

BUDGET AND CONTROL BOARD

MEETING OF 6/19/73

Attending: Governor John C. West, Mr. Henry Mills, Senator Rembert Dennis, and Mr. R. J. Aycock

Travel

The Budget and Control Board requested all State Employees to drive at speeds of at least ten miles per hour under posted rates.

Civil Contingent Fund

At the recommendation of the Attorney General's Office, the Board approved an expenditure of \$500 from the Civil Contingent Fund for payment of a civil suit against law enforcement officers in Charleston.

Architectual Contracts

The Board heard comments from representatives of the Architectual Association pertaining to rules for selecting architects or engineers. The group agreed to recommend substitute wording.

Retirement Division

A. The Board approved an evaluation of the Retirement System as of 1973 and the skipping of years intervening since 1968.

B. The Board approved a Resolution which will provide tax exemption for pre-retirement death benefits.

C. The Board approved a study of a tax sheltered annuity plan.

General Services

The Board approved numerous recommendations concerning rental space, purchase of autos, records disposition, etc.

Personnel Division

The Board approved:

A. A change in long term disability insurance. (No increase in rate.)

B. The retaining of Frank C. Brown Co. to study personnel classifications at a fee of \$27,500.

C. A 2.5% increase for heads of various facilities at Mental Health.

D. A 5.5% across-the-board increase for unclassified positions at Mental Health with an over-all 3% merit increase.

Lander College

The Board approved a request by Lander College that H. Davis Byrd, of Florence, South Carolina be retained as architect for developing a master plan for the Institution.

Computer Approvals

Changes in the computer equipment of Clemson University and South Carolina State College were approved.

1988

Mental Health Commission

The Board approved the following requests of the Mental Health Commission:

A. The installation of information and fire alarm systems at a cost of \$1,140,000 to be paid for through the issuance of Capital Improvement Bonds.

B. The waiving of the new requirement for the selection of architects had already been consulted. However, the Board requested a list of all architectural contracts during the past three years.

Clemson University

The Board approved a request by Clemson University for the construction of an Agricultural Administration Building and a Forest and Recreational Resources Facility at a cost of \$3,900,000. Capital Improvement Bonds have been approved for financing these projects.

1974-75 Budget Schedule

The Board agreed that the 1974-75 Budget Schedule should generally follow the same time frame as the schedule for last year. It was also agreed that the Senate Finance Committee and the House Ways and Means Committee should be encouraged to attend.

Industrial Revenue Bonds

The following Industrial Revenue Bonds were approved:

| | | |
|--------------------|-------------------------|--------------|
| Spartanburg County | Flowers Baking Co. | \$ 3,000,000 |
| Spartanburg County | C. H. Tanner Co. | 1,000,000 |
| Cherokee County | Litton Business Systems | 1,675,000 |
| Lexington County | Litton Business Systems | 1,325,000 |

There being no further business, the meeting was adjourned.

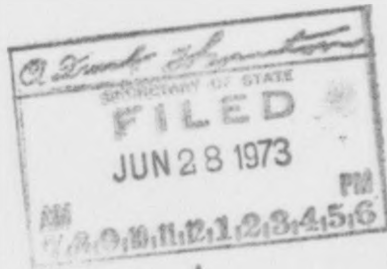
EXHIBIT I
JUNE 19, 1973

RETIREMENT SYSTEM FOR MEMBERS OF THE
GENERAL ASSEMBLY

Promulgated under authority granted by Act 800, Acts of 1966

RESOLVED, That the State Budget and Control Board, acting
in accordance with Act bearing Ratification No. 229 passed by the
1973 Session of the General Assembly, hereby adopts the attached
resolution.

The State Budget and Control Board of the South Carolina Re-
tirement System for Members of the General Assembly passed the
attached resolution on June 19, 1973.



State Budget and Control Board
South Carolina Retirement System
for Members of the General Assembly

By [Signature]
Chairman

Attest:

[Signature]
Secretary

CERTIFIED IN ACCORDANCE
WITH ACT NO. 716 OF 1964

[Signature]
CODE COMMISSIONER
6.28.73

RETIREMENT SYSTEM FOR MEMBERS OF THE
GENERAL ASSEMBLY

RESOLVED, That the following rules and regulations are hereby adopted and shall be applicable to all lump sum death benefits payable on deaths occurring on or after June 19, 1973:

1. Establishment of Group Life Insurance Plan. The Group Life Insurance Plan for Members of the South Carolina Retirement System for Members of the General Assembly, hereinafter referred to as the "Plan", is hereby established and created, for the purpose of providing group life insurance for the payment of the benefits provided by Section 61-280 of the laws governing said System.
2. Group Life Insurance Plan Reserve Fund. A separate fund, to be known as the Group Life Insurance Plan Reserve Fund, is hereby established within the South Carolina Retirement System for Members of the General Assembly, hereinafter referred to as the "Retirement System", to be held in trust by this Board. Such fund shall consist of all premiums paid by the employers and other monies received and paid into the fund for group term life insurance purposes, and of the investment earnings upon such monies, and shall be used only to pay the group term life insurance prescribed by section 3 hereof. Concurrent with the determination of the initial liability of the Plan for the balance of the fiscal year on and after the effective date of insurance, for the group term life insurance provided and to be paid for pursuant to this Plan, there shall be segregated and

transferred from the Employer Annuity Accumulation Fund of the Retirement System to the reserve fund created by this section such amounts as shall be determined by the actuary to be necessary to pay anticipated group term life insurance claims. Subsequent segregations and transfers shall be made as shall be required to pay the insurance prescribed by section 3 hereof from the reserve fund provided by this section.

3. Insurance payable in the event of death. In the event of the death of a member who has met the eligibility requirements set forth in Section 61-280 on or after the effective date of insurance, an amount of insurance equal to the death benefit provided by Section 61-280 shall be paid to the person nominated by the member in accordance with the provisions of Section 61-280 or to the member's estate.

4. Premiums. The actuary shall investigate the claim experience of the Plan as provided by Section 61-273. On the basis of such investigations and upon the recommendation of the actuary, this Board shall certify the premium rates computed to be necessary to fund the group life insurance authorized to be paid by the Plan. As soon as practicable after the close of each fiscal year, this Board shall determine the premium which the employers participating in the Plan are required to pay into the reserve fund to discharge the obligations of the Plan for the past fiscal year.

5. Effective date of insurance. Each qualified member of the Retirement System is to be insured as provided herein effective commencing as of June 19, 1973 and while in effect this insurance coverage shall constitute a contractual relationship.

SOUTH CAROLINA RETIREMENT SYSTEM

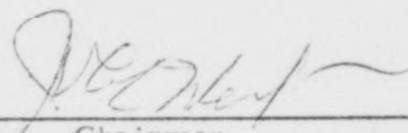
Promulgated under authority granted by Act 159, Acts of 1945
Section 61-19 of the 1962 Code

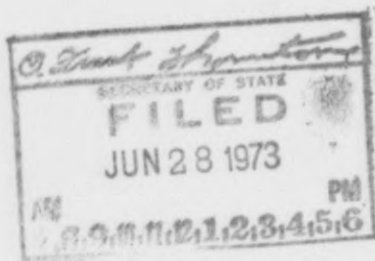
RESOLVED, That the State Budget and Control Board, acting
in accordance with Act bearing Ratification No. 229 passed by the
1973 Session of the General Assembly, hereby adopts the attached
resolution.

The State Budget and Control Board of the South Carolina Re-
tirement System passed on the attached resolution on June 19, 1973.


State Budget and Control Board
South Carolina Retirement System

By



Chairman



Attest:


Secretary

CERTIFIED IN ACCORDANCE
WITH ACT NO. 716 OF 1964


CODE COMMISSIONER

6-28-73

SOUTH CAROLINA RETIREMENT SYSTEM

RESOLVED, That the following rules and regulations are hereby adopted and shall be applicable to all lump sum death benefits payable on deaths occurring on or after June 19, 1973:

1. Establishment of Group Life Insurance Plan. The Group Life Insurance Plan for Members of the South Carolina Retirement System, hereinafter referred to as the "Plan", is hereby established and created, for the purpose of providing group life insurance for the payment of the benefits provided by Section 61-124 of the laws governing said System.
2. Group Life Insurance Plan Reserve Fund. A separate fund, to be known as the Group Life Insurance Plan Reserve Fund, is hereby established within the South Carolina Retirement System, hereinafter referred to as the "Retirement System", to be held in trust by this Board. Such fund shall consist of all premiums paid by the employers and other monies received and paid into the fund for group term life insurance purposes, and of the investment earnings upon such monies, and shall be used only to pay the group term life insurance prescribed by section 3 hereof. Concurrent with the determination of the initial liability of the Plan for the balance of the fiscal year on and after the effective date of insurance, for the group term life insurance provided and to be paid for pursuant to this Plan, there shall be segregated and transferred from the Employer Annuity Accumulation Fund of the Retirement System to the reserve fund created by this section such amounts as shall be determined by the actuary to be

necessary to pay anticipated group term life insurance claims. Subsequent segregations and transfers shall be made as shall be required to pay the insurance prescribed by section 3 hereof from the reserve fund provided by this section.

3. Insurance payable in the event of death. In the event of the death of a member who has met the eligibility requirements set forth in Section 61-124 on or after the effective date of insurance, an amount of insurance equal to the death benefit provided by Section 61-124 shall be paid to the person nominated by the member in accordance with the provisions of Section 61-124 or to the member's estate.

4. Premiums. The actuary shall investigate the claim experience of the Plan as provided by Section 61-15. On the basis of such investigations and upon the recommendation of the actuary, as provided in Section 61-83, this Board shall certify the premium rates computed to be necessary to fund the group term life insurance authorized to be paid by the Plan. As soon as practicable after the close of each fiscal year, this Board shall determine the premium which the employers participating in the Plan are required to pay into the reserve fund to discharge the obligations of the Plan for the past fiscal year.

5. Effective date of insurance. Each qualified member of the Retirement System is to be insured as provided herein effective commencing as of June 19, 1973 and while in effect this insurance coverage shall constitute a contractual relationship.

SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM

Promulgated under authority granted by Act 799, Acts of 1962

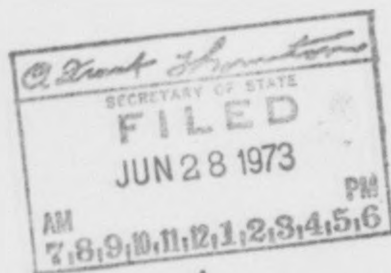
RESOLVED, That the State Budget and Control Board, acting in accordance with Act bearing Ratification No. 229 passed by the 1973 Session of the General Assembly, hereby adopts the attached resolution.

The State Budget and Control Board of the South Carolina Police Officers Retirement System passed the attached resolution on _____

June 19, 1973.

State Budget and Control Board
South Carolina Police Officers
Retirement System

By *[Signature]*
Chairman



Attest:

[Signature]
Secretary

CERTIFIED IN ACCORDANCE
WITH ACT NO. 716 OF 1964

[Signature]
CODE COMMISSIONER
6-28-73

1996

SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM

RESOLVED, That the following rules and regulations are hereby adopted and shall be applicable to all lump sum death benefits payable on deaths occurring on or after June 19, 1973:

1. Establishment of Group Life Insurance Plan. The Group Life Insurance Plan for Members of the South Carolina Police Officers Retirement System, hereinafter referred to as the "Plan", is hereby established and created, for the purpose of providing group life insurance for the payment of the benefits provided by Section 61-341.2 of the laws governing said System.

2. Group Life Insurance Plan Reserve Fund. A separate fund, to be known as the Group Life Insurance Plan Reserve Fund, is hereby established within the South Carolina Police Officers Retirement System, hereinafter referred to as the "Retirement System", to be held in trust by this Board. Such fund shall consist of all premiums paid by the employers and other monies received and paid into the fund for group term life insurance purposes, and of the investment earnings upon such monies, and shall be used only to pay the group term life insurance prescribed by section 3 hereof. Concurrent with the determination of the initial liability of the Plan for the balance of the fiscal year on and after the effective date of insurance, for the group term life insurance provided and to be paid for pursuant to this Plan, there shall be segregated and and transferred from the Employer Annuity Accumulation Fund of the

SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM

RESOLVED, That the following rules and regulations are hereby adopted and shall be applicable to all lump sum death benefits payable on deaths occurring on or after June 19, 1973:

1. Establishment of Group Life Insurance Plan. The Group Life Insurance Plan for Members of the South Carolina Police Officers Retirement System, hereinafter referred to as the "Plan", is hereby established and created, for the purpose of providing group life insurance for the payment of the benefits provided by Section 61-341.2 of the laws governing said System.

2. Group Life Insurance Plan Reserve Fund. A separate fund, to be known as the Group Life Insurance Plan Reserve Fund, is hereby established within the South Carolina Police Officers Retirement System, hereinafter referred to as the "Retirement System", to be held in trust by this Board. Such fund shall consist of all premiums paid by the employers and other monies received and paid into the fund for group term life insurance purposes, and of the investment earnings upon such monies, and shall be used only to pay the group term life insurance prescribed by section 3 hereof. Concurrent with the determination of the initial liability of the Plan for the balance of the fiscal year on and after the effective date of insurance, for the group term life insurance provided and to be paid for pursuant to this Plan, there shall be segregated and and transferred from the Employer Annuity Accumulation Fund of the

Retirement System to the reserve fund created by this section such amounts as shall be determined by the actuary to be necessary to pay anticipated group term life insurance claims. Subsequent segregations and transfers shall be made as shall be required to pay the insurance prescribed by section 3 hereof from the reserve fund provided by this section.

3. Insurance payable in the event of death. In the event of the death of a member who has met the eligibility requirements set forth in Section 61-341.2 on or after the effective date of insurance, an amount of insurance equal to the death benefit provided by Section 61-341.2 shall be paid to the person nominated by the member in accordance with the provisions of Section 61-341.2 or to the member's estate.

4. Premiums. The actuary shall investigate the claim experience of the Plan as provided by Section 61-333. On the basis of such investigations and upon the recommendation of the actuary, as provided in Section 61-341.1, this Board shall certify the premium rates computed to be necessary to fund the group term life insurance authorized to be paid by the Plan. As soon as practicable after the close of each fiscal year, this Board shall determine the premium which the employers participating in the Plan are required to pay into the reserve fund to discharge the obligations of the Plan for the past fiscal year.

5. Effective date of insurance. Each qualified member of the Retirement System is to be insured as provided herein effective commencing as of June 19, 1979 and while in effect this insurance coverage shall constitute a contractual relationship.

State Budget and Control Board
Division of General Services
AGENDA

EXHIBIT II
JUNE 19, 1973

June 19, 1973

I. State Park Health Center

ok
The Highway Department has requested approximately 22 acres of land across State Park Health Center. Since State funds are being used to acquire right-of-way, the Department requests that the property be granted "necessary right-of-way for this project gratis." This is the project which will leave a remainder parcel of about 80 acres which has been valued at \$12,500 per acre.

~~It is recommended that the Highway Department be asked to reconsider its position regarding the Division's request for downtown property as a quid pro quo.~~

II. Surplus Property Warehouse

ok
The State Agency for Surplus Property has acquired three quonset huts from the Federal Government which are badly needed for additional warehouse space.

