully registered Note to be redeemed in part only, such notice shall also specify in respective portions of the principal amount thereof to be redeemed. Such notice shall be given by publication at least once not less than 30 days nor more than 60 days prior to the redemption date in a newspaper or finan-

cial journal of general circulation published in the City of New York, New York, and in the case of the redemption of registered Bonds (whether coupon Bonds registered as to principal or Bonds outstanding in the form of a single fully registered Note) upon mailing a copy of the redemption notice by first class mail at least thirty days prior to the date fixed for redemption to the holder of each registered Bond to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing or any defect therein, shall not affect the validity of any proceedings for the redemption of Bonds. If all of the Bonds to be redeemed are coupon Bonds registered as to principal or in the form of principal installments to become due on Bonds outstanding in the form of a single fully registered Note, notice by mailing given by first class mail to the holder or holders thereof, at the addresses shown on the registration books, not less than thirty days prior to the date fixed for redemption as aforesaid shall be sufficient and published notice of the call for redemption need not be given and failure duly to give such notice by mailing, or any defect in the notice, to the holder of any registered Bond designated for redemption shall not affect the validity of the proceedings for the redemption of any other Bond. All Bonds so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit with the Trustee and shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture. If, because of the temporary or permanent suspension of the publication or general circulation of any newspaper or financial journal or for any other reason, it is impossible or impracticable to publish such notice

of call for redemption in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of notice.

SECTION 303. Cancellation. All Bonds which have been redeemed shall be cancelled and cremated by the Trustee together with the unmatured coupons appertaining thereto and shall not be reissued and a counterpart of the certificate of cremation evidencing such cremation shall be furnished by the Trustee to the County and the Lessee.

SECTION 304. Unpaid Coupons. All unpaid coupons which appertain to Bonds so called for redemption and which shall have become payable on or prior to the date fixed for redemption shall continue to be payable to the bearers thereof severally and respectively upon the presentation and surrender of such coupons.

SECTION 305. Purchase of Bonds. The Trustee shall, if and to the extent practicable, purchase Bonds (including the prepayment of principal installments or portions thereof in multiples of \$5,000 of the Bonds outstanding in the form of a single fully registered Note) at the written direction of the County upon request of the Lessee at such time, in such manner and at such price as may be specified by the Lessee. The Trustee may so purchase Bonds with any moneys then held by the Trustee and available for the redemption or purchase of Bonds in excess of any amount set aside for payment of Bonds called for redemption; provided, that any limitations or restrictions on such redemption or purchase contained in the Lease Agreement or this Indenture shall be complied with. The expenses of such purchase shall be deemed an expense of the Trustee under Section 1102.

ARTICLE IV

GENERAL COVENANTS

SECTION 401. Condition of County's Obligation; Payment of Principal and Interest. Each and every covenant herein made, including all covenants made by the various sections of this Article IV, is predicated upon the condition that any obligation for the payment of money incurred by the County shall not create a pecuniary liability of the County or a charge upon its general credit or against its taxing powers, but shall be payable solely from the lease rentals, revenues and receipts derived from or in connection with the Project, including all moneys received under the Lease Agreement (except amounts paid pursuant to Section 5.5 or 8.7 of the Lease Agreement) which are required to be set apart and transferred to the Bond Fund, which lease rentals, revenues and receipts are hereby specifically pledged to the payment thereof in the manner and to the extent in this Indenture specified and nothing in the Bonds or coupons or in this Indenture shall be considered as pledging any other funds or assets of the County.

The County covenants that it will promptly pay the principal of, including any applicable redemption premiums, and interest on every Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in said Bonds, and in the coupons appertaining thereto according to the true intent and meaning thereof.

SECTION 402. Performance of Covenants; Authority of County. The County covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all proceedings pertaining thereto. The County covenants that

it is duly authorized under the Constitution and laws of the State of South Carolina, to issue the Bonds authorized hereby and to execute this Indenture, to convey the property described in and conveyed hereby and to pledge the lease rentals, revenues and receipts hereby pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken, and that the Bonds in the hands of the holders and owners thereof and the coupons appertaining thereto in the hands of the bearers thereof are and will be valid and enforceable obligations of the County according to the import thereof.

SECTION 403. Ownership; Instruments of Further Assurance.

The County covenants that it lawfully owns and is lawfully possessed of the land and easements described in Exhibit A attached hereto and that it has good and indefeasible title and estate therein (except for Permitted Encumbrances as defined in the Lease Agreement), and that it will defend the title to the Project and every part thereof to the Trustee, for the benefit of the holders and owners of the Bonds and the bearers of the coupons appertaining thereto against the claims and demands of all persons whomsoever. The County covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonable require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee all and singular the property herein described and the lease rentals, revenues and receipts pledged hereby to the payment of the principal of and interest and premium, if any, on the Bonds.

Any and all property hereafter acquired which is of the kind or nature herein provided to be and become subject to the lien hereof shall ipso facto, and without any further conveyance, assignment or act on the part of the County or the Trustee, become and be subject to the lien of this Indenture as fully and completely as though specifically described herein, but nothing in this sentence contained shall be deemed to modify or change the obligations of the County under this Section 403. The County covenants and agrees that, except as herein and in the Lease Agreement provided, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Project or the lease rentals, revenues and receipts therefrom or of its rights under the Lease Agreement.

SECTION 404. Payment of Taxes, Charges, Etc. Pursuant to the provisions of Section 6.3 of the Lease Agreement the Lessee has agreed to pay all lawful taxes, assessments and charges at any time levied or assessed upon or against the Project, or any part thereof, failure to pay which might impair or prejudice the lien and priority of this Indenture; provided, however, that nothing contained in this Section 404 shall require the payment of any such taxes, assessments or charges if the same are not required to be paid under the provisions of Section 6.3 of the Lease Agreement.

SECTION 405. Maintenance and Repair. Pursuant to the provisions of Section 6.1 of the Lease Agreement, the Lessee has agreed at its own expense to cause the Project to be kept in as safe condition as its operations shall permit, and that it will from time to time cause to be made all needed repairs so that the Project shall at all times be kept in good repair and in good operating condition, and that the Lessee may, at its own expense, make from time to time additions, modifications and

improvements to the Project under the terms and conditions set forth in Section 6.1 of the Lease Agreement.

SECTION 406. Inspection of Project Books. The County covenants and agrees that all books and documents in its possession relating to the Project and the lease rentals, revenues and receipts derived from the Project shall at all times be open to inspection by such accountants or other agencies as the Trustee may from time to time designate.

SECTION 407. Rights Under Lease Agreement. The Lease Agreement, a duly executed counterpart of which has been filed with the Trustee, sets forth the covenants and obligations of the County and the Lessee including a provision that subsequent to the initial issuance of the Bonds and prior to their payment in full, or provision for payment thereof in accordance with the provisions hereof, the Lease Agreement may not be effectively amended, changed, modified, altered or terminated (other than as provided therein) without the written consent of the Trustee and reference is hereby made to the Lease Agreement for a detailed statement of said covenants and obligations of the Lessee under the Lease Agreement, and the County agrees that the Trustee in its name or in the name of the County may enforce all rights of the County and all obligations of the Lessee under and pursuant to the Lease Agreement and the Lease Guaranty Agreement for and on behalf of the Bondholders whether or not the County is in default hereunder.

SECTION 408. List of Bondholders. To the extent that such information shall be made known to the County under the terms of this Section 408, it will keep on file at the corporate trust office of the Trustee a list of names and addresses of the last known holders of all Bonds payable to bearer and believed to be held by each of such last known holders. Any Bondholder

may request that his name and address be placed on said list by filing a written request with the County or with the Trustee, which request shall include a statement of the principal amount of Bonds held by such holder and the numbers of such Bonds. The Trustee shall be under no responsibility with regard to the accuracy of said list. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied by the Lessee or by holders and/or owners (or a designated representative thereof) of twenty-five percent or more in principal amount of Bonds then outstanding, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

SECTION 409. Recording and Filing. This Indenture shall be recorded and indexed as mortgage of real estate in the Office of the Clerk of the Court of Common Pleas and General Sessions for York County, South Carolina, or in such other office as may be at the time provided by law as the proper place for the recordation thereof. The security interest of the Trustee created by this Indenture in any personal property and fixtures which are to be part of the Project, shall be perfected by the filing in the office of the said Clerk of Court and in the office of the Secretary of State of South Carolina in the City of Columbia, South Carolina, of financing statements which fully comply with the South Carolina Uniform Commercial Code--Secured Transactions. Such financing or continuation statements shall be filed by the Trustee from time to time in said offices of the said Clerk of Court and of the Secretary of State of South Carolina as in the opinion of counsel, as provided in Section 13.5(a)(4) of the Lease Agreement or otherwise, are necessary to preserve the lien of this Indenture.