It is recommended that the Division be authorized to transfer \$25,000 from the balances of the revolving fund to an improvements account for the erection of these buildings.

III. Fireworks Regulations

ok
Act 1498 of 1972 provided for the State Fire Marshal to promulgate rules and regulations controlling the storage and sale of fireworks in South Carolina. A subcommittee of the Fire Marshal Advisory Committee has developed comprehensive regulations which are recommended for adoption by the full committee.

It is recommended that the Fire Marshal be authorized to file these regulations with the Code Commission and the Secretary of State.

get rules

IV. Insurance Sinking Fund

It is recommended that the Division be authorized to purchase two calculators in the amount of \$ 1,379 for use in the insurance program and that this amount be charged directly to the Insurance Sinking Fund.

V. Interim Action - Records Disposition

It is recommended that the Division of General Services be authorized to approve distribution of records as approved by appropriate department heads and the Director of Archives and History.

VI. Interim Action - Space Rental

It is recommended that the Board approve a two year's lease for the Commission on Human Affairs for 3,067 square feet at an annual rental rate of \$ 16,872.

VII. Interim Action - Tideland Permits

In accord with established procedures the attached sheets of permits have been granted after review and recommendations by all State agencies involved.

VIII. Interim Action - Office Equipment

It is recommended that the Board approve purchase of one A. B. Dick offset press and one blanket wash attachment for the State Board for Technical and Comprehensive Education at a cost of \$ 2,110.

It is recommended that the Board approve purchase of one A. B. Dick offset duplicator with trade-in - approximate cost is \$ 6,500. This equipment is needed for Tax Comm.

It is recommended that the Board approve purchase of one Wright Press for the University of South Carolina. Approximate cost is \$ 800.00

Report of Vehicles Exchanged and Purchased Through
May 15, 1973

| <u>AGENCY</u> | <u>EXCHANGE</u> | <u>PURCHASE</u> |
|-----------------------------------|--------------------|--|
| ABC Commission | 1970 Oldsmobile 88 | 1973 Buick LaSabre |
| Dairy Commission | 1969 Dodge Coronet | 1973 Dodge Coronet |
| U. S. C. | | 1973 Commando Jeep wagon with 4 wheel drive (assigned to maintenance) |
| | | 1973 Plymouth (patrol car) |
| Development Board | | (2) 1973 Oldsmobile 88 (pool) (2) 1973 Chevrolet (pool) |
| State Board of Health | 1964 Ford pickup | 1973 Plymouth wagon |
| Wildlife Resources | (3) 1970 Ford | (3) 1973 Plymouth 1973 Ford Bronco (use over rough terrain) |
| Personnel Division | | 1973 Ford Galaxie 500 (assigned to Director, present car will be put in motor pool) |
| Pollution Control Authority | 1970 Ford | (8) 1973 Plymouth Fury II (assigned to inspectors) |
| State Ports Authority | 1969 Ford | 1973 Plymouth Fury III |
| Comptroller General | | 1973 Plymouth (to Assistant - (present car will be put into General Services motor pool) |
| Agriculture Department | 1965 Chevrolet | 1973 Plymouth |
| Employment Security Commission | | 1973 Plymouth wagon (assigned to Mgr. of Field Operations) |
| Vocational Rehabilitation | | (2) 1973 Dodge sportsvans (to Anderson & Rock Hill) |
| Criminal Justice Academy | | 1973 Plymouth Gran Sedan (director) |
| Francis Marion College | | 1973 Dodge van wagon (general college use) |

| <u>AGENCY</u> | <u>EXCHANGE</u> | <u>PURCHASE</u> |
|--------------------|-----------------------------------|--|
| Archives & History | Volks Wagon | (2) 1973 Plymouth Fury II |
| Mental Retardation | | 1973 Dodge sportsvan (necessary transportation of patients and residents) |
| Social Services | | (4) 1973 Chevrolet Sportsvans (needed for ARC Spartanburg Child Development Project) |
| U.S. C. | | 1973 Plymouth station wagon (servicing USC/Engineering ETV locations) |
| ABC Commission | | 1973 Plymouth Fury III (investigator) |
| | (3) 1971 Ford (very high mileage) | (3) 1973 Ford Galaxie 500 4ds |

| <u>AGENCY</u> | <u>EXCHANGE</u> | <u>PURCHASE</u> |
|---------------------------|------------------------------|---|
| SLED | | (10) 1973 Delta Olds 88 - police cars |
| Tax Commission | 1971 Pontiac 4ds (wrecked) | 1973 Chevrolet |
| U. S. C. | | Mini-bus train & 2 matching trailers - Transport faculty and staff to and from parking lots |
| Blind Commission | | 1973 Ford Galaxie 500 4ds |
| Mental Health | | 1973 International School bus 54 passenger - Crafts Farrow |
| ABC | (3) 1971 (high mileage) Ford | (3) 1973 Ford (3) 1973 Ford - new inspectors |
| Technical Education | | (3) 1973 Superior coach buses - Denmark TEC |
| Development Board | | (2) 1973 Chevrolet - motor pool |
| Public Service Commission | | (32) 1973 Ford Custom 500 4ds |
| Education Department | 1970 Pontiac Catalina | 1973 Pontiac Bonneville - |
| Coastal Center | | 1973 Dodge sportsvan - needed transportation |
| Social Services | | (4) 1973 Chevrolet vans - Spartanburg Center |
| Ports Authority | | 1973 Chevrolet - Director of Public Affairs |
| U. S. C. | | 1973 Plymouth wagon - College of Engineering |
| Archives & History | 1969 VW | 1973 Chevrolet wagon - Director |
| ABC | | 1973 Plymouth Fury III for routine inspections and investigators |
| Human Affairs Commission | | 1973 Buick Custom - Commissioner |
| Ports Authority | | 1973 Chevrolet Impala 4ds - Assigned to Regional Manager, Chicago Office |

Permits

Aiken County

Continental Can Company - construct an outfall structure for the Augusta Mill, Savannah River

Continental Can Company - Merry Shipping Company - construct 24' x 100' fixed dock with 3 dolphins, Savannah River

The E. I. DuPont de Nemours and Company - discharge process water, cooling water, boiler blowdowns and washdowns from buildings floor tanks and filters in Butler Creek, Richmond County, Ga.

The Monsanto Company - discharge cooling water, boiler blowdown and ground water in Butler Creek, Richmond County, Ga.

The Olin Corporation - discharge process water, effluent from waste chlorine gas disposal system and sanitary sewage in Savannah River

Beaufort County

Altman, Roy E. - construct a pier in Hazzard Creek, Red Bluff Island

Gordon, Hugh - approval of plans to construct and maintenance of existing dock and float in May River

Hory, John S. - ^{approval of plans to} construct and maintain a fixed walkway, ramp and floating dock in Baynard Creek, Hilton Head Island

Howell, Dr. R.R. (D.D.S.) - ^{approval of plans to} construct a wharf with floating dock in May River

Lee, Dr. J. Moultrie - approval of plans for an existing fixed walkway, fixed dock, ramp and floating dock in May River

Logan, Hal - construct a pier and floating dock in Beaufort River

Mitchell, James J. - ^{approval of plans to} construct a 4' wide fixed walkway with 4' stairway to the beach and a 10' x 16' fixed dock, a connecting ramp to a floating 10' x 20' dock and two 8" mooring pilings in Broad Creek, Hilton Head Island

Peoples Agency, Inc. - construct a wharf in Broomfield Creek, Ladies Island

Rockwood, John, Jr. - approval of plans to construct a wharf with floating dock in May River

Sea Pines Company - maintenance dredging for existing facilities in four areas of Sea Pines Plantation - Calibogue Sound and Broad Creek

Berkeley County

Jeffcoat, Glen A. - excavation of material from existing boat basin and existing channel connecting to the West Branch Cooper River

U. S. Navy, Charleston Naval Shipyard - perform maintenance dredging at Pier "Charlie" and ARDM site in the Cooper River

U. S. Navy - Charleston Naval Shipyard - perform maintenance dredging in the channel of Cooper River

Berkeley - Charleston County

Detyens Shipyards, Inc. - modify permit #72-06-33 issued 7 June 1972 to perform maintenance dredging in Wando River

Charleston County

Carter, G. S., III - approval of plans for an existing dock on the Atlantic Intracoastal Waterway (Stono River)

Detyens Shipyards, Inc. - modify an existing dock in Wando River

Detyens, Wm. J. - construct a building in the Cooper River

Dunning, John M., III - install four (4) piling in a canal connecting to Stono River

Gatch, Charles E. - construct a pier with a floating dock in Unnamed Canal

Hendrix, Grady H. - construct a pier and floating dock in Charleston Harbor

Lofton, A. L. - construct a dock extension and approval of plans for an existing dock in Hog Island Channel

Magda, Edward F. - construct a dock in Bayview Creek

McGowan, John L. and

McInnes, John A. - construct a pier in Jeremy Creek

Miller, Charles E., Jr. - construct a pier in Shem Creek

Mims, Margaret C. - construct a dock in Store Creek

Murray, Richard H. - construct a dock in Unnamed Canal

Parker, Louis T., Jr. - construct a pier and floating dock in Leadenwah Creek

Rhea, Charles H. - construct a pier in a tributary of Hobcaw Creek

Rhodes, C. C. - provide shore protection and for an approval of plans for an existing wharf in the Stono River (Atlantic Intracoastal Waterway)

S. C. State Highway Department - construct a new roadway facility

Dredge and fill for highway embankments in the marshes (Inner Belt Freeway system)

Dredge and fill for highway embankments in the marshes (CHATS)

U. S. Navy, Charleston Naval Shipyard - perform maintenance dredging in the Cooper River

U. S. Transportation Dept., Coast Guard - revalidation of Permit #70-01-10 issued 27 January 1970 to construct three (3) timber groins, marginal bulkhead and beach nourishment in the Atlantic Ocean

Georgetown County

Clardy, CDR. H. S., Jr., USN - permit to construct a dock in Pawleys Island Creek

Forrester, James W., M. D. - install three (3) permanent mooring buoys in the Black River

Hardee, Mrs. Claire D. - approval of plans for an existing dock in Pawleys Island Creek

Sing, Alex, Jr. - dredge and construct a bulkhead in an Unnamed Canal

S. C. Public Service Authority - install a submarine cable across the Atlantic Intracoastal Waterway & Brookgreen Creek

Horry County

Bessent, Thomas V. - approval of plans for an existing pier in the Atlantic Intracoastal Waterway, Little River

Ivey, Joe C. (Brigadier Industries, Inc.) - approval of plans for relocating the run of Singleton Swash

Juel, Frank N. - approval of plans for an existing pier in the Atlantic Intracoastal Waterway

Juel, Mrs. Mary - approval of plans for an existing modification of a permitted dock in the Atlantic Intracoastal Waterway

Kinlaw, Vance - approval of plans for two (2) existing piers and a boat slip in the Atlantic Intracoastal Waterway

Kinlaw, Vance - approval of plans for an existing pier in the Atlantic Intracoastal Waterway

Long, Thomas F. - construct a pier in the Atlantic Intracoastal Waterway

Long, Tracy William - approval of plans for an existing pier and bulkhead in the Atlantic Intracoastal Waterway

McGinn, Hugh T. - approval of plans for an existing pier and fish house in the Atlantic Intracoastal Waterway

Mintz, Donnie - approval of plans for two (2) existing piers in the Atlantic Intracoastal Waterway

Morris, J. L. - approval of plans for an existing pier in the Atlantic Intracoastal Waterway

Vereen, Kate - approval of plans for an existing pier in the Atlantic Intracoastal Waterway

Vereen, Rudolph - approval of plans for an existing pier in the Atlantic Intracoastal Waterway

Jasper County

Georgia Ports Authority - proposes to construct and maintain a 750' wharf addition to existing container, Garden City Terminal, Savannah Harbor

- proposes to dredge from two areas in Savannah River

Ga. Department of Transportation - proposes to install a temporary dredge pipeline crossing in the Savannah River

Savannah Electric & Power Company - proposes to construct and maintain a barge unloading facility in the old channel of the Savannah River

STATE OF SOUTH CAROLINA
PERSONNEL DIVISION

EXHIBIT III
JUNE 19, 1973

JACK S. MULLINS
State Director



700 KNOX ABBOTT DRIVE
CAYCE, SOUTH CAROLINA 29033

TELEPHONE
(803) 758-3334

May 28, 1973

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

Dear Pat:

I failed to get on the agenda of the last Budget and Control Board meeting the liberalized coverage for long-term disability that we have negotiated with Pilot Life Insurance Company. In order to effect these changes by July 1, we should get these changes approved by the Budget and Control Board soon.

Enclosed is a copy of my letter and its enclosures of May 17. Please call my if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Jack".

Jack S. Mullins
State Director of Personnel

JSM:mlm

Enc.

2008

STATE OF SOUTH CAROLINA
PERSONNEL DIVISION

JACK S. MULLINS
State Director



TELEPHONE
(803) 758-3334

700 KNOX ABBOTT DRIVE
CAYCE, SOUTH CAROLINA 29033

May 17, 1973

The Honorable P. C. Smith
Secretary, Budget and Control Board
Post Office Box 11333
Columbia, South Carolina 29211

Dear Pat:

The Budget and Control Board recently authorized State Personnel Division to initiate negotiations with Pilot Life Insurance Company for better coverage without additional cost. The enclosed correspondence from Mr. Joe Vincent indicates the liberalizations agreeable to Pilot Life without added premiums. We consider them to be significant and would recommend the adoption of these changes by the Budget and Control Board at an early meeting.

We have developed some examples to show the increased benefits available under this proposal.

Please let us know if we can provide additional information.

Sincerely,

A handwritten signature in cursive script that reads "Jack".

Jack S. Mullins
State Director of Personnel

JSM:mlm

Enc.

CC: F. B. Haskell
M. S. Wingard

J S Vincent
Senior Vice President

Pilot Life
Insurance Company
PO Box 20727
Greensboro, NC 27420
Telephone 919 299 4720



RECEIVED

MAY 17 1973

Pilot
Life

S. C. STATE
PERSONNEL DIVISION

May 16, 1973

Dr. Jack S. Mullins
State Director of Personnel
S. C. State Personnel Division
700 Knox Abbott Drive
Cayce, South Carolina 29033

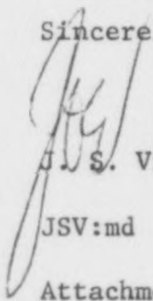
Dear Jack:

You will find attached copy of our letter to Mike Wingard, which is in line with our several discussions with him with reference to liberalizations in the Long Term Disability portion of your Group Contract Number 6666.

It is felt that these liberalizations can be made as indicated, hopefully, without causing undue strain on the financial experience of your plan. These changes will provide substantial additional benefits, particularly for your employees in the higher salary brackets, and also those having a spouse and children.

Best regards,

Sincerely yours,


J. S. Vincent

JSV:md

Attachment

2010



Pilot Life Insurance Company

BOX 20727 • GREENSBORO, NORTH CAROLINA 27420

May 16, 1973

Mr. Michael S. Wingard
Insurance Benefits Manager
State of South Carolina
Personnel Division
700 Knox Abbott Drive
Cayce, South Carolina 29033

Dear Mike:

This will confirm our several conversations with reference to liberalizations under the Long Term Disability portion of Group Policy Number 6666.

The information furnished in your April 24 letter has been carefully studied, together with the experience under this plan for the first ten months, and it is felt that the following liberalizations can be made in integration of benefits, such liberalizations to apply on all payments made by us following July 1, 1973:

1. Eliminate completely Dependents Social Security in computing benefits under the Long Term Disability Plan.
2. Integrate the Long Term Disability benefits with other benefits received by the employee only to the extent that the total benefits so received does not exceed 60% of the individual's earnings.

You can appreciate that these are substantial liberalizations and could only be applicable on the present disability benefit of \$300 per month. If a supplementary benefit is later installed providing benefits in excess of \$300 per month, it would be necessary to impose standard integration requirements on such benefits.

If you find these liberalizations to be in order, please advise us, and we will endorse the master contract making these changes effective July 1, 1973.

Best personal regards,

Sincerely yours,

J. S. Vincent

JSV:md

cc: Dr. Jack S. Mullins
Mr. J. R. Owen, Jr. - 805

2011

Employee's Name: Ella Boggs

| | |
|-------------------------------|----------|
| Monthly Salary at Disability: | \$625.21 |
| Primary Social Security | 211.20 |
| S. C. Retirement | 95.77 |

(Don't believe Family Social Security is applicable)

Present Calculation:

| | |
|-------------------------|----------------|
| Maximum LTD Benefit | \$300.00 |
| Primary Social Security | - 211.20 |
| S. C. Retirement | - <u>95.77</u> |
| Our Payment | 0 |

Calculation under Liberalization:

| | |
|-------------------------|----------------|
| 60% of \$625.21 | \$375.12 |
| Primary Social Security | - 211.20 |
| S. C. Retirement | - <u>95.77</u> |
| Our Payment | \$ 68.15 |

We would pay \$68.15 more under the liberalization. Total income would be \$375.12, 60% of salary.

Employee's Name: Judith Ann Sellers

| | |
|-----------------------------------|-----------|
| Monthly Salary at Disability: | \$ 534.95 |
| S. C. Retirement: | 0 |
| Primary Social Security Estimate: | 235.40 |

Present Benefit Calculation:

| | |
|--|----------------|
| Maximum LTD Benefit | \$ 300.00 |
| Primary Social Security Estimate | -235.40 |
| One child under Social Security (Estimate) | <u>-120.00</u> |
| Our Payment | 0 |

Calculation Under Liberalization:

| | |
|-------------------------|----------------|
| 60% of \$534.95 | \$ 320.97 |
| Primary Social Security | <u>-235.40</u> |
| Our Payment | \$ 85.57 |

Under the liberalization we would pay \$85.57 more. The insured would receive a total income of approximately \$440.97, which is 82% of salary. (Total Social Security plus our payment.)

Employee's Name: Lawrence Bennett

| | |
|-----------------------------------|---------------------------|
| Monthly Salary at Disability: | \$ 877.50 |
| S. C. Retirement: | 153.30 |
| Primary Social Security Estimate: | 275.00 (not yet eligible) |

Present Benefit Calculation:

| | |
|---------------------|----------------|
| Maximum LTD Benefit | \$ 300.00 |
| S. C. Retirement | <u>-153.30</u> |
| Our Payment | \$ 146.70 |

Calculation under Liberalization: (before eligibility for Social Security)

| | |
|------------------|----------------|
| 60% of \$877.50 | \$ 526.50 |
| S. C. Retirement | <u>-153.30</u> |
| | \$ 373.20 |

Payment would be \$300.00 since this is the maximum. Insured would receive \$153.30 more under the liberalization.

Calculation with estimated Primary Social Security:

Under Present Plan:

| | |
|-------------------------|---------------------------|
| Maximum LTD Benefit | \$ 300.00 |
| S. C. Retirement | -153.30 |
| Primary Social Security | <u>-275.00 (Estimate)</u> |
| Our Payment | 0 |

Under Liberalization:

| | |
|-------------------------|----------------|
| 60% of \$877.50 | \$ 526.50 |
| S. C. Retirement | -153.30 |
| Primary Social Security | <u>-275.00</u> |
| Our Payment | \$ 98.20 |

Insured would receive \$98.20 more under the liberalization. Total income would be \$526.50, 60% of salary plus a possibility of a Family Social Security Benefit.

Employee's Name: Coburn Gum

| | |
|---|------------|
| Monthly Salary at Disability: | \$1,369.81 |
| Primary Social Security (Estimate): | 330.00 |
| S. C. Retirement: | 165.81 |
| (Not enough information to estimate Family Social Security) | |

Present Calculation:

| | |
|----------------------------------|-----------|
| Maximum LTD Benefit | \$ 300.00 |
| Primary Social Security Estimate | - 330.00 |
| S. C. Retirement | - 165.81 |
| Our Payment | 0 |

Calculation Under Liberalization:

| | |
|----------------------------------|-----------|
| 60% of \$1,369.81 | \$ 821.89 |
| Primary Social Security Estimate | - 330.00 |
| S. C. Retirement | - 165.81 |
| | \$ 326.08 |

Our payment would be the maximum of \$300.00

Under the liberalization \$300.00 more would be paid. The total income would be \$795.81 with the above information. This is 58% of income. (Family Social Security would possibly increase this.)

Employee's Name: Cleveland Seay

| | |
|-------------------------------|-----------|
| Monthly Salary at Disability: | \$ 426.00 |
| Primary Social Security: | 142.50 |
| Family Social Security: | 66.90 |
| S. C. Retirement: | 0 |

Present Calculation:

| | |
|-------------------------|----------------|
| 60% of \$426.00 | \$ 255.60 |
| Primary Social Security | -142.50 |
| Family Social Security | <u>- 66.90</u> |
| Our Payment | \$ 46.20 |

Calculation Under Liberalization:

| | |
|-------------------------|----------------|
| 60% of \$426.00 | \$ 255.60 |
| Primary Social Security | <u>-142.50</u> |
| Our Payment | \$ 113.10 |

Under the liberalization the insured would receive \$66.90 more from us.
Total income would be \$322.50 which is 76% of his salary.

TO: Members of the Budget and Control Board
FROM: Jack S. Mullins
DATE: June 19, 1973
SUBJECT: Long Term Disability Benefits

The present Long Term Disability Master Contract provides that if an employee becomes totally disabled for more than 90 consecutive days while insured he will be entitled to a Monthly Benefit, beginning with the 91st day of disability, equal to the lesser of (a) 60% of his basic Monthly rate or (b) \$300. However, if a disabled employee receives income from other specified sources for any period for which he is entitled to disability benefits, the amount of his Monthly Benefit will be directly reduced (but not below zero) by the amount of such other income. Some of the specified sources with which the present Long Term Disability benefits are coordinated are Federal Social Security, S. C. Retirement System Disability benefits and Workmen's Compensation.

Because of the favorable experience that Pilot Life Insurance Company has had during the first year of the Contract, more liberal benefits will be provided beginning July 1, 1973. The changes in the present benefits will be:

1. Eliminate completely Dependent's Social Security in computing benefits under the Long Term Disability Plan.
2. Integrate the Long Term Disability benefits with other benefits received by the employee only to the extent that the total benefits so received do not exceed 60% of the individual's earnings. Pilot's maximum monthly liability would remain at \$300 per month.



South Carolina Department of Mental Health

P.O. Box 485 / 2414 Bull Street / Columbia, South Carolina 29202 / (803) 256-9911

JAM

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

June 1, 1973

EXHIBIT IV
JUNE 19, 1973
RECEIVED

JUN 5 1973

S. C. STATE
PERSONNEL DIVISION

Jack S. Mullins, Ph.D.
State Director of Personnel
South Carolina State Personnel Division
700 Knox Abbott Drive
Cayce, South Carolina 29033

Dear Dr. Mullins:

Attached you will find a proposal submitted by Dr. Alexander G. Donald for the unclassified personnel at William S. Hall Psychiatric Institute. As Dr. Donald indicated in his memorandum, he is proposing that in addition to the 5.5 % across-the-board increase, his unclassified personnel will also receive a 7½ % merit increase.

It should be noted that only those employees who have at least six months of service on June 29, 1973, will be entitled to the 7½ % merit increase. Those employees who do not have six months of service on June 29, 1973, will not be eligible for a merit increase until December 28, 1973, or the fourteenth pay period in the fiscal year.

Your approval of Dr. Donald's request will be sincerely appreciated.

If any further information is required, please feel free to contact us.

Yours very truly,

WILLIAM S. HALL, M. D.
STATE COMMISSIONER OF MENTAL HEALTH

By

John W. Whitehouse
John W. Whitehouse
Personnel Director

JWW/jgc

Enclosures

2018

MEMORANDUM

TO: Personnel Division

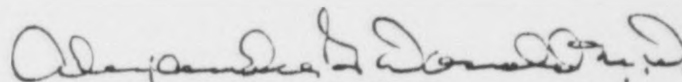
FROM: Director, William S. Hall Psychiatric Institute

SUBJECT: Merit Increase for Unclassified Personnel

Attached is a list of Institute unclassified employees indicating the current salary of each employee, the proposed 5.5% cost-of-living increase, and the proposed merit increase for fiscal year 1973-74.

The proposed merit increase for fiscal year 1973-74 is computed at 7.5% for each employee. The State Personnel Plan for the administration of the classification and compensation plan for fiscal year 1973-74, approved by the State Budget and Control Board, indicates that merit increases for classified employees may be from 5% for average performance to 10% for outstanding performance. Using this as a guide, the midpoint, or 7.5%, was selected as most appropriate for the merit increase for unclassified employees.

Recommend that necessary action be taken to provide the merit increases as listed on attached sheets effective June 29, 1973.


Alexander G. Donald, M. D.

AGD/lch

May 24, 1973

| <u>Name</u> | <u>Social Security Number</u> | <u>Title</u> | <u>Annual Base Salary 6-28-73</u> | <u>Authorized Across the Board Salary Adjustment 5½%</u> | <u>Proposed Incremental Increase 7½%</u> | <u>Proposed Annual Base Salary June 29, 1973</u> |
|--------------------------|---------------------------------------|---|---|--|--|--|
| Pressley, Jr. Lucius C. | 250-46-7390 | Associate Director for Clinical Services | 33,347 | 1,834 | 1,894 | 37,075 |
| Freed, Joe E. | 251-60-0055 | Associate Director for Research and Training | 34,347 | 1,889 | 839 | 37,075 |
| Still, Charles N. | 251-38-0547 | Chief, Neurology Service | 32,276 | 1,775 | 2,554 | 36,605 |
| Herberg, Klaus Peter | 025-40-7014 | Teaching Neurologist II | 30,218 | 1,662 | 2,391 | 34,271 |
| Vallini, Angel D. | 044-48-8407 | Teaching Neurologist I | 28,068 | 1,544 | 1,804 | 31,416 |
| Schnackenberg, Robert C. | 384-34-7821 | Chief, Child Psychiatry Service | 33,276 | 1,830 | 1,863 | 36,969 |
| Holzman, Bruce R. | 345-32-3786 | Child Psychiatrist I | 30,218 | 1,662 | 2,391 | 34,271 |
| Godelock, Daniel S. | 248-46-5992 | Child Psychiatrist I | 30,218 | 1,662 | 2,391 | 34,271 |
| Rice, James R. | 270-36-1000 | Teaching Psychiatrist I | 28,068 | 1,544 | 1,804 | 31,416 |
| Pollard, Dulon D. | 242-58-0272 | Chief, Village Pilot Program | 32,276 | 1,775 | 2,554 | 36,605 |
| Ham, Jr. Charles H. | 250-56-8830 | Teaching Psychiatrist II | 31,018 | 1,706 | 1,680 | 34,404 |
| Gandy, Betty S. | 258-60-9143 | Chief, Social Work Placement Program | 15,700 | 864 | 3 | 16,567 |
| Ayers, George W. | 227-52-5433 | Teaching Social Worker | 15,800 | 869 | 1,250 | 17,919 |
| Rothstein, William | 064-26-1487 | Chief Psychologist | 22,459 | 1,235 | -0- | 23,694 |
| Sabalís, Robert F. | 112-34-0955 | Teaching Psychologist I | 14,647 | 806 | 1,159 | 16,612 |
| Schell, Bruce J. | 525-98-3266 | Teaching Psychologist II | 16,460 | 905 | 1,302 | 18,667 |
| Holmes, George R. | 160-32-7673 | Teaching Psychologist II | 17,760 | 977 | 1,405 | 20,142 |

| <u>Name</u> | <u>Social Security Number</u> | <u>Title</u> | <u>Annual Base Salary 6-28-73</u> | <u>Authorized Across The Board Salary Adjustment 5½%</u> | <u>Proposed Incremental Increase 7½%</u> | <u>Proposed Annual Base Salary June 29, 1973</u> |
|------------------------|-------------------------------|---|-----------------------------------|--|--|--|
| Rosenkrantz, Arthur L. | 261-66-1348 | Teaching Psychologist II | 15,702 | 864 | 1,242 | 17,808 |
| Shah, Nandkumar S. | 264-70-4494 | Teaching Research Scientist | 20,198 | 1,111 | 1,598 | 22,907 |
| Young, Samuel R. | 330-30-5686 | Teaching Geneticist | 15,510 | 853 | 1,227 | 17,590 |
| Summers, Thomas A. | 251-56-0188 | Chief, Pastoral Education Program | 14,998 | 825 | 1,187 | 17,010 |
| Crittenden, John W. | 450-48-1787 | Teaching Chaplain | 13,418 | 738 | 1,062 | 15,218 |
| Lunn, Leonora C. | 575-42-2443 | Chief, O. T. Education Program | 10,886 | 599 | 861 | 12,346 |
| Thompson, Susan S. | 414-72-7716 | Chief, R. T. Internship Program | 10,886 | 599 | 861 | 12,346 |
| Klein, Lilyan R. | 248-66-0783 | Chief, Nursing Education Program | 12,446 | 685 | 985 | 14,116 |
| Holley, Teresa T. | 260-76-4469 | Assistant Director, Nursing Education Program | 10,328 | 568 | 817 | 11,713 |
| Baber, Rita M. | 247-84-3129 | Teaching Nurse | 7,933 | 436 | 628 | 8,997 |

2021

South Carolina Department of Mental Health

JAM

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



P.O. Box 485 / 2414 Bull Street / Columbia, South Carolina 29202 / (803) 256-9911

June 1, 1973

Jack S. Mullins, Ph.D.
State Personnel Director
State Personnel Division
700 Knox Abbott Drive
Cayce, South Carolina 29033

Dear Dr. Mullins:

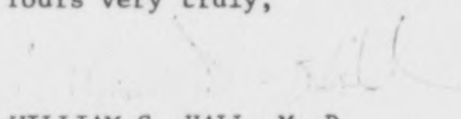
In accordance with the General Appropriations Bill, we are requesting State Budget and Control Board approval of the proposed salary increases for unclassified Directors and Superintendents as listed on the attached sheet.