ARTICLE V

REVENUES AND FUNDS

SECTION 501. Source of Payment of Bonds. The Bonds herein authorized and all payments by the County hereunder are not general obligations of the County but are limited obligations payable solely from the lease rentals, revenues and receipts derived from the Project and as authorized and provided in this Indenture.

The Project has been leased under the Lease Agreement and the rental payments provided for in Section 5.3 of the Lease Agreement are to be remitted directly to the Trustee for the account of the County and deposited in the Bond Fund. Said rental payments are sufficient in amount to pay the principal of, premium, if any, and interest on the Bonds, and the entire amount of lease rentals, revenues and receipts from said Lease Agreement (except amounts paid by the Lessee to local taxing authorities in lieu of taxes pursuant to Section 5.5 and amounts paid pursuant to Section 8.7 of the Lease Agreement) are pledged to the payment of the principal of, premium, if any, and interest on the Bonds. The County hereby covenants and agrees that it will not create any lien upon said lease rentals, revenues and receipts or the Project other than the lien hereby created.

SECTION 502. Creation of the Bond Fund. There is hereby created by the County and ordered established with the Trustee a trust fund to be designated "York County Industrial Revenue Bond Fund-Huntley of York Project" (which is sometimes referred to herein as the "Bond Fund"), which shall be used to pay the principal of, premium, if any, and interest on the Bonds.

SECTION 503. Payments into the Bond Fund. There shall be deposited into the Bond Fund all accrued interest derived from the sale of the Bonds. In addition, there shall be deposited

into the Bond Fund, as and when received (a) any amount remaining in the Construction Fund to the extent provided in Section 4.3(k) of the Lease Agreement except as otherwise directed pursuant to said Section 4.3(k); (b) all rental payments specified in Section 5.3 of the Lease Agreement; and (c) all other moneys received by the Trustee under and pursuant to any of the provisions of the Lease Agreement when accompanied by directions by Lessee that such moneys are to be paid into the Bond Fund. The County hereby covenants and agrees that so long as any of the Bonds issued hereunder are outstanding it will deposit, or cause to be deposited, in the Bond Fund for its account sufficient sums from lease rentals, revenues and receipts derived from the Project promptly to meet and pay the principal of, interest and premium, if any, on the Bonds as the same become due and payable and to this end the County covenants and agrees that, so long as any Bonds issued hereunder are outstanding, it will cause the Project to be continuously and efficiently leased as a revenue and income producing undertaking, and that, should there be a default under the Lease Agreement with the result that the right of possession of the Project under the Lease Agreement is returned to the County, the County shall fully cooperate with the Trustee and with the Bondholders to the end of fully protecting the rights and security of the Bondholders and the bearers of coupons appertaining to the Bonds and shall diligently proceed in good faith and use its best effort to secure another tenant for the premises to the end that at all times sufficient lease rentals, revenues and receipts will be derived from the Project promptly to meet and pay the principal of, interest and premium, if any, on the Bonds as the same become due and payable, as well as covering the cost of maintaining and insuring the Project. Nothing herein shall be construed as requiring

the County to operate the Project or to use any funds or revenues from any source other than lease rentals, revenues and receipts derived from the Project.

SECTION 504. Use of Moneys in the Bond Fund. Except as provided in Section 510 hereof, moneys in the Bond Fund shall be used solely for the payment of the principal of, and interest on, and premium, if any, on the Bonds and for the redemption of the Bonds at or prior to maturity. No part of said rental payments in the Bond Fund shall be used to redeem, prior to maturity, a part of the Bonds outstanding; provided, that whenever the amount in the Bond Fund from any source whatsoever is sufficient to redeem all of the Bonds outstanding hereunder and to pay interest to accrue thereon prior to such redemption, the County covenants and agrees to take and cause to be taken the necessary steps to redeem all of said Bonds on the next succeeding redemption date for which the required redemption notice may be given; and provided further that any moneys in the Bond Fund other than rental payments may be used at the request of the County to redeem a part of the Bonds outstanding on the next succeeding redemption date for which the required notice of redemption may be given so long as the Lessee is not in default with respect to any rental payments under the Lease Agreement and to the extent said moneys are in excess of the amount required for payment of Bonds theretofore matured or called for redemption and past due interest in all cases where such Bonds or coupons have not been presented for payment.

SECTION 505. Custody of the Bond Fund. The Bond Fund shall be in the custody of the Trustee but in the name of the County and the County hereby authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay principal of and interest and premium, if any, on the Bonds as the same

become due and payable and to make said funds so withdrawn available to the Trustee and to the paying agent or agents for the purpose of paying said principal and interest, and premium, if any, which authorization and direction the Trustee hereby accepts.

SECTION 506. Non-presentment of Bonds or Coupons. In the event any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or at the date fixed for redemption thereof or otherwise, or in the event any coupon shall not be presented for payment at the due date thereof, if funds sufficient to pay such Bonds or coupons shall have been made available to the Trustee for the benefit of the holder or holders thereof, all liability of the County to the holder thereof for the payment of such Bond or coupon, as the case may be, shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the holder of such Bond, or the bearer of such coupon, as the case may be, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on his part under this Indenture or on, or with respect to, said Bond or coupon.

SECTION 507. Trustee's and Paying Agents' Fees, Charges and Expenses. Pursuant to the provisions of the Lease Agreement, the Lessee has agreed to pay the Trustee, until the principal of, interest and premium, if any, on the Bonds shall have been fully paid: (i) an amount equal to the annual fee of the Trustee for the Ordinary Services of the Trustee rendered, as trustee, and its Ordinary Expenses incurred, as trustee, under this Indenture, as and when the same becomes due, (ii) the reasonable

fees and charges of the Trustee, as Bond Registrar and paying agent, and any paying agents for acting as paying agent as and when the same become due, and (iii) the reasonable fees and charges for the necessary Extraordinary Services and Extraordinary Expenses of the Trustee under this Indenture, as and when the same become due. It is further understood and agreed that the initial or acceptance fees of the Trustee and the fees, charges and expenses of the Trustee and paying agent referred to in the preceding sentence which become due prior to the Completion Date (as defined in the Lease Agreement) will be paid to the Trustee from the Construction Fund as and when the same shall become due. The Lessee may, without creating a default hereunder, contest in good faith the necessity for any such Extraordinary Services and Extraordinary Expenses and the reasonableness of any of the fees, charges or expenses referred to herein.

SECTION 508. Moneys to Be Held in Trust. All moneys required to be deposited with or paid to the Trustee for account of the Bond Fund or the Construction Fund under any provision of this Indenture shall be held by the Trustee in trust, and except for moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien hereof.

SECTION 509. Insurance and Condemnation Proceeds. Reference is hereby made to Article VII of the Lease Agreement whereunder it is provided that under certain circumstances the net proceeds of insurance and condemnation awards are to be paid to the Trustee and deposited in separate trust accounts and to be disbursed and paid out as therein provided. The Trustee hereby accepts and agrees to perform the duties and obligations as therein specified.

SECTION 510. Repayment to the Lessee from the Bond Fund.

Any amounts remaining in the Bond Fund after payment in full of the principal of, interest and premium, if any, on Bonds (or provision for payment thereof as provided in this Indenture), the fees, charges and expenses of the Trustee and any paying agents and all other amounts required to be paid hereunder shall be paid to the Lessee upon the expiration or sooner termination of the term of the Lease Agreement as provided in Section 13.8 of the Lease Agreement.

ARTICLE VI

CUSTODY AND APPLICATION OF PROCEEDS OF BONDS

SECTION 601. Deposits in the Bond Fund. From the proceeds of the issuance and delivery of Bonds there shall be deposited in the Bond Fund all accrued interest received upon the sale of the Bonds.