Since highly qualified Physicians and Psychiatrists for the various facilities must be employed at salaries lower than Directors and Superintendents, it is urgently requested that the recommended salaries be approved. The shortage of highly qualified doctors and especially Board Certified Psychiatrists, make it mandatory that we become competitive in order to recruit and to retain qualified personnel to maintain our treatment programs.

This information is needed at the earliest possible time in order that we can determine the maximum salaries which we can allow for facility Psychiatrists and Physicians both classified and unclassified.

Your favorable consideration of this request will be appreciated.

Yours very truly,


WILLIAM S. HALL, M. D.
STATE COMMISSIONER OF MENTAL HEALTH

WSH:ggm
encl.

2022

| <u>NAME</u> | <u>TITLE OF POSITION</u> | <u>ANNUAL BASE SALARY June 29, 1973</u> | <u>ACROSS-THE- BOARD INCREASE 5 1/2%</u> | <u>*PROPOSED MERIT INCREASE OF .022%</u> | <u>TOTAL ANNUAL BASE June 29, 1973</u> |
|----------------------------|--|---|--|--|--|
| Raymond E. Ackerman, M.D. | Deputy Commissioner of CMHS | \$35,242.00 | \$1938.00 | \$820.00 | \$38,000.00 |
| **R. Gordon Crandall, M.D. | Special Assistant to Commissioner of Mental Health | **\$33,347.00 | \$1834.00 | \$774.00 | \$35,955.00 |
| Alexander G. Donald, M.D. | Director of WSHPI | \$35,242.00 | \$1938.00 | \$820.00 | \$38,000.00 |
| Karl V. Doskocil, M.D. | Superintendent of SCSH | \$35,242.00 | \$1938.00 | \$820.00 | \$38,000.00 |
| Thomas G. Faison, M.D. | Superintendent of CFSH | \$34,242.00 | \$1883.00 | \$795.00 | \$36,920.00 |

*Merit increase of approximately .022% to be given June 29, 1973.

**The salary of \$33,347.00 in the first column for Dr. Crandall is based upon his promotion on June 29, 1973. This position has been approved by the State Personnel Division and the incumbent has been functioning in this area of specialty on a part-time basis without additional compensation for several months. Dr. Crandall will be an advisor-consultant to the Commissioner of Mental Health in relationship to the computerization of patient data, testing, etc. for improved patient treatment. This will also include an extensive attitudinal adjustment program, implementation, scheduling and development of teaching techniques and the development of an overall computer assisted clinical program for use by the South Carolina Department of Mental Health as well as assistance to other South Carolina state health-related institutions.

EXHIBIT V
JUNE 19, 1973



June 11, 1973

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

Dear Mr. Smith:

The State College Board of Trustees has approved, in priority order, the awarding of a contract for developing a master plan for Lander College. This action was taken after several months of meetings. Proposals were received from seven engineering and architectural firms.

We submit this boards recommendation to the Budget and Control Board for their approval.

1. H. Davis Byrd, Architect *ok*
2701 West Hoffmeyer Road
Florence, S. C. 29501
2. McMillan, Bunes, Townsend and Bowen
P. O. Box 1508
Greenville, S. C. 29602
3. Geiger, McElveen and Kennedy
2821 Millwood
Columbia, South Carolina 29205

Sincerely,

Billy K. Dawson
Vice President for Financial Affairs

BKD/ec

Mr. Smith:
No contract will be awarded until we have
the approval of the Budget + Control Board. 2024
BKD

EXHIBIT VI
JUNE 19, 1973

SUPPLEMENTAL
PETITION NO. 2

1. That the County Board has heretofore submitted its Petition and Supplemental Petition to the State Budget and Control Board (the State Board) seeking the approval of the issuance of \$2,900,000 Spartanburg County First Mortgage Industrial Revenue Bonds, Series 1973 (Flowers Baking Company of South Carolina, Inc. - Lessee), the proceeds of which would be used to finance the enlargement and expansion of facilities for the baking and distribution of baked snack products located in Spartanburg County.

2. By Resolution adopted April 17th, 1973, the State Board approved the aforesaid undertaking and ordered publication of the notice of such approval.

3. Flowers Baking Company of South Carolina, Inc., a South Carolina corporation (the Lessee), has now advised the County Board that in lieu of the \$2,900,000 of bonds heretofore approved, the proposed enlargement and expansion will require the issuance at this time of \$3,000,000 Spartanburg County First Mortgage Industrial Revenue Bonds, Series 1973

(Flowers Baking Company of South Carolina, Inc. - Lessee), which will be in the form of coupon bonds in the denomination of \$5,000 each, and will be purchased by Johnson, Lane, Space, Smith & Co., Inc., Atlanta, Georgia.

4. The Lessee has further advised the County Board that the proceedings providing for the issuance of \$3,000,000 of bonds will contain provisions permitting the issuance of up to \$1,750,000 additional bonds.

5. 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 \$3,000,000 of bonds which mature and bear interest as follows:

| <u>Year</u> | <u>Principal Amount Maturing</u> | <u>Interest Rate</u> |
|-------------|--------------------------------------|--------------------------|
| 1974 | \$ 50,000 | 5.75% |
| 1975 | 55,000 | 5.75 |
| 1976 | 60,000 | 5.75 |
| 1977 | 65,000 | 5.75 |
| 1978 | 70,000 | 5.75 |
| 1979 | 75,000 | 5.75 |
| 1980 | 80,000 | 5.75 |
| 1981 | 85,000 | 5.75 |
| 1982 | 90,000 | 5.75 |
| 1983 | 95,000 | 5.75 |
| 1984 | 105,000 | 6.00 |
| 1985 | 110,000 | 6.00 |
| 1986 | 115,000 | 6.00 |
| 1987 | 120,000 | 6.00 |
| 1988 | 125,000 | 6.00 |
| 1989 | 135,000 | 6.00 |
| 1990 | 140,000 | 6.00 |
| 1991 | 145,000 | 6.00 |
| 1992 | 155,000 | 6.00 |
| 1993 | 165,000 | 6.00 |
| 1994 | 170,000 | 6.00 |
| 1995 | 180,000 | 6.00 |
| 1996 | 190,000 | 6.00 |
| 1997 | 200,000 | 6.00 |
| 1998 | 220,000 | 6.00 |

6. The proposal heretofore submitted to and approved by the State Board by its Resolution adopted April 17th, 1973,

has been modified only as aforesaid, and otherwise, the proposal heretofore approved is unchanged.

Upon the basis of the foregoing, the County Board respectfully prays that the State Budget and Control Board accept the filing of this Supplemental Petition No. 2 and make a finding that the proposed Project approved by the State Budget and Control Board on April 17th, 1973, as hereinabove modified will promote the purpose of the Act and that it is reasonably anticipated to effect such result, and that on the basis of such finding that it does approve the Project as hereinabove modified including changes in any details 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.

May 23, 1973

(SEAL)

SPARTANBURG COUNTY, SOUTH CAROLINA

By

R. D. Black

Chairman of the Board of County
Commissioners of Spartanburg County

Attest:

Hubert E. Johnson

Secretary of the Board of County
Commissioners of Spartanburg County

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

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

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

May 28, 1973

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

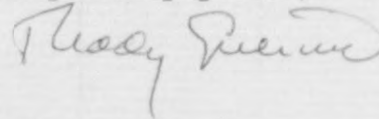
Dear Pat:

Re: \$3,000,000 Spartanburg County, South Carolina,
First Mortgage Industrial Revenue Bonds, Series
1973 (Flowers Baking Company of South Carolina,
Inc. - Lessee)

Enclosed you will find the original and 10 copies
of a Resolution of the State Board approving the project to be
financed out of the captioned bond issue. You should have already
received directly from Roy Smith Supplemental Petition No. 2 of
Spartanburg County setting forth certain changes in this bond
issue as heretofore approved.

Inasmuch as this credit has been twice approved by
the State Board and the changes here are relatively minor, we
are hopeful that we can obtain an early approval. In any event
I will appreciate you calling me collect when the State Board
has acted on this matter.

Very truly yours,



TBG:mbd
Enclosures

cc: (with enclosure)
Roy McBee Smith, Esq.
Bernard Lanigan, Esq.
Sol Altman, Esq.
Gene Lane, Esq.

2028

RESOLUTION

STATE OF SOUTH CAROLINA BUDGET AND CONTROL BOARD

WHEREAS, heretofore the Board of County Commissioners of Spartanburg County (the County Board) did, pursuant to Act No. 103 of the General Assembly of the State of South Carolina for the year 1967, as amended (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 to acquire a parcel of land containing approximately 12 acres of land with the existing facilities located in Spartanburg County (the County), and to finance the enlargement, improvement and expansion of said facilities for the manufacture and distribution of baked snack products through the issuance of \$2,900,000 of bonds pursuant to the Act (said 12 acre tract of land, and the buildings, machinery and equipment constituting the said facilities as enlarged, improved and expanded being hereinafter referred to as the Project), all of which facilities will be leased to Flowers Baking Company of South Carolina, Inc., a South Carolina corporation (the Lessee); and

WHEREAS, by Resolution adopted April 17th, 1973, the State Board approved the said undertaking and notice of such approval has been duly published; and

WHEREAS, the County Board by its Supplemental Petition No. 2 has modified the said undertaking by increasing the amount of bonds to be issued in order to finance the Project and extending the maturity of the bonds, and the County Board now proposes to provide for an issue of \$3,000,000 Spartanburg

County First Mortgage Industrial Revenue Bonds pursuant to the Act for that purpose which will be purchased by Johnson, Lane, Space, Smith and Co., Inc., Atlanta, Georgia, and the proceedings will permit the issuance of not exceeding \$1,750,000 of additional parity bonds.

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 to this Resolution are in all respects true and correct.

(b) That the County Board has filed a proper Petition, Supplemental Petition and Supplemental Petition No. 2 (the 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 at least 183 persons in addition to those employed in the original facilities before expansion, and will be of benefit to Spartanburg 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 and existing facilities included in the Project, to finance the enlargement,

expansion and improvement thereon of such facilities for the manufacture and distribution of baked snack products, to lease the Project to the Lessee and to finance the cost of acquiring, enlarging, expanding and improving the Project, including the refunding of an outstanding mortgage upon the Project with a principal balance of approximately \$300,000, and the reimbursement of funds advanced or loans incurred for such enlargement, expansion and improvement heretofore by the Lessee or by Flowers Industries, Inc., a Delaware corporation, through the issuance of \$3,000,000 Spartanburg County First Mortgage Industrial Revenue Bonds payable from the revenues to be derived from the leasing of the Project and additionally secured by the Lease Guaranty Agreement and Trust Indenture as described in the Petition, all pursuant to the Act (including changes in any details 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 Spartanburg County above described in paragraph 2, supra, shall be published in THE STATE and in THE SPARTANBURG HERALD, both of which are newspapers having general circulation in Spartanburg County.

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

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

Notice is hereby given that following the filing of a Petition dated January 24th, 1973, a Supplemental Petition dated March 28th, 1973, and a Supplemental Petition No. 2 dated May 23rd, 1973, by the Board of County Commissioners of Spartanburg County (the County Board) to the State Budget and Control Board of South Carolina (the State Board), approval has been given by the State Board to the following undertaking (including changes in any details as finally consummated which do not materially affect the said undertaking), viz:

The acquisition by the County Board from Flowers Baking Company of South Carolina, Inc., a South Carolina corporation (the Lessee) of a parcel of land containing approximately 12 acres with existing facilities in Spartanburg County, and the financing of the enlargement, expansion and improvement of said facilities for the manufacture and distribution of baked snack products (said 12 acre tract of land, and the buildings, machinery and equipment constituting the said facilities as enlarged, expanded and improved being hereinafter referred to as the Project). To acquire and finance the enlargement, expansion and improvement of the Project, including the refunding of an outstanding mortgage on the Project and the reimbursement of any funds advanced or loans incurred by the Lessee or Flowers Industries, Inc. heretofore for such enlargement, expansion and improvement, the County Board will issue \$3,000,000 of Spartanburg 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, as amended (the Act). The County Board will lease the Project to the Lessee under a Lease Agreement (the Lease

Agreement) and the Bonds of Spartanburg County will be payable solely from the rentals to be paid to the County under the Lease Agreement, whereby the Lessee has irrevocably covenanted and agreed to pay when due, all sums required for the principal and interest on the Bonds; and the Bonds will be additionally secured by a Trust Indenture which will constitute a foreclosure lien upon the Project. In addition, the performance of all of the obligations of the Lessee under the Lease Agreement will be unconditionally guaranteed by the said Flowers Industries, Inc., a Delaware corporation, under a Lease Guaranty Agreement with the County.

In addition the Lessee has agreed to pay as additional rentals to Spartanburg 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 Spartanburg 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 Spartanburg 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.

The proceeding by which the Bonds are to be issued will permit the issuance of not exceeding \$1,750,000 additional parity bonds.

When completed, it is estimated that the Project will provide employment for approximately 183 persons in addition to those employed at the said facilities before the said enlargement, expansion and improvement was begun in 1971.

The enlargement, expansion and improvement to be financed out of the proceeds of the Bonds were begun in the Spring of 1971 by the Lessee in reliance upon informal assurances that the County Board would finance the same through the issuance of Bonds under the Act. Formal action was taken by the County Board when it entered into an Inducement Contract with the Lessee dated September 27th, 1972, at which time the Lessee had spent approximately \$1,400,000 upon the said enlargement, expansion and improvements, then estimated to cost \$2,000,000. Further analysis by the Lessee has established the estimated cost of such enlargement, expansion and improvements, including the refunding of an outstanding mortgage upon the Project and the costs of issuing the Bonds, to be \$3,000,000.

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

The Bonds hereinabove described include \$2,900,000 Spartanburg County industrial revenue bonds originally proposed to be issued as more fully described in the Notice of State Board approval published on April 19th, 1973.

THE STATE BUDGET AND CONTROL BOARD
OF SOUTH CAROLINA

By: P. C. SMITH, Secretary

Publication Date:

_____, 1973

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 Rembert C. Dennis, 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 11 A. M., JUNE
19, 1973, 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:

MR. PATTERSON

That at said meeting, a Resolution, of which the attached is
a true, correct and verbatim copy, and which had been informally approved
on May 30, 1973, was introduced by MR. MILLS, who moved its
adoption; said motion was seconded by MR. AYCOCK, and upon
vote being taken and recorded it appeared that the following votes were
cast:

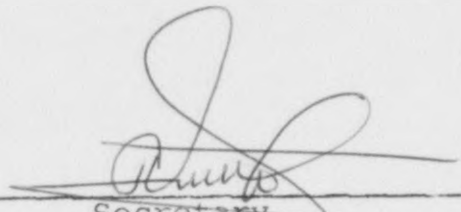
FOR MOTION

4

AGAINST MOTION

0

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

JUNE 20, 1973.



OFFICE OF
County Board of Commissioners
COUNTY COURT HOUSE
Spartanburg, South Carolina 29301

May 24, 1973

ROY MCBEE SMITH
COUNTY ATTORNEY
312 MONTGOMERY BUILDING
P. O. Box 5306
SPARTANBURG, S. C. 29301

Hon. P. C. Smith
State Auditor
P. O. Box 11333
Columbia, SC 29211

RE: \$3,000,000 Spartanburg County, South Carolina,
First Mortgage Industrial Revenue Bonds, Series
1973 (Flowers Baking Company of South Carolina
Inc. - Lessee)

Dear Mr. Smith:

I enclose original Petition in the above.

With a copy of this letter to Mr. Guerard, I am
returning to him ten certified copies of Resolution approving
the changes in certain details concerning this issue.

With kind regards,

Very truly yours,

Roy McBee Smith

Enc.
RMS:fer
CC: Mr. Theodore B. Guerard



OFFICE OF
County Board of Commissioners
COUNTY COURT HOUSE
Spartanburg, South Carolina 29301

EXHIBIT VII
JUNE 19, 1973

May 24, 1973

ROY MCBEE SMITH
COUNTY ATTORNEY
312 MONTGOMERY BUILDING
P. O. Box 5306
SPARTANBURG, S. C. 29301

Hon. P. C. Smith
State Auditor
P. O. Box 11333
Columbia, SC 29211

582-6727

RE: \$1,000,000 Spartanburg County, South Carolina,
First Mortgage Industrial Revenue Bonds, Series
1973 (Chas. S. Tanner Co. - Lessee)

Dear Mr. Smith:

I enclose Petition in the above executed by the
Chairman and Secretary of the Spartanburg County Commission,
together with a copy of the Lease and Indenture.

With kind regards,

Very truly yours,

Roy McBee Smith

RMS:fer

Enc.

CC: J. Brantley Phillips, Esq.
Ernest Blakely, Jr., Esq.
Cliff C. Hatcher, Esq.
George T. McDonald, Esq.
T. L. Lewis, Jr., Esq.
Schafer B. Kendrick, Esq.

By Phone - 5/30/73

- Gm - (M)
- Mar -
- Cg - (M)

STATE OF SOUTH CAROLINA
COUNTY OF SPARTANBURG

TO THE STATE BUDGET AND CONTROL
BOARD OF SOUTH CAROLINA

P E T I T I O N

The Petition of the County Board of Commissioners of Spartanburg County (the County Board) respectfully shows:

1. The County Board is the governing body of Spartanburg County as established by law, and as such is the County Board referred to in Act No. 103 of the South Carolina General Assembly enacted at its 1967 Session, as amended (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, equipment, machinery and other improvements deemed necessary, suitable and useful by any manufacturing or processing enterprise; to lease the same; and to finance the acquisition, construction and equipping 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, equipment and machinery and other improvements.

3. The County Board agreed with Chas S. Tanner Co., a Rhode Island corporation (the Lessee) that the County Board will undertake to finance the acquisition, construction and equipping of industrial facilities located near Woodruff, in Spartanburg County, through the issuance of Industrial Revenue Bonds pursuant to the Act. In this connection, the County Board has agreed to accept a conveyance of the parcel of land located near Woodruff, in Spartanburg County, South Carolina, on which the new industrial facilities will be located, and the County Board has agreed to initially issue One Million Dollars (\$1,000,000) Spartanburg

County First Mortgage Industrial Revenue Bonds, Series 1973 (Chas S. Tanner Co. - Lessee), pursuant to the Act in order to finance the acquisition, construction and equipping of the facilities which, when completed, will provide facilities for the manufacture of chemicals (said facilities being hereinafter referred to as the Project).

4. The County Board is advised by the Lessee that the cost of acquiring the said land, the cost of constructing a building thereon, and the cost of acquiring and installing the necessary machinery and equipment will amount to approximately Two Million Dollars (\$2,000,000) and that, therefore, in order to finance the acquisition, construction and equipping of the Project, including the costs and charges incident to the issuance and sale of the bonds hereinafter described, it will be necessary that the County Board issue One Million Dollars (\$1,000,000) Spartanburg County First Mortgage Industrial Revenue Bonds, Series 1973 (Chas. S. Tanner Co. - Lessee) (the Bonds).

5. When complete the Project will employ approximately 16 persons.

6. For the reasons above set forth and hereinafter 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.

(d) The Series 1973 Bonds will be dated July 1, 1973, and will mature and bear interest in accordance with the following schedule:

| <u>July 1 of the Year</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|-------------------------------|-----------------------------|--------------------------|
| 1975 | \$ 30,000 | 6.00% |
| 1976 | 35,000 | 6.10% |
| 1977 | 35,000 | 6.20% |
| 1978 | 35,000 | 6.30% |
| 1979 | 40,000 | 6.40% |
| 1980 | 40,000 | 6.50% |
| 1981 | 45,000 | 6.60% |
| 1982 | 50,000 | 6.70% |
| 1983 | 50,000 | 6.75% |
| 1984 | 55,000 | 6.80% |
| 1985 | 60,000 | 6.85% |
| 1986 | 60,000 | 6.90% |
| 1987 | 65,000 | 6.95% |
| 1988 | 70,000 | 7.00% |
| 1989 | 75,000 | 7.00% |
| 1990 | 80,000 | 7.00% |
| 1991 | 85,000 | 7.00% |
| 1992 | 90,000 | 7.00% |

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

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

(a) The Project to be undertaken consists of the acquisition of a parcel of land located near Woodruff, in Spartanburg County, South Carolina, the construction of an appropriate building thereon and the acquisition and installation of machinery and equipment which will constitute a facility for the manufacture of chemicals.

(b) The Project will provide employment during the period of its construction and when completed will provide permanent employment for approximately 16 persons. It is, therefore, believed that the Project will have a beneficial effect upon the economy of the County and areas adjacent thereto.

(c) The cost of the entire Project will amount to approximately \$2,000,000, including the cost of acquiring the said land, the construction of the necessary building thereon, and the acquisition of the equipment to be installed therein, and all other expenses to be incurred in connection therewith.

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

(a) To finance the cost of the acquisition, construction and equipping of the Project the County will initially issue \$1,000,000 Spartanburg County First Mortgage Industrial Revenue Bonds, Series 1973 (Chas. S. Tanner Co. - 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.

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

(c) The Lease will contain a specific provision by which the Lessee will unconditionally agree to make payments to Spartanburg County, to any School District in Spartanburg County, and to all other political units in which the Project is situated, in lieu of taxes, in such amounts as would result from taxes levied on the Project by Spartanburg County, by any such School District, and by said political units if the Project were owned by the Lessee, but with appropriate reductions similar to the tax reductions, if any, which would be afforded the Lessee were it the owner of the Project.

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

(e) The Lease contains provisions which would provide for its amendment in order to make provision for the issuance of additional bonds under the conditions therein set forth and more fully set forth in the Trust Indenture.

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, equipment and machinery and interests therein, acquired or to be acquired for the Project.

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

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

The Indenture makes provision for the initial issuance of the One Million Dollars (\$1,000,000) of Bonds referred to above and additional bonds to the extent therein provided and under the conditions therein set forth. 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 imposed 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, make its independent investigation of the Project and the terms and provisions of the Lease 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 13 of the Act.

May 23, 1973.

Respectfully submitted,

COUNTY BOARD OF COMMISSIONERS OF
SPARTANBURG COUNTY

By

R. D. Black
Chairman

(SEAL)

Attest:

Hubert E. Johnson
Clerk

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

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

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

May 24th, 1973

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

Dear Mr. Smith:

Re: \$1,000,000 Spartanburg County, South
Carolina, First Mortgage Industrial
Revenue Bonds, Series 1973 (Chas. S.
Tanner Co. - Lessee)

Enclosed herewith are ten copies of a proposed Resolution of the State Budget and Control Board in connection with the above bond issue. You either have received or will shortly be receiving the Spartanburg County Board's Petition requesting the State Board's approval, together with draft copies of the Lease and Indenture. I have asked Cliff Hatcher of The Furman Co. to forward to you financial and other information in connection with Chas. S. Tanner Co. If you require any further information, please do not hesitate to let me know.

If the State Board approves this bond issue, I would appreciate your signing the enclosed Resolutions and returning them to me for inclusion in the Transcript of Proceedings.

Yours very truly,



TAH/bhs
Enclosures

- cc: Roy McBee Smith, Esq., Kerr & Smith, 312 Montgomery Bldg.,
Spartanburg, S. C. 29301
- cc: J. Brantley Phillips, Jr., Esq., Leatherwood, Walker, Todd & Mann,
Post Office Box 2248, Greenville, S. C. 29602
- cc: Ernest Blakely, Jr., Esq., President, Chas. S. Tanner Co.,
Post Office Box 6748, Greenville, S. C. 29606
- cc: Cliff C. Hatcher, Esq., The Furman Co., Daniel Bldg., Greenville,
S. C. 29601
- cc: George T. McDonald, Esq., c/o Chas. S. Tanner Co., P. O. Box 191,
Warwick, Rhode Island 02887
- cc: T. L. Lewis, Jr., Esq., Southern Bank & Trust Company, P. O. Box
1329, Greenville, S. C. 29602
- cc: Schafer B. Kendrick, Esq., Kendrick, Stephenson & Johnson,
408 North Church St., Greenville, S. C. 29601

2045



CHAS. S. TANNER CO.

BOX 6748, GREENVILLE, SOUTH CAROLINA 29606

(803) 277-7080

ERNEST BLAKELY, JR.
PRESIDENT

May 23, 1973

*Re: Spartanburg Indust.
Revenue Bonds*

Mr. P. C. Smith
State Auditor
Hampton Office Building
Columbia, South Carolina 29202

Dear Mr. Smith:

The Spartanburg County Board of Commissioners is forwarding to your office a Resolution of Petition to the State Budget and Control Board for the issuance of \$1,000,000.00 Spartanburg County, South Carolina, First Mortgage Industrial Revenue Bonds, Series 1973 (Chas. S. Tanner Co. - Lessee).

The purpose of my letter is to inform you of this and to provide you with the additional necessary information for you to judge the merit of the issuance of these bonds.

We are attaching a brief description of our Company and general information concerning its business and present product and sales area. The necessity of this new facility is brought about by the fact that our Company sales have doubled in the last two calendar years and our capacity within the existing facilities will be reached in the very near future. We are surrounded by other businesses and no adjacent land is available for further expansion and to continue the growth momentum, it is vital that we construct a new facility.

Approximately 240 acres are presently under option on Highway 221 just South of Woodruff, South Carolina, and we propose to exercise this option and build a new facility that will allow us continued growth, both in textile auxiliaries and eventually polymers, as outlined in the attached description. This new facility will allow us ample room to meet and maintain State and Federal Regulations on ecology and waste treatment. Studies by professional Sanitary Engineers indicate that we will be able to meet all of these requirements with zero emission of waste water. This facility has access to rail and water. Adequate fire protection will be maintained by the installation of a 500,000 gallon storage tank and high pressure pumping stations. The initial buildings are outlined as follows:

PHASE I

1. Manufacturing Buildings.
80 X 80, 56' high, 3-story steel load bearing floors all levels, complete with elevator.
2. Finished Product Building.
80 X 145', 20' high, rigid frame construction.
3. Raw Material Warehouse .
80 X 145', 20' high, rigid frame construction.
4. Office and Quality Control Laboratory.
80 X 50 cinderblock and bar joist construction.
5. Outside Storage Pad to include six (6) or eight (8) 20,000 gallon bulk storage facilities for both raw material and finished products.
6. Driveways, fencing and waste treatment.
7. Boiler House to include 250 HP Boiler, air compressors and deionized water systems.
8. Cooling tower and refrigeration for chilling cooling water.

Note: Item #1 will include four (4) to six (6) reactors and miscellaneous auxiliary equipment.

PHASE II

1. 60 X 80 2-story high pressure polymer plant with adjacent reactor control rooms and electrical switch gear.
2. Small building for chemical process filtration.
3. Module for storing cryogenic ethylene and related accessory equipment.

PHASE III

1. Expansion of existing atmospheric polymer products which would require an additional building.

Mr. P. C. Smith
State Auditor

-3-

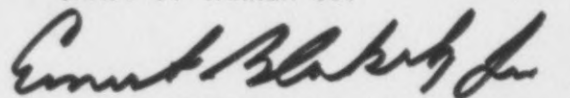
May 23, 1973

The Inducement Contract with Spartanburg County requests issuance of \$1,500,000.00 Spartanburg County First Mortgage Industrial Revenue Bonds. We request that initially \$1,000,000.00 be issued to be utilized in Phase I and the remaining \$500,000.00 will be requested at a later date for use on Phase II. In addition, we are in the process of recapitalizing our Company for an additional \$500,000.00 which will be completed prior to the issuance of these bonds.

We respectfully submit the enclosed four (4) Annual Audits of Peat, Marwick, Mitchell & Co. plus unaudited figures for the first four months of 1973. Should there be additional information you may need or should you desire a meeting with the officials of our Company, please let us know and we will arrange this at your earliest convenience.

Sincerely yours,

CHAS. S. TANNER CO.



Ernest Blakely, Jr.
President

EB:jb
Encls.

cc: Mr. Cliff Hatcher
The Furman Co.
Greenville, S. C.

Mr. Tom Hutcheson
Sinkler, Gibbs, Simons & Guerard
Charleston, S. C.

Mr. George MacDonald
Chas. S. Tanner Co.
Warwick, R. I.

Mr. J. Brantley Phillips, Jr.
Leatherwood, Walker, Todd & Mann
Greenville, S. C.

Mr. Roy McBee Smith
Kerr & Smith
Spartanburg, S. C.

Mr. Wm. Stephenson
V. M. Manning & Co.
Greenville, S. C.

THE COMPANY

Chas. S. Tanner Co. was founded in 1866 at Providence, Rhode Island, by Charles Sumner Tanner. Mr. Tanner, who had been employed earlier as an accountant for the Orray A. Taft Co., distributor of starch and heavy chemicals, succeeded to ownership of that firm upon his employer's retirement and made it the base for a company of his own. Chas. S. Tanner Co. was successively headed by a son and a grandson of the first Mr. Tanner, whose great-grandson, C. Milton Tanner II, is now board chairman.

Today, Ernest Blakely, Jr., who joined the Company in 1953 as its Southern Sales Representative, is President and Chief Executive Officer. While the Company continues to maintain offices and a warehouse and bulk storage terminal at Warwick, R. I., near the Providence site of its earliest operations, production activities and executive offices are at Greenville, S. C., central to its great concentration of customers.

Emphasis is on polymer chemistry, a field entered in 1958. Relocation in 1971 of offices, laboratories and pilot plant at Donaldson Center near Greenville has permitted the Company's Greenville facility to further expand polymer production, which now exceed 40 million pounds a year.

Other officers of the Company include Robert G. Short, Vice President - Director of Marketing; Martin K. Lindemann, Vice President - Director of Research and Development; and George T. MacDonald, Treasurer.

BUSINESS OF CHAS. S. TANNER CO.

General

Chas. S. Tanner Co. is engaged in the manufacture and sale of a wide variety of specialty chemical materials. Its principal growth has been associated with the polymer chemistry field and involves the provision, largely to customers in the textile, paper and adhesive industries, of polymer and polymer compound materials essential to manufacture of their own products and/or enhancement of product appearance and performance.

For the year ending December 31, 1972, approximately 83% of sales were to textile industry customers, 5% to adhesive customers, and 4% to paper manufacturers. All other sales came to 8%. Textile sales, which are expected to continue to be the largest segment of the Company's business, may be further broken down for 1972 into sale of chemical products converted by Chas. S. Tanner Co., 92%; and sale of bulk chemicals for customer conversion, 8%.