SECTION 602. Construction Fund; Disbursement. There is hereby created and established with the Trustee a trust in the name of the County to be designated "York County Industrial Construction Fund - Huntley of York Project". The balance of the proceeds of the issuance and delivery of Bonds remaining after the deduction provided by Section 601 hereof shall have been made shall be deposited in the Construction Fund. Moneys in the Construction Fund shall be expended in accordance with the provisions of the Lease Agreement and particularly Section 4.3 thereof.

The Trustee is hereby authorized and directed to issue its checks for each disbursement required by the aforesaid provisions of the Lease Agreement.

The Trustee shall keep and maintain adequate records pertaining to the Construction Fund and all disbursements therefrom, and after the Project shall have been completed and a certificate of payment of all costs filed as provided in Section 603 hereof, the Trustee shall, if requested by the Lessee, file an accounting thereof with the County and with the Lessee.

SECTION 603. Completion of the Project. The completion of the Project and the payment of all costs and expenses incident thereto shall be evidenced by the filing with the Trustee of (i) the certificate of the Authorized Lessee Representative (as defined in the Lease Agreement) required by the provisions of Section 4.5 of the Lease Agreement and (ii) a certificate

signed by the Chairman of the County Board and by the Lessee (by one of the authorized officers of the Lessee), which certificate shall state that all obligations and costs in connection with the Project and payable out of the Construction Fund have been paid and discharged except for amounts retained by the Trustee with the approval of the said Authorized Lessee Representative for the payment of costs of the Project not then due and payable as provided in the Lease Agreement. As soon as practicable and in any event after sixty days from the date of the certificate referred to in clause (ii) of the preceding sentence any balance remaining in the Construction Fund (other than the amounts retained by the Trustee referred to in the preceding sentence) shall without further authorization be deposited in the Bond Fund by the Trustee with advice to the County and to the Lessee of such action unless the Lessee shall have directed the Trustee to purchase Bonds in the open market for the purpose of cancellation in accordance with Section 4.3(k) of the Lease Agreement.

ARTICLE VII

INVESTMENTS

SECTION 701. Investment of Construction Fund Moneys.

Any moneys held as part of the Construction Fund shall, at the written request of and as specified by the Authorized Lessee Representative (as defined in the Lease Agreement), be invested and reinvested by the Trustee in accordance with the provisions of Section 4.9 of the Lease Agreement. Any such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the Construction Fund and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investments shall be charged to such fund. The Trustee is directed to sell and reduce to cash funds a sufficient amount of such investments whenever the cash balance in the Construction Fund is insufficient to pay a requisition when presented.

SECTION 702. Investment of Bond Fund Moneys. Any moneys held as part of the Bond Fund shall, at the written request of and as specified by the Authorized Lessee Representative (as defined in the Lease Agreement), be invested or reinvested by the Trustee in any bonds or other obligations which as to principal and interest constitute direct obligations of the United States of America. Any such investment shall be held by or under control of the Trustee and shall be deemed at all times a part of the Bond Fund and the interest accruing thereon and any profit realized therefrom shall be credited to such fund and any loss resulting from such investments shall be charged to such fund. The Trustee shall sell and reduce to cash funds a sufficient portion of investments under the provisions of this Section 702 whenever the cash balance in the Bond Fund is insufficient to pay the current interest and principal

requirements.

SECTION 703. Trustee's Own Bond Department. The Trustee may make any and all investments permitted under Section 701 and Section 702 through its own Bond Department.

ARTICLE VIII

POSSESSION, USE AND PARTIAL RELEASE OF LEASED PROPERTY

SECTION 801. Subordination to Rights of the Lessee.

This Indenture and the rights and privileges hereunder of the Trustee and the holders of the Bonds and bearers of coupons appertaining thereto are specifically made subject and subordinate to the rights and privileges of the Lessee set forth in the Lease Agreement. So long as not otherwise provided in this Indenture the County shall be suffered and permitted to possess, use and enjoy the Mortgaged Property and appurtenances so as to carry out its obligations under the Lease Agreement.

SECTION 802. Release of Leased Land. Reference is made to the provisions of the Lease Agreement, including without limitation Sections 8.5 and 11.3 thereof, whereby the County and the Lessee have reserved the right to withdraw certain portions of the Leased Land (as defined in the Lease Agreement) upon compliance with the terms and conditions of the Lease Agreement. The Trustee shall release from the lien of this Indenture any such land upon compliance with the provisions of the Lease Agreement.

SECTION 803. Granting of Easements. Reference is made to the provisions of the Lease Agreement, including, without limitation Section 8.6 thereof, whereby the Lessee may grant easements and take other action upon compliance with the terms and conditions of the Lease Agreement. The Trustee shall execute or confirm the grants or releases of easements, licenses, rights of way and other rights and privileges permitted by Section 8.6 thereof upon compliance with the provisions of the Lease Agreement.

ARTICLE IX

DISCHARGE OF LIEN

SECTION 901. Discharge of Lien of the Indenture. If the County shall pay or cause to be paid to the holders and owners of the Bonds and bearers of coupons the principal, interest and premium, if any, to become due thereon at the times and in the manner stipulated therein and herein, and shall have paid all fees and expenses of the Trustee and each paying agent, and if the County shall keep, perform and observe all and singular the covenants and promises in the Bonds and in this Indenture expressed as to be kept, performed and observed by it or on its part, or if the issuance of the Bonds is not made within the time provided in Section 4.2 of the Lease Agreement, then these presents and the estate and rights hereby granted shall, at the option of the County, cease, determine and be void, and thereupon the Trustee shall cancel and discharge the lien of this Indenture and execute and deliver to the County such instruments in writing as shall be requisite to satisfy the lien hereof, and re-convey to the County the estate hereby conveyed, and assign and deliver to the County any property at the time subject to the lien of this Indenture which may then be in its possession, except amounts in the Bond Fund required to be paid to the Lessee under Section 510 hereof and except funds held by the Trustee for the payment of principal of, interest and premium, if any, on the Bonds.

Bonds and coupons for the payment or redemption of which moneys shall have been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds) shall be deemed to be paid within the meaning of this Article;

provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or arrangements satisfactory to the Trustee shall have been made for the giving thereof.

ARTICLE X

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

SECTION 1001. Defaults; Events of Default. If any of the following events occur, subject to the provisions of Sections 1012 and 1013 hereof, it is hereby defined as and declared to be and to constitute an "event of default":

(a) Default in the due and punctual payment of any interest on any Bond; or

(b) Default in the due and punctual payment of the principal of any Bonds (or premium thereof, if any), whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration.

(c) The occurrence of an "event of default" under Section 10.1(a) of the Lease Agreement.

(d) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the County in this Indenture or in the Bonds contained; or

(e) The occurrence of an "event of default" under Section 10.1 of the Lease Agreement arising out of matters referred to in Section 404, 405 and 507 hereof.

The term "default" shall mean default by the County in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, exclusive of any period of grace required to constitute a default an "event of default" as in this Article X provided and shall mean the occurrence of an "event of default" under Section 10.1 of the Lease Agreement arising out of matters referred to in Sections 404, 405 and 507 hereof.

SECTION 1002. Acceleration. Upon the occurrence of an event of default the Trustee may, and upon the written request of the holders of not less than twenty-five percent in aggregate principal amount of Bonds then outstanding shall, by notice in writing delivered to the County, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

SECTION 1003. Surrender of Possession of Mortgaged Property; Rights and Duties of Trustee in Possession; Other Remedies. Upon the occurrence of an event of default the County, upon demand of the Trustee, shall forthwith surrender the possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Mortgaged Property together with the books, papers and accounts of the County pertaining thereto, and including the rights and the position of the County under the Lease Agreement, and to hold, operate and manage the same, and from time to time make all needful repairs and improvements as by the Trustee shall be deemed wise; and the Trustee may lease the Project or any part thereof in the name and for account of the County and collect, receive and sequester the rents, revenues, issues, earnings, income, products and profits therefrom, and out of the same and any moneys received from any receiver of any part thereof pay, and/or set up proper reserves for the payment of all proper costs and expenses of so taking, holding and managing the same, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the Trustee hereunder, and any taxes and assessments and other charges prior to the lien of this Indenture which the Trustee may deem it wise to pay, and all expenses of such repairs and improvements,

and apply the remainder of the moneys so received in accordance with the provisions of Section 1008 hereof. Whenever all that is due upon the Bonds shall have been paid and all defaults made good, the Trustee shall surrender possession to the County; the same right of entry, however, to exist upon any subsequent event of default.

While in possession of such property the Trustee shall render annually to the County and the Lessee and also to the Bondholders, at their addresses set forth in the list required by Section 408 hereof and to the holders of all Bonds then registered as to principal (except to bearer) at their addresses shown by the registration books, a summarized statement of income and expenditures in connection therewith.

Upon the occurrence of an event of default the lien on the Project created and vested by this Indenture may be foreclosed either by sale at public outcry or by proceedings in equity and the Trustee or the holder or holders of any of the Bonds then outstanding, whether or not then in default of payment of principal or interest, may become the purchaser at any foreclosure sale if the highest bidder.

Upon the occurrence of an event of default, Trustee shall have the power to proceed with any right or remedy granted by the Constitution and laws of the State of South Carolina, as it may deem best, including any suit, action or special proceeding in equity or at law for the special performance of any covenant or agreement contained herein or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect the rights aforesaid, insofar as such may be authorized by law, and the right to appointment, as a matter of right and without regard to the sufficiency of the security afforded by the Mortgaged Property, of a receiver for all or

any part of the Mortgaged Property and the earnings, rents and income thereof; the rights here specified are to be cumulative to all other available rights, remedies or powers and shall not exclude any such rights, remedies or powers.

SECTION 1004. Rights of Bondholders. In an event of default shall have occurred, and if requested so to do by the holders of not less than twenty-five per cent in the aggregate principal amount of Bonds then outstanding and if indemnified as provided in Section 1101(1) hereof, the Trustee shall be obliged to exercise such one or more of the rights and powers conferred by this Section and by Section 1003 as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Bondholders.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default hereunder, whether by the Trustee or by the Bondholders shall extend to or shall affect any subsequent default or event of default shall impair any rights or remedies consequent thereon.

SECTION 1005. Rights of Bondholders to Direct Proceedings. Anything in this Indenture to the contrary notwithstanding,

the holders of a majority in aggregate principal amount of Bonds then outstanding (determined subject to the provision of Section 1401(e) hereof) shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

SECTION 1006. Appointment of Receivers. Upon the occurrence of an event of default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders or the bearers of the coupons under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Mortgaged Property and of the rents, revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

SECTION 1007. Foreclosure of Indenture. Upon the occurrence of an event of default, to the extent that such right may then lawfully be waived, neither the County, nor anyone claiming through or under it, shall set up, claim, or seek to take advantage of any appraisement, valuation, stay, extension or redemption laws now or hereinafter in force, in order to prevent or hinder the enforcement of the Indenture or the foreclosure of the Indenture, and the County, for itself and all who may claim through or under it, thereby waives, to the extent that it lawfully may do so, the benefit of all such laws and all right of appraisement and redemption to which it may be entitled under the laws of South Carolina.

SECTION 1008. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys in the Bond Fund shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First--To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second--To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full principal of, premium, if any, and interest on the Bonds due on any particular date, then to the payment ratably, according to the amount of the

principal, interest, and premium, if any, due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Bonds, without reference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal, premium, if any, and interest to the persons entitled thereto without discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date

interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the bearer of any unpaid coupon or the holder of any Bond until such coupon or such Bond and all unmatured coupons, if any, appertaining to such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal of, premium, if any, and interest on all Bonds have been paid under the provisions of this Section 1008 and all expenses and charges of the Trustee shall have been paid, any balance remaining in the Bond Fund shall be paid to the Lessee as provided in Section 510 hereof.

SECTION 1009. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds or coupons may be enforced by the Trustee without the possession of any of the bonds or coupons or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any holders of the Bonds or bearers of coupons, and any recovery of judgment shall be for the equal benefit of the holders of the outstanding Bonds and the bearers of the outstanding coupons.

SECTION 1010. Rights and Remedies of Bondholders. No holder or bearer of any Bond or coupon, as the case may be, shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy hereunder, unless also a default

has occurred of which the Trustee has been notified as provided in subsection (g) of Section 1101, or of which by said subsection it is deemed to have notice, nor unless also such default shall have become an event of default and the holders of at least twenty-five per cent in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in Section 1101(1) nor unless the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its, his or their own name or names; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more holders or bearers of the Bonds or coupons shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the holders of all Bonds and the bearers of all coupons then outstanding. Nothing in this Indenture contained shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, premium, if any, and interest of any Bond at and after the maturity thereof, or the obligation

of the County to pay the principal of, premium, if any, and interest on each of the Bonds issued hereunder to the respective holders thereof and to the bearers of the coupons at the time, place from the source and in the manner in said said Bonds and the coupons expressed.

SECTION 1011. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been adversely, then and in every such case the County and the Trustee shall be restored to their former positions and rights hereunder with respect to the Mortgaged Property herein conveyed, and all rights and remedies and powers of the trustee shall continue as if no such proceedings had been taken.

SECTION 1012. Waivers of Events of Default. The Trustee shall waive any event of default hereunder and its consequences and rescind any declaration of maturity of principal of and interest on the Bonds upon the written request of the holders of a majority in aggregate principal amount of all Bonds then outstanding; provided, however, that there shall not be waived (a) any event of default in the payment of the principal of any outstanding Bonds at the date of maturity specified therein, or (b) any default in the payment when due of the interest or premium on any such Bonds unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such default shall have occurred on overdue installments of interest or all arrears of payments of principal or premium when due (whether at the stated maturity thereof or upon proceedings for redemption) as the case may be, and all expenses of the

Trustee, in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the County, Trustee and Bondholders and bearers of coupons shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

SECTION 1013. Notice of Defaults; Opportunity of the County and Lessee to Cure Defaults. Anything herein to the contrary notwithstanding, no default (other than a default under Section 1001(a), Section 1001(b) or Section 1001(c) hereof, to which this Section 1013 shall not be applicable) shall constitute an event of default until actual notice of such default by registered or certified mail shall be given by the Trustee or by the holders of not less than twenty-five per cent of the aggregate principal amounts of Bonds then outstanding to the Lessee and the County, and the County shall have had thirty days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided, however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an event of default if corrective action is instituted by the Lessee or the County as the case may be, within the applicable period and diligently pursued until the default is corrected.

With regard to any alleged default concerning which notice is given to the Lessee under the provision of this Section 1013, the County hereby grants the Lessee full authority for account

of the County to perform any covenant or obligation alleged in said notice to constitute a default, in the name and stead of the County with full power to do any and all things and acts to the same extent that the County could do and perform any such things and acts and with power of substitution.

In the event that the Trustee fails to receive, at least seven days prior to any semi-annual interest payment date, the rental payable by the Lessee under Section 5.3 of the Lease Agreement, the Trustee shall forthwith give notice by telegram, or if telegraphic service is not available then by mail to the Lessee specifying such failure.

SECTION 1014. Powers of Trustee upon Event of Default under Lease Agreement or in Payment of Bonds. If the rents required to be paid under Section 5.3 of the Lease Agreement are not paid at least seven days prior to the semi-annual interest payment date before which such rents are due, or in case of an event of default, as defined in Section 1001 hereof in the payment of principal of, premium, if any, or interest on any Bonds shall occur and be continuing, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of all sums due and unpaid under the Lease Agreement, the Bond Guaranty Agreement or the Bonds, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against any obligor thereon, and collect in the manner provided by law out of the property of any obligor thereon wherever situated the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of any obligor under the Lease Agreement under the National Bankruptcy Act or any other applicable law,

or in case a receiver or trustee shall have been appointed for the property of any such obligor, or in case any other judicial proceedings relative to any obligor under the Lease Agreement, or to the creditors or property of any such obligor, the Trustee, irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the power vested in it by the Indenture, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee, its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith) and of the Bondholders allowed in any such judicial proceedings relative to the Lessee or any other obligor under the Lease Agreement or to the creditors or property of the Lessee, or any such other obligor, as the case may be, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Bondholders and of the Trustee on their behalf; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of the Bondholders to make payments to the Trustee and, in the event that the Trustee shall consent to the making of payments directly to the Bondholders, to pay to the Trustee such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances

made, by the Trustee except as a result of its negligence or bad faith.