Present Products

Types of polymers included in Chas. S. Tanner Co.'s present production of more than 40 million pounds annually are polyvinyl acetate homopolymers, maleate and acrylic vinyl acetate copolymers, acrylic vinyl acetate terpolymers, and acrylic copolymers and terpolymers.

The Company also produces compounded products including, but not limited to, Dur-O-Cotes designed for coating applications, Dur-O-Flocks developed as high viscosity adhesives for flocked fabrics, and Dur-O-Bonds appropriate in various adhesive applications.

New Product Development

Research and Development Laboratories occupying 18,000 sq. ft. of headquarters area and staffed by 25 highly qualified technically educated personnel are central to Chas. S. Tanner Co.'s preeminence in the polymer chemistry field in the Southeast. From these laboratories have come in the past five years, under the direction of Dr. Martin K. Lindemann, many polymer products with characteristics presently unduplicated by other polymer suppliers. Chas. S. Tanner Dur-O-Cryls, to cite a single example, are distinguished from competitive products by higher molecular weight significantly affecting their performance, to the customer's advantage.

Customer Service

The Company's estimated sales volume for 1973 should exceed \$9,000,000.00 and has been built on the base of a hundred years of service to a relatively small number of customers, and because the requirements of present customers are highly specialized, service is an important aspect of the Company's operation. Technically trained sales representative are in direct contact with most Chas. S. Tanner Co. customers. Chemical products are often designed for a specific customer. The Company maintains also a Customer Service Laboratory equipped to analyze specific chemical problems and work closely with customers in arriving at solutions. Present production and warehouse capability, combined with maintenance of a truck fleet, permit delivery of Chas. S. Tanner products direct to customers on terms meeting their needs -- often within 24 hours of receipt of order.

Some of Chas. S. Tanner Co.'s Customers include:

Abney Mills
American Home Curtains Co.
Burlington Industries
Cone Mills Corp.
Deering-Milliken Corp.
Federal Paper
Graniteville Co.
International Paper
Kendall Co.
M. Lowenstein & Sons
Sanford Finishing Corp.
E. J. Snyder & Co.
J. P. Stevens & Co.
United Merchants & Mfg.
West Point-Pepperell

CHAS. S. TANNER CO.
Balance Sheet
April 30, 1973
(Unaudited)

ASSETS

| | |
|---|-----------------|
| Cash | \$ 218,428.76 |
| Accounts Receivable - Trade | 734,267.22 |
| Other Receivables | 55,288.67 |
| Inventories | 775,874.85 |
| Prepays | 3,894.44 |
| | <hr/> |
| Total Current Assets | \$ 1,787,753.94 |
| | <hr/> |
| Property, Plant & Equip. (Net of Depr.) | 877,513.36 |
| Deposits | 440.00 |
| Cash Surrender Value - Life Insurance | 148,074.00 |
| | <hr/> |
| TOTAL ASSETS | \$ 2,813,781.30 |
| | <hr/> |

LIABILITIES & STOCKHOLDERS EQUITY

| | |
|--|-----------------|
| Notes Payable - Bank | \$ 100,000.00 |
| Current Installment - Long Term Debt | 21,431.91 |
| Accounts Payable - Trade | 677,035.23 |
| Accrued Liab. & Other Accounts Payable | 191,626.12 |
| Federal & State Income Taxes | 143,077.83 |
| | <hr/> |
| Total Current Liabilities | \$ 1,133,171.09 |
| | <hr/> |
| Deferred Income Taxes | 64,800.00 |
| Long Term Debt (Net of Current) | 92,997.13 |
| Notes Payable - Ins. Co. | 89,370.49 |
| | <hr/> |
| Total Other Liabilities | \$ 247,167.62 |
| | <hr/> |

STOCKHOLDERS EQUITY:

| | |
|---|-----------------|
| Common Stock | \$ 384,000.00 |
| Treasury Stock | (129,532.86) |
| Paid in Surplus | 41,678.08 |
| Retained Earnings | 1,137,297.27 |
| | <hr/> |
| Total Stockholders Equity | \$ 1,433,442.49 |
| | <hr/> |
| TOTAL LIABILITIES & STOCKHOLDERS EQUITY | \$ 2,813,781.30 |
| | <hr/> |

CHAS. S. TANNER CO.

Operating Statement
(Unaudited)

Four Months Ended

| | <u>4/30/71</u> | <u>%</u> | <u>4/30/72</u> | <u>%</u> | <u>4/30/73</u> | <u>%</u> |
|--|------------------|----------|------------------|----------|-------------------|----------|
| Net Sales | \$1,528,912 | 100.0 | \$2,201,979 | 100.0 | \$2,989,056 | 100.0 |
| Raw Material Costs | 814,260 | 53.3 | 1,170,960 | 53.2 | 1,647,781 | 55.1 |
| Manufacturing Expense | <u>256,152</u> | 16.8 | <u>377,325</u> | 17.1 | <u>487,639</u> | 16.2 |
| Cost of Sales | <u>1,070,412</u> | 70.0 | <u>1,548,285</u> | 70.3 | <u>2,135,420</u> | 71.4 |
| Gross Profit | 458,500 | 30.0 | 653,694 | 29.7 | 853,636 | 28.6 |
| Selling, Laboratory, General & Administrative Expense | <u>376,912</u> | 24.6 | <u>463,209</u> | 21.0 | <u>476,385</u> | 15.9 |
| Operating Income | 81,588 | 5.4 | 190,485 | 8.7 | 377,251 | 12.7 |
| Other Income (Expense) - Net | <u>7,868</u> | .5 | <u>30,202</u> | 1.3 | <u>40,870</u> | 1.4 |
| Earnings before Taxes | 73,720 | 4.9 | 160,283 | 7.4 | 336,381 | 11.3 |
| Provision for Federal & State Taxes | <u>37,400</u> | 2.4 | <u>81,300</u> | 3.7 | <u>173,500</u> | 5.8 |
| Net Earnings | <u>\$ 36,320</u> | 2.5 | <u>\$ 78,983</u> | 3.7 | <u>\$ 162,881</u> | 5.4 |



STATE OF SOUTH CAROLINA

OFFICE OF THE STATE AUDITOR

P. O. BOX 11333

COLUMBIA

P. C. SMITH
STATE AUDITOR

TELEPHONE
(803) 758-3106

M E M O R A N D U M

Date: May 29, 1973

TO: Mr. P. C. Smith
FROM: William T. Putnam
RE: Chas. S. Tanner Co.

A review of the financial statements of the Chas. S. Tanner Co. shows that gross sales increased from \$3.1 million to \$6.8 million from 1968 to 1972. During the same period net profits, before taxes, increased from \$272,320 to \$553,715.

In 1972, the ratio of current assets to current liabilities was 1.5 to 1, which was down from 2 to 1 in 1968.

For the first quarter of 1973, sales have increased by 35.7% while net earnings, before taxes, increased by 109.9%.

The Chas. S. Tanner Co. was originally started in Rhode Island but moved to Greenville in 1971. The Company produces special chemicals which are sold primarily (83%) to textile firms.

2053

73
CHAS. S. TANNER CO.

Financial Statements and Supplementary Data

December 31, 1972

(With Accountants' Report Thereon)

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

PROVIDENCE, RHODE ISLAND

2054

CHAS. S. TANNER CO.

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PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

40 WESTMINSTER STREET

PROVIDENCE, RHODE ISLAND 02903

The Board of Directors
Chas. S. Tanner Co.:

We have examined the balance sheet of Chas. S. Tanner Co. as of December 31, 1972 and the related statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, except for the method of recording inventories as described in Note 2, the above mentioned financial statements present fairly the financial position of Chas. S. Tanner Co. at December 31, 1972, the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. The current year's supplementary data included in Schedules 1 - 3 have been subjected to the same auditing procedures and, in our opinion, except for the matter described above, are stated fairly in all material respects when considered in conjunction with the basic financial statements taken as a whole.

Peat, Marwick, Mitchell & Co.

March 2, 1973

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

40 WESTMINSTER STREET

PROVIDENCE, RHODE ISLAND 02903

The Board of Directors
Chas. S. Tanner Co.:

We have examined the balance sheet of Chas. S. Tanner Co. as of December 31, 1972 and the related statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, except for the method of recording inventories as described in Note 2, the above mentioned financial statements present fairly the financial position of Chas. S. Tanner Co. at December 31, 1972, the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. The current year's supplementary data included in Schedules 1 - 3 have been subjected to the same auditing procedures and, in our opinion, except for the matter described above, are stated fairly in all material respects when considered in conjunction with the basic financial statements taken as a whole.

Peat, Marwick, Mitchell & Co.

March 2, 1973

2055-A

CHAS. S. TANNER CO.

Balance Sheet

December 31, 1972
with comparative figures for 1971

| Assets | 1972 | 1971 | Liabilities and Stockholders' Equity | 1972 | 1971 |
|--|-------------------|-----------|---|-------------------|-----------|
| Current assets: | | | Current liabilities: | | |
| Cash | \$ 61,714 | 46,994 | Notes payable to bank | \$ 275,000 | 225,000 |
| Receivables: | | | Current installments on long-term debt (note 4) | 21,432 | 13,174 |
| Trade accounts | + 376,000 853,102 | 487,510 | Accounts payable and accrued liabilities | + 124,000 681,319 | 537,121 |
| Other | 52,426 | 34,175 | Federal and State income taxes (note 1) | 99,457 | 37,288 |
| Total receivables | 905,528 | 521,685 | Total current liabilities | 1,077,208 | 812,583 |
| Inventories, at lower of cost (first-in, first-out) or market (note 2) | + 129,000 609,766 | 480,156 | Deferred taxes (note 1) | 64,800 | 38,300 |
| Prepaid expenses | + 505,000 24,449 | 15,731 | Long-term debt, excluding current installments (note 4) | 95,255 | 102,563 |
| Total current assets | 1,601,457 | 1,064,566 | Stockholders' equity (note 6): | | |
| Property, plant and equipment, at cost (notes 1, 3, and 4) | 1,414,108 | 1,245,137 | Common stock of \$.50 par value per share. Authorized 1,000,000 shares; issued 768,000 shares | 384,000 | 384,000 |
| Less accumulated depreciation | 537,641 | 415,289 | Retained earnings | 974,417 | 683,702 |
| Net property, plant and equipment | 876,467 | 829,848 | Paid-in capital | 41,678 | 21,527 |
| Other assets: | | | | 1,400,095 | 1,089,229 |
| Cash surrender value of life insurance - (net of loans of \$89,370) | 29,901 | 5,967 | Less cost of 237,600 shares in treasury (246,400 shares in 1971) | 129,533 | 142,294 |
| | \$ 2,507,825 | 1,900,381 | Total stockholders' equity | 1,270,562 | 946,935 |
| | | | Commitments (note 5). | | |
| | | | | \$ 2,507,825 | 1,900,381 |

See accompanying notes to financial statements.

CHAS. S. TANNER CO.

Statement of Earnings and Retained Earnings

Year ended December 31, 1972
with comparative figures for 1971

| | <u>1972</u> | <u>1971</u> |
|--|-------------------|------------------|
| Sales + 38% | \$ 6,877,226 | 5,000,263 |
| Cost of sales | <u>4,918,096</u> | <u>3,632,710</u> |
| Gross profit | 1,959,130 | 1,367,553 |
| Selling, laboratory, general and administrative expenses | <u>1,380,975</u> | <u>1,102,818</u> |
| Operating income | 578,155 | 264,735 |
| Other income | <u>12,505</u> | <u>19,649</u> |
| | <u>590,660</u> | <u>284,384</u> |
| Other deductions: | | |
| Interest | 27,618 | 22,408 |
| Other | <u>9,327</u> | <u>4,377</u> |
| Total other deductions | <u>36,945</u> | <u>26,785</u> |
| Earnings before income taxes | <u>553,715</u> | <u>257,599</u> |
| Income taxes: | | |
| State | 36,000 | 19,600 |
| Federal (net of investment credit of \$19,500 in 1972 and \$4,800 in 1971) | <u>227,000</u> | <u>109,100</u> |
| Total income taxes (including deferred taxes of \$26,500 in 1972 and \$17,200 in 1971) (note 1) | <u>263,000</u> | <u>128,700</u> |
| Net earnings (per share: 1972 - \$.55; 1971 - \$.25 - based on average number of shares outstanding) | → 290,715 | 128,899-269 |
| Retained earnings at beginning of year | <u>683,702</u> | <u>554,803</u> |
| Retained earnings at end of year | \$ <u>974,417</u> | <u>683,702</u> |

See accompanying notes to financial statements.

CHAS. S. TANNER CO.

Statement of Changes in Financial Position

Year ended December 31, 1972
with comparative figures for 1971

| | <u>1972</u> | <u>1971</u> |
|--|-------------------|----------------|
| Funds provided: | | |
| From operations: | | |
| Net earnings | \$ 290,715 | 128,899 |
| Add charges to earnings not requiring funds: | | |
| Depreciation | 124,019 | 84,614 |
| Provision for deferred taxes | 26,500 | 17,200 |
| Loss on sale of equipment | <u>2,010</u> | <u>-</u> |
| Funds derived from operations | 443,244 | 230,713 |
| Proceeds from the sale of treasury stock | 32,912 | 36,608 |
| Proceeds from the sale of equipment | 3,550 | - |
| Proceeds from long-term debt | 18,876 | - |
| Proceeds from insurance policy loans | - | 19,008 |
| Decrease in working capital | <u>-</u> | <u>8,381</u> |
| | <u>\$ 498,582</u> | <u>294,710</u> |
| Funds used: | | |
| Additions to property, plant and equipment | 176,198 | 267,036 |
| Increase in cash surrender value of life insurance | 23,934 | 14,500 |
| Decrease in long-term debt | 26,184 | 13,174 |
| Increase in working capital | <u>272,266</u> | <u>-</u> |
| | <u>\$ 498,582</u> | <u>294,710</u> |
| Changes in working capital: | | |
| Increase in current assets: | | |
| Cash | 14,720 | 27,983 |
| Receivables | 383,843 | 115,543 |
| Inventories | 129,610 | 179,457 |
| Prepaid expenses | <u>8,718</u> | <u>3,560</u> |
| | <u>536,891</u> | <u>326,543</u> |
| Increase in current liabilities: | | |
| Notes payable to bank | 50,000 | 150,000 |
| Current installments on long-term debt | 8,258 | 918 |
| Accounts payable and accrued liabilities | 144,198 | 178,803 |
| Federal and State income taxes | <u>62,169</u> | <u>5,203</u> |
| | <u>264,625</u> | <u>334,924</u> |
| | <u>\$ 272,266</u> | <u>(8,381)</u> |

See accompanying notes to financial statements.

CHAS. S. TANNER CO.

Notes to Financial Statements

December 31, 1972(1) Summary of Accounting Policies

Property, Plant and Equipment:

It is the policy of the Company to capitalize expenditures for major additions and betterments and to charge to current operating expenses the cost of replacements, maintenance, and repairs which do not improve or extend the lives of the respective assets. Depreciation is calculated principally by the straight-line method. The estimated lives in years used in determining the annual rates are as follows:

| | Life in years | |
|-------------------------|------------------|------|
| Building | 5 | - 40 |
| Machinery and equipment | 2 | - 15 |
| Leasehold improvements | 3 1/2 | - 20 |
| Office furniture | 5 | - 15 |
| Autos and trucks | 2 | - 5 |
| Building signs | 8 | - 10 |

See a summary of property, plant and equipment in Note 3.