In case of a default hereunder the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture, the Lease Agreement and the Bond Guaranty Agreement by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture, the Lease Agreement or the Bond Guaranty Agreement, or in aid of the exercise of any power granted in this Indenture, the Lease Agreement, the Bond Guaranty Agreement or to enforce any other legal or equitable right vested in the Trustee by this Indenture, the Lease Agreement, the Bond Guaranty Agreement or by law.

ARTICLE XI

THE TRUSTEE

SECTION 1101. Acceptance of the Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees, and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may be reasonably employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the County or the Lessee). The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(b) The Trustee shall not be responsible for any recital herein, or in the Bonds (except in respect to the authentication certificate of the Trustee endorsed on the Bonds), or for insuring the property conveyed hereby, or for collecting any insurance moneys, or for the validity of the execution by the County of this Indenture or of any supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for the value or title of the property conveyed hereby or

otherwise as to the maintenance of the security hereof; except that in the event the Trustee enters into possession of a part or all of the property conveyed hereby pursuant to any provision of this Indenture it shall use due diligence in preserving such property; and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the County or on the part of the Lessee under the Lease Agreement, except as herein expressly set forth; but the Trustee may require of the County or the Lessee full information and advice as to the performance of the covenants, conditions and agreements aforesaid and as to the condition of the property conveyed hereby. Except as otherwise provided in Section 1003 hereof, the Trustee shall have no obligation to perform any of the duties or obligations of the County, as lessor, under the Lease Agreement.

(c) The Trustee shall not be accountable for the use of the proceeds from the sale of the Bonds disbursed in accordance with the provisions of Sections 4.2 and 4.3 of the Lease Agreement. The Trustee may become the owner of Bonds and coupons secured hereby with the same rights which it would have if not Trustee.

(d) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person

who at the time of making such request or giving such authority or consent is the owner of any Bond, shall be conclusive and binding upon all future owners of the same Bond and of Bonds issued in exchange therefor or in place thereof.

(e) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the County Board by its Chairman and attested by its Secretary as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (g) of this Section, or of which by said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of the Secretary of the County Board under its seal to the effect that a resolution in the form therein set forth has been adopted by the County Board as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(f) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except (i) failure by the County to cause to be made any of the payments to the Trustee required to be made by Article V and (ii) failure by the Lessee to make any of the payments to the Trustee required to be made by Section 5.3 of the Lease Agreement, unless the Trustee shall be specifically notified in writing of such default by the County or by the holders of at least twenty-five per cent in aggregate principal amount of all Bonds then outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee, must, in order to be effective, be delivered at the principal office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as aforesaid.

(h) The Trustee shall not be liable for any debts contracted or for damages to persons or to personal property injured or damages, or for salaries or non-fulfillment of contracts during any period in which it may be in the possession of or managing the Mortgaged Property as in this Indenture provided.

(i) At any and all reasonable times, the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect any and all of the Project, including all books, papers and records of the County pertaining to the Project and the Bonds, and to take such memoranda from and in regard thereto as may be desired; subject to the limitations imposed upon such

rights of inspection pursuant to Section 8.2 of the Lease Agreement.

(j) The Trustee shall not be required to give any bond or surety in respect to the execution of the said trusts and powers or otherwise in respect to the premises.

(k) Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals, or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Trustee deemed desirable for the purpose of establishing the right of the County to the authentication of any Bonds, the withdrawal of any cash, the release of any property or the taking of any other action by the Trustee.

(l) Before taking any action hereunder the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default by reason of any action so taken.

(m) All moneys received by the Trustee or paying agent shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law or by this

Indenture. Neither the Trustee nor paying agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

SECTION 1102. Fees, Charges and Expenses of Trustee.

The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for its Ordinary Services rendered hereunder, and all advances, counsel fees and other Ordinary Expenses reasonably and necessarily made or incurred by the Trustee in connection with such Ordinary Services and, in the event that it should become necessary that the Trustee perform Extraordinary Services, it shall be entitled to reasonable extra compensation therefor, and to reimbursement for reasonable and necessary Extraordinary Expenses in connection therewith; provided, that if such Extraordinary Services or Extraordinary Expenses are occasioned by the neglect or misconduct of the Trustee, it shall not be entitled to compensation or reimbursement therefor. The Trustee shall be entitled to payment and reimbursement for the Bonds and coupons as hereinabove provided. The Trustee shall have a lien with right of payment prior to payment on account of interest or principal of any Bond upon the Project for the foregoing advances, fees, costs, and expenses incurred.

SECTION 1103. Notice to Bondholders If Default Occurs.

If a default occurs of which the Trustee is by subsection (g) of Section 1101 hereof required to take notice or if notice of default be given as in said subsection (g) provided, then the Trustee shall give such notice to the Lessee and the County as is specified in Section 1013 hereof, and such notice to the Lessee as is specified in Section 10.1 of the Lease Agreement, in order to have such default mature as an event of default upon the passage of the period of time therein specified and shall give written notice thereof by mail to the last known

holders or owners of all Bonds then outstanding shown by the list of Bondholders required by the terms of Section 408 hereof to be kept at the office of the Trustee and by the registration books maintained by the Trustee pursuant to Section 208 hereof.

SECTION 1104. Intervention by Trustee. In any judicial proceeding to which the County is a part and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of owners of the Bonds, the Trustee may intervene on behalf of Bondholders and shall do so if requested in writing by the owners of at least twenty-five per cent in aggregate principal amount of all Bonds then outstanding. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

SECTION 1105. Successor Trustee. Any corporation or association into which the Trust may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instruments or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 1106. Resignation by the Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving thirty days' written notice to the County, to the Lessee and by registered or certified mail to each registered owner of Bonds then outstanding and to each

holder of Bonds as shown by the list of Bondholders required by Section 408 hereof to be kept at the office of the Trustee, and such resignation shall take effect at the end of such thirty days, or upon the earlier appointment of a successor Trustee by the Bondholders or by the County. Such notice to the County and to the Lessee may be served personally or sent by registered mail.

SECTION 1107. Removal of the Trustee. The Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee and to the County, and signed by the owners of a majority in aggregate principal amount of all Bonds then outstanding.

SECTION 1108. Appointment of Successor Trustee by the Bondholders; Temporary Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the owners of a majority in aggregate principal amount of Bonds then outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their attorneys in fact, duly authorized; provided, nevertheless, that in case of vacancy the County by an instrument executed and signed by the Chairman of the County Board and attested by the Secretary of the County Board under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by such Bondholders in the manner above provided; and any such temporary Trustee so appointed by the County shall immediately and without further act be superseded by the Trustee so appointed by such Bondholders. Every such Trustee appointed pursuant to the provisions of this

Section shall be a trust company or bank organized under the laws of the United States of America or any state thereof and which is in good standing, within or outside the State of South Carolina, having a reported capital and surplus of not less than \$12,000,000 if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

SECTION 1109. Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the County an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become dully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the County, or of its successor, and upon payment of all amounts due such predecessor pursuant to Section 1102 hereof, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the County be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor any and all such instruments in writing, shall, on request, be executed, acknowledged and delivered by the County. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article shall be filed and/or recorded by the successor Trustee in each recording office where the Indenture shall have been filed and/or recorded.

SECTION 1110. Right of Trustee to Pay Taxes and Other Charges. In case any tax, assessment or governmental or other charge upon any part of the property herein conveyed is not paid as required herein, the Trustee may pay such tax, assessment or governmental or other charge, without prejudice, however, to any rights of the Trustee or the Bondholders hereunder arising in consequence of such failure; and any amount at any time so paid under this Section, with interest thereon from the date of payment at the rate of seven per cent per annum, shall become so much additional indebtedness secured by this Indenture, and the same shall be given a preference in payment over any of the Bonds, and shall be paid out of the revenues herein pledged to the payment of the Bonds if not otherwise caused to be paid; but the Trustee shall be under no obligation to make any such payment unless it shall have been requested to do so by the holders of at least twenty-five per cent in the aggregate principal amount of all Bonds then outstanding and shall have been provided with adequate funds for the purpose of such payment.

SECTION 1111. Trustee Protected in Relying Upon Resolutions, etc. The resolutions, opinions, certificates and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the release of property and the withdrawal of cash hereunder.

SECTION 1112. Successor Trustee as Trustee of Bond Fund and Construction Fund, Paying Agent and Bond Registrar. In the event of a change in the office of Trustee the predecessor Trustee which has resigned or has been removed shall cease to be trustee of the Bond Fund and the Construction Fund, and paying agent for principal of and interest and premium, if any, on

the Bonds and Bond Registrar and the successor Trustee shall become such Trustee, paying agent and Bond Registrar.

SECTION 1113. Trust Estate May Be Vested in Separate or Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of South Carolina) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Lease Agreement, and in particular in case of the enforcement of either on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the Mortgaged Property, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section 1113 are adapted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee (and the Trustee is hereby expressly granted such power), each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from the County be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances, and instruments in writing shall, on request, be executed, acknowledged and delivered by the County. In case any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

ARTICLE XII

SUPPLEMENTAL INDENTURES

SECTION 1201. Supplemental Indentures Not Requiring Consent of Bondholders. The County and the Trustee may without the consent of, or notice to, any of the Bondholders, enter into an indenture or indentures supplemental to this Indenture as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in this Indenture;

(b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them;

(c) to subject to the lien and pledge of this Indenture additional revenues, properties or collateral; and

(d) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar Federal statute hereafter in effect or under any state Blue Sky Law.

The County and the Trustee shall without the consent of, or notice to, any of the Bondholders enter into an indenture or indentures supplemental to this Indenture (i) to the extent necessary with respect to the land, easements and buildings forming a part of the Project and generally described as Exhibit A attached hereto so as to more precisely identify the same or to

substitute or add additional land, easements and buildings (including fixtures), (ii) with respect to any changes required to be made in the description of the Mortgage Property in order to conform with similar changes made in the Lease Agreement as permitted by Section 1301.

SECTION 1202. Supplemental Indentures Requiring Consent of Bondholders. Exclusive of indentures supplemental hereto covered by Section 1201 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the holders of not less than two-thirds in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the County and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the County for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this Section contained shall permit, or be construed as permitting (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate, or extension of the time of payment, of interest on, or reduction of any premium payable on the redemption of, any Bonds, without the consent of the holder of such Bonds, or (b) the creation of any lien (other than any Permitted Encumbrances as defined in the Lease Agreement) prior to or on a parity with the lien of this Indenture, or (c) the issuance of Bonds hereunder in excess of the limitation imposed by Section 201 or (d) a reduction in the aforesaid aggregate principal amount of Bonds the holders of which are required to consent to any such

supplemental indenture, without the consent of the holders of all the Bonds at the time outstanding which would be affected by the action to be taken, or (e) the modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee.

If at any time the County shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be published as shall be requested by the County and in any event one time in a newspaper or financial journal of general circulation published in the City of New York, New York, and shall also cause a similar notice to be mailed, postage prepaid, to all registered Bondholders; provided, however, that no publication of such notice shall be required and notice by mail as aforesaid shall be deemed sufficient notice where all Bonds outstanding are registered. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Bondholders. If, within sixty days or such longer period as shall be prescribed by the County following the final publication of such notice, the holders of not less than two-thirds in aggregate principal amount of the Bonds outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no holder of any Bond and no bearer of any coupon shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin

or restrain the Trustee or the County from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

Anything herein to the contrary notwithstanding, a supplemental indenture under this Article XII which affects any rights of the Lessee shall not become effective unless and until the Lessee shall have consented to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture together with a copy of the proposed supplemental indenture to be mailed by certified or registered mail to the Lessee at least fifteen days prior to the proposed date of execution and delivery of any supplemental indenture. The Lessee shall be deemed to have consented to the execution and delivery of any such supplemental indenture if the Trustee does not receive a letter of protest or objection thereto signed by or on behalf of the Lessee on or before 2:30 o'clock P. M., E. S. T., of the fifteenth day after mailing of said notice and a copy of the proposed supplemental indenture. The Trustee may rely upon an opinion of counsel as conclusive evidence that execution and delivery of a supplemental indenture has been effected in compliance with the provisions of this Article XII.

ARTICLE XIII

AMENDMENT OF LEASE AGREEMENT

SECTION 1301. Amendments, etc., to Lease Agreement Not Requiring Consent of Bondholders. The County and the Trustee may without the consent of or notice to the Bondholders consent to any amendment, change or modification of the Lease Agreement as may be required (i) by the provisions of the Lease Agreement and this Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) in connection with the lands, easements and buildings described in Exhibit A to the Lease Agreement so as to identify more precisely the same or substitute or add additional land, easements and buildings (including fixtures), or (iv) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee, or materially adverse to the holders of the Bonds.

SECTION 1302. Amendments, etc., to Lease Agreement Requiring Consent of Bondholders. Except for the amendments, changes or modifications as provided in Section 1301 hereof, neither the County nor the Trustee shall consent to any other amendment, change or modification of the Lease Agreement without notice to and the written approval or consent of the holders of not less than two-thirds in aggregate principal amount of the Bonds at the time outstanding given and procured as in Section 1202 provided. If at any time the County and the Lessee shall request the consent of the Trustee to any such proposed amendment, change or modification of the Lease Agreement, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given and shall state that copies of the instrument embodying the same are on file at the corporate trust office of the Trustee

for inspection by all Bondholders. If, within sixty days or such longer period as shall be prescribed by the County following the giving of such notice, the holders of not less than two-thirds in aggregate principal amount of the Bonds outstanding at the time of the execution of such proposed amendment shall have consented to and approved the execution thereof as herein provided, no holder of any Bond and no bearer of any coupon shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the County from consenting to the execution thereof or from taking any action pursuant to the provisions thereof. Upon the execution of any such amendment as in this Section permitted and provided, the Lease Agreement shall be and be deemed to be modified and amended in accordance therewith.

ARTICLE XIV

MISCELLANEOUS

SECTION 1401. Consents, etc., of Bondholders. Any consent, request, direction, approval, waiver, objection or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership such affidavit or certificate shall also constitute sufficient proof of his authority.

(b) The amount of Bonds, transferable by delivery held by any person executing any such request, consent or other instrument or writing as a Bondholder, and the distinguishing numbers of the Bonds held by such person,

and the date of his holding the same may be proved by a certificate executed by any trust company, bank, banker, or other depository (wherever situated), showing that at the date therein mentioned such person had on deposit with such depository, or exhibited to it, the Bonds therein described, or such facts may be proved by the certificate or affidavit of the person executing such request, consent or other instrument or writing as a Bondholder, if such certificate or affidavit shall be deemed by the Trustee to be satisfactory. The Trustee and the County may conclusively assume that such ownership continues until written notice to the contrary is served upon the Trustee. The fact and the date of execution of any request, consent, or other instrument and the amount and distinguishing numbers of Bonds held by the person so executing such request, consent or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The Trustee may nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.

(c) The ownership of registered Bonds shall be proved by the register of such Bonds.

(d) Any request, consent or vote of the holder of any Bond shall bind every future holder of the same Bond and the holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the County in pursuance of such request, consent or vote.

(e) In determining whether the holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or

waiver under this Indenture, Bonds which are owned by the County, by the Lessee, or by any other obligor under the Lease Agreement or on the Bonds, or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the County, the Lessee, or any other obligor under the Lease Agreement or on the Bonds, shall be disregarded and deemed not to be outstanding for the purpose of any such determination, provided that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver only Bonds which the Trustee knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section 1401 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under common control with the County or any other obligor under the Lease Agreement or on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 1402. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person or company other than the parties hereto, and the holders of the Bonds and the bearers of coupons appertaining thereto, any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained;

this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the holders of the Bonds and coupons as herein provided.

SECTION 1403. Severability. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any Constitution or statute or rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

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

SECTION 1404. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, postage prepaid, or given when dispatched by telegram when telegraphic notice is permitted by express provisions of this Agreement, addressed as follows: if to the County, to the Board of Directors of York County, York County Courthouse, York, South Carolina; if to the Lessee at _____, Attention: _____; if to the Trustee at Charlotte, North Carolina, Attention: Corporate Trust Department. The County, the Lessee, and the Trustee may, by notice given to all parties to this Agreement and the Indenture, designate

any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 1405. Trustee as Paying Agent and Registrar.