Deferred Taxes:

Deferred taxes arise because certain items of property, plant and equipment are being depreciated on an accelerated method for income tax purposes and on the straight-line method for financial statement purposes.

Investment Tax Credit:

The investment tax credit is recorded by the flow-through method of accounting whereby it is applied as a reduction of income tax expense in the year available for utilization.

Profit-Sharing Plan:

The Company has a voluntary profit-sharing plan payable in contributions to a fully-funded retirement fund for substantially all permanent full-time employees. The profit-sharing expense for 1972 and 1971 was \$55,968 and \$23,067, respectively.

(2) Inventories

Inventories are valued at raw material costs only. Had labor and overhead been included in the inventories, the net earnings for 1972 and 1971 would have been increased by approximately \$6,500 and \$13,000, respectively. Retained earnings at December 31, 1972 would be increased by approximately \$37,500, representing the cumulative effect of the exclusion of labor and overhead from the inventories through December 31, 1972.

CHAS. S. TANNER CO.

Notes to Financial Statements, Continued

Following is a comparative summary of inventories:

| | <u>1972</u> | <u>1971</u> |
|------------------------------------|-------------------|----------------|
| Work in process and finished goods | \$ 256,820 | 214,127 |
| Raw materials | <u>352,946</u> | <u>266,029</u> |
| | <u>\$ 609,766</u> | <u>480,156</u> |

(3) Property, Plant and Equipment

Property, plant and equipment is summarized as follows:

| | <u>1972</u> | <u>1971</u> |
|-------------------------------|-------------------|----------------|
| Land | \$ 98,403 | 98,403 |
| Building | 139,278 | 139,278 |
| Machinery and equipment | 885,158 | 628,457 |
| Leasehold improvements | 137,164 | 112,128 |
| Office furniture | 86,914 | 65,860 |
| Autos and trucks | 53,779 | 48,548 |
| Building signs | 6,938 | 6,938 |
| Construction in progress | <u>6,474</u> | <u>145,525</u> |
| | 1,414,108 | 1,245,137 |
| Less accumulated depreciation | <u>537,641</u> | <u>415,289</u> |
| | <u>\$ 876,467</u> | <u>829,848</u> |

(4) Long-Term Debt

At December 31, 1972, long-term debt consisted of the following:

| | <u>Due within one year</u> | <u>Due after one year</u> |
|--|--------------------------------|-------------------------------|
| Mortgage note, payable to Rhode Island Hospital Trust National Bank in equal monthly installments of \$1,761, including interest, through December 1979. Interest is at 7 1/4%. The note is secured by the land and building | \$ 14,212 | 88,351 |
| Various equipment notes, payable in monthly installments totaling \$617, including interest, the longest of which is due in April 1975. Interest rates range from 5% to 5 1/2% | <u>7,220</u> | <u>6,904</u> |
| | <u>\$ 21,432</u> | <u>95,255</u> |

CHAS. S. TANNER CO.

Notes to Financial Statements, Continued(5) Commitments

The Company has three lease agreements for its Southern facilities, two of which expire in 1975 and one in 1986, with annual lease payments of approximately \$56,000.

(6) Stockholders' Equity

During 1971, the Company received \$32,912 from the sale of 8,800 shares of treasury stock to eight employees. The difference between the cost of the stock sold and the proceeds received, \$20,151, has been credited to paid-in capital.

CHAS. S. TANNER CO.

Cost of Sales

Year ended December 31, 1972
with comparative figures for 1971

| | <u>1972</u> | <u>1971</u> | <u>Increase (Decrease)</u> |
|---|--------------|-------------|--------------------------------|
| Purchases: | | | |
| Materials for manufactured products | \$ 3,040,798 | 2,030,103 | 1,010,695 |
| Distributors' chemicals | 575,059 | 605,693 | (30,634) |
| Drums, bags, and liners | 274,853 | 269,694 | 5,159 |
| Direct labor | 187,747 | 137,418 | 50,329 |
| Manufacturing expenses: | | | |
| Variable: | | | |
| Payroll taxes, health insurance, and personnel expense | 32,434 | 21,687 | 10,747 |
| Quality control labor | 30,181 | 19,968 | 10,213 |
| Maintenance labor | 31,528 | 24,067 | 7,461 |
| Maintenance and repairs | 17,712 | 12,644 | 5,068 |
| Mill supplies | 45,238 | 31,130 | 14,108 |
| Fuel, gas, water, and electricity | 56,317 | 43,152 | 13,165 |
| Travel | 2,065 | 1,234 | 831 |
| Miscellaneous | 6,937 | 2,550 | 4,387 |
| Fixed: | | | |
| Manufacturing, administration, and management | 69,876 | 55,994 | 13,882 |
| Depreciation: | | | |
| Building | 3,422 | 3,422 | - |
| Machinery and equipment | 74,251 | 51,777 | 22,474 |
| Leasehold improvements | 5,300 | 5,637 | (337) |
| Furniture and fixtures | 313 | - | 313 |
| Rent | 38,003 | 33,341 | 4,662 |
| Property taxes | 22,199 | 25,184 | (2,985) |
| Insurance | 61,900 | 40,558 | 21,342 |
| Freight and express: | | | |
| Drivers' salaries | 97,149 | 81,726 | 15,423 |
| Payroll taxes, health insurance, and personnel expense | 9,479 | 6,260 | 3,219 |
| Gas, oil, and travel | 13,173 | 12,595 | 578 |
| Maintenance and repairs | 11,890 | 13,101 | (1,211) |
| Depreciation | 3,889 | 4,667 | (778) |
| Freight out, leased | 213,962 | 187,133 | 26,829 |
| Freight out, independent | 65,132 | 43,668 | 21,464 |
| Miscellaneous | 1,271 | 1,738 | (467) |

(Continued)

CHAS. S. TANNER CO.

Cost of Sales, Continued

| | <u>1972</u> | <u>1971</u> | <u>Increase (Decrease)</u> |
|---|---------------------|------------------|--------------------------------|
| Warehouse: | | | |
| Warehouse labor | \$ 30,820 | 27,977 | 2,843 |
| Payroll taxes, health insurance, and personnel expense | 3,314 | 2,775 | 539 |
| Fuel, gas, water, and electricity | 4,449 | 3,047 | 1,402 |
| Maintenance and repairs | 2,150 | 512 | 1,638 |
| Supplies | 6,075 | 4,190 | 1,885 |
| Rent | <u>8,820</u> | <u>7,525</u> | <u>1,295</u> |
| | <u>5,047,706</u> | <u>3,812,167</u> | <u>1,235,539</u> |
| Deduct increase in inventories: | | | |
| Inventories at end of year | 609,766 | 480,156 | 129,610 |
| Inventories at beginning of year | <u>480,156</u> | <u>300,699</u> | <u>179,457</u> |
| | <u>129,610</u> | <u>179,457</u> | <u>49,847</u> |
| | <u>\$ 4,918,096</u> | <u>3,632,710</u> | <u>1,285,386</u> |

CHAS. S. TANNER CO.

Selling, Laboratory, General and Administrative Expenses

Year ended December 31, 1972
with comparative figures for 1971

| | <u>1972</u> | <u>1971</u> | <u>Increase (Decrease)</u> |
|---|----------------|----------------|--------------------------------|
| Selling expenses: | | | |
| Salaries and commissions | \$ 344,027 | 296,361 | 47,666 |
| Travel | 45,791 | 39,616 | 6,175 |
| Automobile expenses | 30,802 | 25,720 | 5,082 |
| Entertainment | 45,561 | 38,790 | 6,771 |
| Advertising | 28,586 | 17,957 | 10,629 |
| Samples | 4,937 | 5,122 | (185) |
| Payroll taxes and health insurance | 10,198 | 9,853 | 345 |
| Telephone and telegraph | 17,122 | 12,119 | 5,003 |
| Miscellaneous | <u>7,459</u> | <u>1,330</u> | <u>6,129</u> |
| | <u>534,483</u> | <u>446,868</u> | <u>87,615</u> |
| Laboratory expenses: | | | |
| Salaries | 226,898 | 152,305 | 74,593 |
| Payroll taxes, health insurance, and personnel expense | 18,390 | 9,351 | 9,039 |
| Equipment maintenance and repairs | 5,172 | 4,911 | 261 |
| Supplies | 16,359 | 10,221 | 6,138 |
| Dues and library | 2,921 | 2,363 | 558 |
| Telephone | 8,773 | 2,972 | 5,801 |
| Travel | 3,539 | 3,190 | 349 |
| Automobile expenses | - | 580 | (580) |
| Entertainment | 287 | 111 | 176 |
| Professional services | 7,784 | 3,795 | 3,989 |
| Utilities | 3,687 | 2,272 | 1,415 |
| Depreciation: | | | |
| Machinery and equipment | 4,804 | 3,815 | 989 |
| Leasehold improvements | 11,542 | 2,735 | 8,807 |
| Furniture and fixtures | 1,359 | 809 | 550 |
| Rent | 6,520 | 3,733 | 2,787 |
| Miscellaneous | <u>3,727</u> | <u>747</u> | <u>2,980</u> |
| | <u>321,762</u> | <u>203,910</u> | <u>117,852</u> |

(Continued)

CHAS. S. TANNER CO.

Selling, Laboratory, General and Administrative Expenses, Continued

| | 1972 | 1971 | Increase (Decrease) |
|--|---------------------|------------------|------------------------|
| General and administrative expenses: | | | |
| Office salaries | \$ 47,713 | 38,103 | 9,610 |
| Profit sharing and other incentive pay | 55,968 | 23,352 | 32,616 |
| Payroll taxes, health insurance, and personnel expenses | 4,476 | 8,080 | (3,604) |
| Employee welfare | 1,573 | 1,365 | 208 |
| Janitorial service | 1,413 | 2,486 | (1,073) |
| Equipment maintenance and repairs | 2,910 | 4,326 | (1,416) |
| Stationery and supplies | 8,857 | 9,246 | (389) |
| Postage | 2,780 | 3,239 | (459) |
| Telephone and telegraph | 16,875 | 15,726 | 1,149 |
| Contributions | 375 | 590 | (215) |
| Professional services | - | 123 | (123) |
| Rent | 3,260 | 1,867 | 1,393 |
| Travel | 737 | 709 | 28 |
| Utilities | 2,052 | 740 | 1,312 |
| Depreciation: | | | |
| Leasehold improvements | 4,137 | 820 | 3,317 |
| Furniture and fixtures | 4,148 | 2,648 | 1,500 |
| Signs | 171 | 126 | 45 |
| Miscellaneous | 1,591 | 932 | 659 |
| | <u>159,036</u> | <u>114,478</u> | <u>44,558</u> |
| Executive office expenses: | | | |
| Officers' salaries and bonuses | 216,000 | 216,000 | - |
| Office salaries | 46,417 | 35,331 | 11,086 |
| Payroll taxes | 3,203 | 3,368 | (165) |
| Health insurance and personnel expenses | 3,974 | 3,472 | 502 |
| Employee welfare | 7,077 | 663 | 6,414 |
| Equipment maintenance | 842 | 898 | (56) |
| Stationery and supplies | 1,084 | 2,435 | (1,351) |
| Postage | 1,588 | 1,186 | 402 |
| Telephone and telegraph | 7,675 | 6,912 | 763 |
| Contributions | 1,283 | 614 | 669 |
| Data processing | 7,094 | 5,450 | 1,644 |
| Taxes, nonpayroll | 3,838 | 460 | 3,378 |
| Professional services | 16,898 | 18,091 | (1,193) |
| Officers' life insurance | 8,661 | 10,884 | (2,223) |
| Dues and subscriptions | 2,764 | 2,266 | 498 |
| Travel | 10,899 | 7,603 | 3,296 |
| Automobile expense | 5,144 | 4,143 | 1,001 |
| Entertainment | 9,030 | 6,888 | 2,142 |
| Depreciation: | | | |
| Building | 3,422 | 3,422 | - |
| Furniture and fixtures | 2,008 | 1,966 | 42 |
| Automobiles | 4,000 | 2,334 | 1,666 |
| Miscellaneous | 2,793 | 3,176 | (383) |
| | <u>365,694</u> | <u>337,562</u> | <u>28,132</u> |
| | <u>\$ 1,380,975</u> | <u>1,102,818</u> | <u>278,157</u> |

Property, Plant and Equipment, and Accumulated Depreciation

Year ended December 31, 1972

2066

CHAS. S. TANNER CO.

Accountants' Report

Financial Statements and Supplementary
Data - December 31, 1969

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

2067

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
10 DORRANCE STREET
PROVIDENCE, RHODE ISLAND 02903

The Board of Directors
Chas. S. Tanner Co.:

We have examined the balance sheet of Chas. S. Tanner Co. as of December 31, 1969 and the related statement of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of earnings and retained earnings present fairly the financial position of Chas. S. Tanner Co. at December 31, 1969 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. The current year's supplementary data included in Schedules 1 - 8 have been subjected to the same auditing procedures and, in our opinion, are stated fairly in all material respects when considered in conjunction with the basic financial statements taken as a whole.

Peat, Marwick, Mitchell & Co.

March 6, 1970

CHAS. S. TANNER CO.

Balance Sheet

December 31, 1969
with comparative figures for 1968

| <u>Assets</u> | <u>1969</u> | <u>1968</u> | <u>Liabilities and Stockholders' Equity</u> | <u>1969</u> | <u>1968</u> |
|--|---------------------|------------------|---|---------------------|------------------|
| Current assets: | | | Current liabilities: | | |
| Cash (1968 includes certificates of deposit of \$300,000) | \$ 146,514 | 408,013 | Current installments on long-term debt | \$ 11,401 | 10,606 |
| Marketable securities, at cost (quoted market, \$13,675) | <u>20,218</u> | <u>20,218</u> | Accounts payable | 231,524 | 262,929 |
| Receivables: | | | Accrued salaries and commissions | 21,818 | 44,529 |
| Trade accounts | 230,662 | 237,308 | Accrued expenses | 30,003 | 32,844 |
| Other | <u>13,444</u> | <u>38,713</u> | Payroll taxes and employee deductions | 20,926 | 15,274 |
| Total receivables | <u>244,106</u> | <u>276,021</u> | State income taxes | 8,440 | 12,060 |
| Inventories at lower of cost (first-in, first-out) or market (note 2) | 240,392 | 213,083 | Federal income taxes (note 4) | <u>43,438</u> | <u>89,591</u> |
| Prepaid expenses | <u>8,626</u> | <u>8,706</u> | Total current liabilities | <u>367,550</u> | <u>467,833</u> |
| Total current assets | <u>659,856</u> | <u>926,041</u> | Deferred taxes (note 4) | 4,600 | - |
| Property, plant and equipment, at cost (notes 3, 6, and 7) | 870,127 | 562,796 | Long-term debt (note 6): | | |
| Less accumulated depreciation | <u>266,977</u> | <u>225,851</u> | Mortgage payable, less current installments | <u>127,993</u> | <u>139,394</u> |
| Net property, plant and equipment | <u>603,150</u> | <u>336,945</u> | Stockholders' equity: | | |
| Other assets: | | | Common stock (note 1) | 384,000 | 384,000 |
| Deposits | 440 | 3,740 | Donated surplus | - | 20,000 |
| Cash surrender value of life insurance (1969 - net of loans of \$43,498) | <u>11,051</u> | <u>33,144</u> | Retained earnings | <u>507,354</u> | <u>405,643</u> |
| Total other assets | <u>11,491</u> | <u>36,884</u> | | 891,354 | 809,643 |
| | <u>\$ 1,274,497</u> | <u>1,299,870</u> | Less cost of shares in treasury (note 1) | <u>117,000</u> | <u>117,000</u> |
| | | | Total stockholders' equity | <u>774,354</u> | <u>692,643</u> |
| | | | Commitments (note 7). | | |
| | | | | <u>\$ 1,274,497</u> | <u>1,299,870</u> |

See accompanying notes to financial statements.