The Trustee is hereby designated and agrees to act as a paying agent and the Bond Registrar for and in respect to the Bonds.

SECTION 1406. Payments Due on Sundays and Holidays.

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Sunday or shall be in North Carolina a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date in such city but may be made on the next succeeding business day not a Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

SECTION 1407. Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 1408. Laws Governing Indenture and Situs and Administration of Trust. The effect and meaning of this Indenture and the rights of all parties hereunder shall be governed by, and construed according to, the laws of the State of South Carolina, but it is the intention of the County that the situs of the trust created by this Indenture to be in the state in which is located the corporate trust office of the Trustee from time to time acting under this Indenture. The word "Trustee" as used in the preceding sentence shall not be deemed to include any additional individual or institution appointed as a separate or co-trustee pursuant to Section 1113 of this Indenture. It

is the further intention of the County that the Trustee administer said trust in the state in which is located, from time to time, the situs of said trust.

IN WITNESS WHEREOF, YORK COUNTY has caused these presents to be signed in its name and behalf by the Chairman of the Board of Directors of York County and its corporate seal to be hereunto affixed and attested by the Secretary of the Board of Directors of York County and to evidence its acceptance of the trusts hereby created, NORTH CAROLINA NATIONAL BANK has caused these presents to be signed in its name and behalf by one of its Trust Officers, its official seal to be hereunto affixed, and the same to be attested by one of its Assistant Trust Officers, all as of the day and year first hereinabove written.

YORK COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman of the Board of Directors
of York County

Attest:

Secretary of the Board of
Directors of York County

In the presence of:

NORTH CAROLINA NATIONAL BANK, Trustee

(SEAL)

By _____
Trust Officer

Attest:

Assistant Trust Officer

In the presence of:

STATE OF _____,

COUNTY OF _____.

SS:

PERSONALLY appeared before me _____
who being duly sworn says that he saw the corporate seal of
NORTH CAROLINA NATIONAL BANK, as Trustee, affixed to the foregoing
Trust Indenture, and that he also saw _____
as Trust Officer and _____ as an Assistant
Trust Officer of NORTH CAROLINA NATIONAL BANK, as Trustee, sign
and attest the same, and that he with _____
_____ witnessed the execution and delivery thereof
as the act and deed of the said NORTH CAROLINA NATIONAL BANK,
as Trustee.

SWORN to before me this

_____ day of _____, 1971.

Notary Public for the State of _____ (L.S.)

My Commission Expires _____.

STATE OF SOUTH CAROLINA,
COUNTY OF YORK.

SS:

PERSONALLY appeared before me _____
who being duly sworn says that he saw the corporate seal of
York County, S. C., affixed to the foregoing Trust Indenture,
and that he also saw _____, as Chairman
of the Board of Directors of York County, S.C., and _____
_____ as Secretary of the Board of Directors of York
County, S.C., sign and attest the same and that he with _____
_____ witnessed the execution and delivery thereof
as the act and deed of the said York County, S. C.

SWORN to before me this

_____ day of _____, 1971.

(L.S.)

Notary Public for the State of
South Carolina

My Commission Expires _____.

EXHIBIT "A"

DESCRIPTION OF LEASED LAND

(Attached to the Trust Indenture dated as of December 1, 1971, between York County, South Carolina, and North Carolina National Bank, as Trustee)

TRACT NO. 1

All that certain piece, parcel or tract of land located in York Township, County and State aforesaid and near the southern city limits of the City of York, South Carolina, and on the east side of old Chester Highway (near U. S. Highway No. 321) containing 2.859 acres more or less and being designated as Tract No. 1 on a plat of survey prepared by John Quinn Hall, Registered Land Surveyor, dated August 16, 1971, entitled "Property of York Community Development Corporation" and said plat recorded in Plat Book 39 at page 235, R. M. C. Office for York County, South Carolina. Said Tract No. 1 is more fully described by metes and bounds as follows:

Beginning at a point in center of old Chester Highway; thence S. 89-34 E. 480 feet more or less to a corner; thence S. 0-26 W. 240 feet to corner and wall of existing building; thence with said wall N. 89-34 W. 267 feet more or less to corner; thence S. 0-26 W. 96.7 feet more or less to corner; thence N. 89-34 W. 35 feet more or less to corner; thence N. 0-26 E. 96.7 feet more or less to corner; thence N. 89-34 W. 217 feet more or less to corner in center of old Chester Highway; thence with center of old Chester Highway N. 9-40 E. 243.2 feet more or less to the beginning point and corner.

TRACT NO. 2

All that certain piece, parcel or tract of land located in York Township, County and State aforesaid and near the southern city limits of the City of York, South Carolina, and on the east side of old Chester Highway (near U. S. Highway 321) containing 4.712 acres more or less and being designated as Tract No. 2 on a plat of survey prepared by John Quinn Hall, Registered Land Surveyor, dated August 16, 1971, entitled "Property of York Community Development Corporation", and said plat recorded in Plat Book 39 at page 235, R. M. C. Office for York County, South Carolina. Said Tract No. 2 is more fully described by metes and bounds as follows:

Beginning at a point in center of old Chester Highway thence S. 89-34 E. 306.7 feet more or less to a corner; thence N. 0-26 E. 133.5 feet more or less to corner; thence S. 89-34 E. 35 feet more or less to corner and wall of existing building; thence S. 0-26 W. 133.5 feet more or less to corner; thence S. 89-34 E. 328.9 feet more or less to corner; thence S. 0-26 W. 317 feet more or less to corner; thence N. 89-34 W. 435.2 feet more or less to corner; thence N. 7-26 E. 58 feet more or less to corner; thence N. 82-34 W. 303.7 feet more or less to corner in center of old Chester Highway; thence with center of old Chester Highway N. 15-18 E. 231 feet more or less to the beginning point and corner.

EXHIBIT "A"

DESCRIPTION OF LEASED LAND (Cont'd)

EASEMENTS

The following Easements which are appurtenant to the above described Tracts 1 and 2 for the purpose of providing access between the separate portions of the Building to be constructed thereon and for the purpose of providing utility services to the Building:

1. The Easement and Right-of-way for ingress and egress between the above described Tracts 1 and 2 over the premises lying between said Tracts 1 and 2 as such premises are more fully shown on the plat hereinabove described, provided that this Easement and Right-of-way shall be limited to the passageways and access available on the date of this Agreement upon the said premises located between Tracts 1 and 2 and to such other passageways and access as may be substituted therefor by the Lessee with the consent of the County and the Trustee.

2. Easements and Rights-of-way over, upon and under the premises located between the said Tracts 1 and 2 as shown on the said plat for the purpose of maintaining, repairing, replacing, improving and enlarging pipes, conduits, wires and lines providing water, sewer, electric and gas service to Tracts 1 and 2. These Easements shall be located and relocated upon the said premises lying between Tracts 1 and 2 as designated from time to time by the Lessee, its successors or assigns.

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BOND GUARANTY AGREEMENT

FOR VALUE RECEIVED, and as an inducement to and as part of the consideration for the issuance, execution, sale, delivery and purchase of \$1,000,000 York County, South Carolina, First Mortgage Industrial Revenue Bonds, Series 1971 (Huntley of York, Ltd. - Lessee) dated as of December 1, 1971 (the "Bonds"), under an Indenture dated as of December 1, 1971 (the "Indenture"), between York County (the "County") and North Carolina National Bank, as Trustee (the "Trustee"), the undersigned, Huntley of York, Ltd., a North Carolina corporation (the "Guarantor"), unconditionally guarantees to the Trustee, and its successors in trust and assigns, for the benefit of the holders of the Bonds and any coupons attached thereto, the full and prompt payment, when due and at all times thereafter, of each and every installment of principal and interest (and premium, if any) as and when the same become due upon the Bonds and each of them. The Guarantor further unconditionally agrees to pay all expenses and charges, legal or otherwise (including court costs and attorneys' fees) paid or incurred by the Trustee, its successors in trust or assigns, or by the holder of any Bond, in realizing upon any of the payments hereby guaranteed or in enforcing this Bond Guaranty Agreement.

This Agreement shall remain in full force and effect until the Bonds, principal, interest and premium, if any, have been fully paid, irrespective of the bankruptcy, insolvency, reorganization or dissolution of the County or any assignment for benefit of creditors by the County.

This Agreement and the liability hereunder shall in no wise be affected or impaired by (and the County, its successors or assigns are hereby expressly authorized to make from time to time without notice to anyone) any compromise, settlement,

release, renewal, extension, indulgence, change in or modification of any of the obligations and liabilities under the Lease between the County and the said Huntley of York, Ltd., as lessee, dated as of December 1, 1971 (the "Lease"), or by any redelivery, repossession, surrender or destruction of the Project (as defined in the Lease), in whole or in part, or by any failure, neglect or omission on the part of the County, its successors or assigns, to realize upon any obligations or liabilities of the lessee under the Lease, or to give notice to the Guarantor of the occurrence of any default under the Lease.

The obligations, covenants, agreements and duties of the Guarantor under this Agreement shall not be affected or impaired by reason of the happening from time to time of any of the following with respect to the Lease or the assignment thereof to the Trustee or this Agreement although without notice to or consent of Guarantor: (a) any assignment or mortgaging or the purported assignment or mortgaging of all or any part of the interest of lessee under the Lease in the Lease or in the Project (as defined in the Lease); (b) the waiver by the County or the Trustee of the performance or observance by lessee under the Lease or the waiver by the Trustee of the performance or observance by the Guarantor under this Agreement of any of the agreements, covenants, terms or conditions contained in any of such instruments; (c) the extension of the time for payment by lessee under the Lease or by the Guarantor under this Agreement of any rents or other sums or any part thereof owing or payable under any of such instruments or of the time for performance by lessee under the Lease or Guarantor under this Agreement of any other obligations under or arising out of any of such instruments or the extension; (d) the modification or amendment (whether material or otherwise) of any duty, agreement or obligation

of the lessee under the Lease; (e) the taking or the omission of any of the actions referred to in the Lease or in this Agreement; (f) any failure, omission, delay or lack on the part of the County or the Trustee to enforce, assert or exercise any right, power or remedy conferred on the County or the Trustee in any of such instruments, or any action on the part of the County or the Trustee granting indulgence or extension in any form; (g) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar proceeding affect the lessee under the Lease or Guarantor or any of their assets, or the disaffirmance of the lessee under the Lease or any contest of the validity of the Lease in any such proceeding; (h) the release or discharge of lessee under the Lease or the Guarantor from the performance or observance of any agreement, covenant, term or condition contained in any of such instruments by operation of law; (i) the release, substitution or replacement in accordance with the terms of the Lease of any property subject thereto; (j) the receipt and acceptance by the County or the Trustee of notes, checks, or other instruments for the payment of moneys made by lessee under the Lease and extensions and renewals thereof, or (k) any other cause, whether similar or dissimilar to the foregoing.

Without limiting the foregoing, it is specifically understood that any modification, limitation or discharge of the County's liability under the Bonds or of the liability of the lessee under the Lease, arising out of or by virtue of any bankruptcy arrangement, reorganization or similar proceeding for relief of debtors

under Federal or State law hereinafter initiated by or against the County or the Guarantor shall not affect, modify, limit or discharge the liability of the Guarantor in any manner whatsoever and this Agreement shall remain and continue in full force and effect and shall be enforceable against the Guarantor to the same extent and with the same force and effect as if any such proceedings had not been instituted; and it is the intent and purpose of this Agreement that the Guarantor shall and does hereby waive all rights and benefits which might accrue to it by reason of any such proceeding and that it shall be liable for an amount equal to the full amount payable upon the Bonds, including principal, interest and premium, if any, irrespective of, and without regard to, any modification, limitation or discharge of the liability of the County that may result from any such proceeding.

No act of commission or omission of any kind or at any time upon the part of the Trustee, its successors or assigns, in respect of any matter whatsoever shall in any way affect or impair the rights of the Trustee or any successor or assignee of the Trustee to enforce any right, power or benefit of the Trustee under this Agreement, and no set-off, claim, reduction or diminution of an obligation, or any defense of any kind or nature which the Guarantor has or may have against the Trustee or any assignee or successor thereof shall be available to the Guarantor against the Trustee or against any assignee or successor of the Trustee.

The Trustee, its successors and assigns, in its or their sole discretion, shall have the right to proceed first and directly against the Guarantor, its successors and assigns, under this Agreement without proceeding against or exhausting its

remedies against the County, its successors or assigns, and without resorting to any other security held by the County or the Trustee, or their successors or assigns.

The Guarantor will keep and will cause each of its consolidated subsidiaries to keep proper books of record and account in accordance with generally accepted principles of accounting and will furnish to the Trustee, the initial purchaser of the Bonds, and, if requested in writing, to the holder of any Bond, all financial statements which it sends to its shareholders.

This Agreement and every part thereof shall be binding upon the Guarantor and its successors and assigns and shall inure to the benefit of the Trustee and its successors and assigns. The Guarantor agrees that so long as any Bonds are outstanding and unpaid, it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with it; provided, that the Guarantor may, without violating the agreement contained in this paragraph, consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge with it, or sell or otherwise transfer to another corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided that (i) such surviving successor or transferee corporation is a solvent corporation organized and existing under, or is duly qualified to do business in, the State of South Carolina, (ii) the surviving, resulting or transferee corporation, as the case may be, assumes in writing all of the obligations of the Guarantor under this Agreement, and (iii) there shall be filed with the Trustee a letter or certificate by a firm of certified public

accountants (which is of the size and type commonly referred to as nationally known certified public accountants and which is acceptable to the Trustee) certifying that after the consummation of such consolidation or merger or at the consummation of such transfer, as the case may be, the corporation resulting from or surviving such consolidation or merger will have or the corporation to which such transfer is made has, as the case may be, a tangible net worth (meaning the aggregate net book value of all of the assets of the Guarantor after deduction therefrom of (i) the book value of all intangible assets in the nature of but not limited to good will, patents, leasehold improvements, franchises, trademarks and trade names and research and development expenses and (ii) all liabilities of the Guarantor, all determined in accordance with generally accepted accounting principles) at least as great as the Lessee would have had if such consolidation or merger had not occurred or if such transfer had not been made, as the case may be.

The terms of this Agreement may be enforced as to any one or more breaches either separately or cumulatively. Notice of acceptance of this Agreement is waived by Guarantor.

The Guarantor irrevocably:

(a) agrees that any suit, action or other legal proceeding arising out of this Agreement may be brought in the courts of the State of South Carolina or the courts of the United States for the State of South Carolina;

(b) consents to the jurisdiction of each court in any such suit, action or proceeding; and

(c) waives any objection which it may have to the laying of the venue of any such suit, action or proceed-

ing in any of such courts.

For such time as any of the Bonds shall be outstanding, the Guarantor irrevocably designates the Secretary of State of South Carolina, Columbia, South Carolina, as the agent to accept and acknowledge in its behalf service of any and all process in any such suit, action or other legal proceeding brought in any such court, and agrees and consents that in any such suit, action or other legal proceeding service of process upon such agent shall be taken and held to be valid personal service upon the Guarantor, whether or not the Guarantor shall then be doing, or any time shall have done, business within the State of South Carolina, and that any such service of process shall be of the same force and validity as if service were made upon it according to the laws governing the validity and the requirements of such service in such state, and waives all claim of error by reason of any such service.

Such agent shall not have any power of authority to enter any appearance or to file any pleadings in connection with any suit, action or other legal proceeding against the Guarantor or to conduct the defense of any such suit, action or other legal proceeding.

IN WITNESS WHEREOF, Huntley of York, Ltd., has executed this Bond Guaranty Agreement by causing its corporate name to be hereunto subscribed by its President and its corporate Seal to be impressed hereon and attested by its Secretary; and North Carolina National Bank, as Trustee under the Indenture, has executed this Bond Guaranty Agreement by causing its name to be hereunto subscribed by one of its Trust Officers, its official seal to be impressed hereon and attested by one of its Assistant

Trust Officers, all being done as of December 1, 1971.

HUNTLEY OF YORK, LTD.

(SEAL)

By _____
President

Attest:

Secretary

Signed, sealed and delivered in
the presence of :

NORTH CAROLINA NATIONAL BANK, as
Trustee

(SEAL)


By _____
Trust Officer

Attest:

Assistant Trust Officer

Signed, sealed and delivered in
the presence of:

E N D


1103-a