CHAS. S. TANNER CO.

Statement of Earnings and Retained Earnings

Year ended December 31, 1969
with comparative figures for 1968

| | <u>1969</u> | <u>1968</u> |
|---|-------------------|------------------|
| Sales | \$ 3,214,845 | 3,165,553 |
| Cost of sales | <u>2,269,103</u> | <u>2,124,174</u> |
| Gross profit | 945,742 | 1,041,379 |
| Selling, laboratory, general and administrative expenses | <u>695,981</u> | <u>611,042</u> |
| Operating income | 249,761 | 430,337 |
| Other income | <u>19,490</u> | <u>12,348</u> |
| | 269,251 | 442,685 |
| Other deductions | <u>11,136</u> | <u>16,693</u> |
| Earnings before executives' bonus and employees' profit sharing | <u>258,115</u> | <u>425,992</u> |
| Executives' bonus | 77,436 | 132,451 |
| Employees' profit sharing (note 5) | <u>13,068</u> | <u>21,221</u> |
| | <u>90,504</u> | <u>153,672</u> |
| Earnings before income taxes | <u>167,611</u> | <u>272,320</u> |
| Income taxes: | | |
| State | 9,600 | 17,600 |
| Federal (note 4) | <u>76,300</u> | <u>132,800</u> |
| | <u>85,900</u> | <u>150,400</u> |
| Net earnings before extraordinary item (per share: 1969 - \$30.60; 1968 - \$45.66) (note 1) | 81,711 | 121,920 |
| Extraordinary item: | | |
| Fire loss, net of applicable Federal income taxes of \$16,500 (per share: 1968 - (\$5.55)) | <u>-</u> | <u>14,832</u> |
| Net earnings (per share: 1969 - \$30.60; 1968 - \$40.11) (note 1) | 81,711 | 107,088 |
| Retained earnings at beginning of year | <u>405,643</u> | <u>298,555</u> |
| | 487,354 | 405,643 |
| Amount transferred from donated surplus | <u>20,000</u> | <u>-</u> |
| Retained earnings at end of year | <u>\$ 507,354</u> | <u>405,643</u> |
| Depreciation deducted above (note 3) | <u>\$ 46,813</u> | <u>39,647</u> |

See accompanying notes to financial statements.

CHAS. S. TANNER CO.

Notes to Financial Statements

December 31, 1969(1) Common Stock

On December 9, 1969 the Articles of Association were amended changing the authorized common stock from 5,000 shares without par value to 1,000,000 shares of \$.50 par value per share. At December 31, 1969, the 3,840 previously issued no par shares (less 1,170 shares in the treasury) had not been replaced by the new \$.50 par value shares. Accordingly, the accompanying financial statements reflect an authorized capitalization of 1,000,000 shares of \$.50 par value common and issued shares of 3,840 no par value common. Earnings per share for both years has been computed based upon the no par value shares. It is the intention of management to replace these shares during 1970.

(2) Inventories

Following is a comparative summary of inventories:

| | <u>1969</u> | <u>1968</u> |
|------------------------------------|-------------------|----------------|
| Work in process and finished goods | \$ 102,262 | 74,028 |
| Raw materials | <u>138,130</u> | <u>139,055</u> |
| | <u>\$ 240,392</u> | <u>213,083</u> |

Inventories are valued at raw material costs only. However, the amount of labor and overhead excluded from the beginning and ending inventories is insignificant and consequently has no material effect upon the financial statements taken as a whole.

(3) Property, Plant and Equipment

Property, plant and equipment is summarized as follows:

| | <u>1969</u> | <u>1968</u> |
|--------------------------------|-------------------|----------------|
| Land (secured by mortgage) | \$ 98,403 | 70,000 |
| Building (secured by mortgage) | 128,377 | 92,160 |
| Machinery and equipment | 297,475 | 268,852 |
| Leasehold improvements | 68,436 | 64,951 |
| Office furniture | 45,132 | 30,931 |
| Autos and trucks | 28,698 | 31,134 |
| Building signs | 6,343 | 4,768 |
| Construction in progress | <u>197,263</u> | - |
| | 870,127 | 562,796 |
| Less accumulated depreciation | <u>266,977</u> | <u>225,851</u> |
| | <u>\$ 603,150</u> | <u>336,945</u> |

CHAS. S. TANNER CO.

Notes to Financial Statements, Continued

Depreciation is calculated on the straight-line method for all current additions. Machinery and equipment acquired after 1954 and office furniture acquired after 1961 are depreciated on an accelerated method. The estimated lives in years used in determining the annual rates are as follows:

| | |
|-------------------------|--------|
| Building | 5 - 40 |
| Machinery and equipment | 5 - 12 |
| Leasehold improvements | 5 - 20 |
| Office furniture | 7 - 15 |
| Autos and trucks | 2 - 5 |
| Building signs | 8 - 15 |

(4) Federal Income Taxes

Federal income tax returns of the Company have been examined by the Internal Revenue Service through December 31, 1964.

Deferred taxes arise because fixed assets acquired in the current year are being depreciated on an accelerated method for income tax purposes and on the straight-line method for financial statement purposes (See Note 3).

(5) Profit-Sharing Plan

The Company has a voluntary profit-sharing plan payable in contributions to a fully-funded retirement fund for substantially all permanent full-time employees. The expense for the current year was \$13,068, compared to \$21,221 in 1968.

(6) Long-Term Debt

The mortgage bears interest at 7 1/4% and is payable to the Rhode Island Hospital Trust National Bank in equal monthly installments of \$1,761, including interest, through December 1979. The land and building secures this obligation.

(7) Commitments

The Company has a lease for its Southern facilities with annual rentals of \$32,857 expiring in 1986.

During the current year the Company undertook an expansion program at its Southern plant through December 31, 1969. These costs have amounted to approximately \$200,000. Costs to complete are estimated at approximately \$20,000.

In June 1967, the Company purchased 1,170 shares of no par common stock at a cost of \$117,000 from the estate of a deceased stockholder, subject to the final determination by the Internal Revenue Service of their valuation. Subsequent to December 31, 1969 this determination has been made resulting in an additional liability of approximately \$30,000 which, when paid, will be added to cost of the treasury stock.

CHAS. S. TANNER CO.

Financial Position

December 31, 1969
with comparative figures for 1968

| | <u>1969</u> | <u>1968</u> | <u>Increase (Decrease)</u> |
|---|-------------------|----------------|--------------------------------|
| Current assets: | | | |
| Cash | \$ 146,514 | 408,013 | (261,499) |
| Marketable securities | 20,218 | 20,218 | - |
| Accounts receivable | 244,106 | 276,021 | (31,915) |
| Inventories | 240,392 | 213,083 | 27,309 |
| Prepaid expenses | <u>8,626</u> | <u>8,706</u> | <u>(80)</u> |
| | <u>659,856</u> | <u>926,041</u> | <u>(266,185)</u> |
| Current liabilities: | | | |
| Current installments on long-term debt | 11,401 | 10,606 | 795 |
| Accounts payable | 231,524 | 262,929 | (31,405) |
| Accrued salaries and commissions | 21,818 | 44,529 | (22,711) |
| Accrued expenses | 30,003 | 32,844 | (2,841) |
| Payroll taxes and employee deductions | 20,926 | 15,274 | 5,652 |
| State and Federal income taxes | <u>51,878</u> | <u>101,651</u> | <u>(49,773)</u> |
| | <u>367,550</u> | <u>467,833</u> | <u>(100,283)</u> |
| Current assets per \$1.00 of current liabilities | 1.80 | 1.98 | (.18) |
| Working capital | 292,306 | 458,208 | (165,902) |
| Property, plant and equipment, less accumulated depreciation | 603,150 | 336,945 | 266,205 |
| Other assets | <u>11,491</u> | <u>36,884</u> | <u>(25,393)</u> |
| | <u>906,947</u> | <u>832,037</u> | <u>74,910</u> |
| Less: | | | |
| Deferred taxes | 4,600 | - | 4,600 |
| Long-term debt | <u>127,993</u> | <u>139,394</u> | <u>(11,401)</u> |
| | <u>132,593</u> | <u>139,394</u> | <u>(6,801)</u> |
| Stockholders' equity | \$ <u>774,354</u> | <u>692,643</u> | <u>81,711</u> |
| Represented by: | | | |
| Common stock | 384,000 | 384,000 | - |
| Donated surplus | - | 20,000 | (20,000) |
| Retained earnings | <u>507,354</u> | <u>405,643</u> | <u>101,711</u> |
| | 891,354 | 809,643 | 81,711 |
| Cost of shares in treasury | <u>117,000</u> | <u>117,000</u> | <u>-</u> |
| | \$ <u>774,354</u> | <u>692,643</u> | <u>81,711</u> |
| Net assets per share of common stock | \$ <u>290</u> | <u>259</u> | <u>31</u> |

CHAS. S. TANNER CO.

Operations

Year ended December 31, 1969
with comparative figures for 1968

| | Northern Division | | | Southern Division | | | Total | | |
|---|-------------------|---------|------------------------|-------------------|-----------|------------------------|-----------|-----------|------------------------|
| | 1969 | 1968 | Increase (Decrease) | 1969 | 1968 | Increase (Decrease) | 1969 | 1968 | Increase (Decrease) |
| Sales: | | | | | | | | | |
| Manufactured products | \$ 355,893 | 320,428 | 35,465 | 2,395,880 | 2,412,705 | (16,825) | 2,751,773 | 2,733,133 | 18,640 |
| Distributor's chemicals | 4,552 | 4,893 | (341) | 431,699 | 387,745 | 43,954 | 436,251 | 392,638 | 43,613 |
| Miscellaneous | 26,305 | 39,550 | (13,245) | 516 | 232 | 284 | 26,821 | 39,782 | (12,961) |
| | 386,750 | 364,871 | 21,879 | 2,828,095 | 2,800,682 | 27,413 | 3,214,845 | 3,165,553 | 49,292 |
| Cost of sales (Schedule 4) | 308,682 | 262,519 | 46,163 | 1,960,421 | 1,861,655 | 98,766 | 2,269,103 | 2,124,174 | 144,929 |
| Gross profit | 78,068 | 102,352 | (24,284) | 867,674 | 939,027 | (71,353) | 945,742 | 1,041,379 | (95,637) |
| Percentage of sales | 20.2% | 28.1% | (7.9%) | 30.7% | 33.5% | (2.8%) | 29.4% | 32.9% | (3.5%) |
| Selling, laboratory, general and administrative expenses (Schedule 5) | 88,829 | 78,404 | 10,425 | 607,152 | 532,638 | 74,514 | 695,981 | 611,042 | 84,939 |
| Percentage of sales | 23.0% | 21.5% | 1.5% | 21.5% | 19.0% | (2.5%) | 21.6% | 19.3% | (2.3%) |
| Operating income (loss) | (\$ 10,761) | 23,948 | (34,709) | 260,522 | 406,389 | (145,867) | 249,761 | 430,337 | (180,576) |
| Other income: | | | | | | | | | |
| Interest and dividends | | | | | | | 10,328 | 10,399 | (71) |
| Miscellaneous | | | | | | | 9,162 | 1,949 | 7,213 |
| | | | | | | | 19,490 | 12,348 | 7,142 |
| | | | | | | | 269,251 | 442,685 | (173,434) |
| Other deductions: | | | | | | | | | |
| Interest | | | | | | | 11,136 | 1,183 | 9,953 |
| Loss on sale of marketable securities | | | | | | | - | 15,510 | (15,510) |
| | | | | | | | 11,136 | 16,693 | (5,557) |
| Earnings before executives' bonus and employees' profit sharing | | | | | | | 258,115 | 425,992 | (167,877) |
| Executives' bonus | | | | | | | 77,436 | 132,451 | (55,015) |
| Employees' profit sharing | | | | | | | 13,068 | 21,221 | (8,153) |
| | | | | | | | 90,504 | 153,672 | (63,168) |
| Earnings before income taxes | | | | | | | 167,611 | 272,320 | (104,709) |
| Income taxes: | | | | | | | | | |
| State | | | | | | | 9,600 | 17,600 | (8,000) |
| Federal | | | | | | | 76,300 | 132,800 | (56,500) |
| | | | | | | | 85,900 | 150,400 | (64,500) |
| Net earnings before extraordinary item | | | | | | | 81,711 | 121,920 | (40,209) |
| Percentage of sales | | | | | | | 2.5% | 3.9% | (1.4%) |
| Extraordinary item: | | | | | | | | | |
| Fire loss, net of applicable Federal income taxes | | | | | | | - | 14,832 | (14,832) |
| Net earnings | | | | | | | \$ 81,711 | 107,088 | 25,377 |
| Percentage of sales | | | | | | | 2.5% | 3.4% | (.9%) |

CHAS. S. TANNER CO.

Source and Application of Funds
and Changes in Working CapitalYear ended December 31, 1969
with comparative figures for 1968

| | <u>1969</u> | <u>1968</u> |
|---|-------------------|-----------------|
| Funds provided: | | |
| From operations: | | |
| Net earnings | \$ 81,711 | 107,088 |
| Add: | | |
| Depreciation not requiring funds | 46,813 | 39,647 |
| Net book value of fixed assets destroyed in fire | - | 30,446 |
| Gain on sale of fixed assets | (3,187) | - |
| Provision for deferred taxes | <u>4,600</u> | <u>-</u> |
| Funds derived from operations | 129,937 | 177,181 |
| Mortgage payable, less amounts due within one year | - | 139,394 |
| Proceeds from sale of fixed assets | 4,500 | - |
| Insurance policy loans, net of increase in other assets | 25,393 | - |
| Decrease in working capital | <u>165,902</u> | <u>-</u> |
| | <u>\$ 325,732</u> | <u>316,575</u> |
| Funds used: | | |
| Additions to property, plant and equipment | 314,331 | 223,728 |
| Increase in other assets | - | 30,358 |
| Decrease in long-term debt | 11,401 | - |
| Increase in working capital | <u>-</u> | <u>62,489</u> |
| | <u>\$ 325,732</u> | <u>316,575</u> |
| Changes in working capital: | | |
| Increase (decrease) in current assets: | | |
| Cash | (261,499) | 194,557 |
| Marketable securities | - | (27,869) |
| Receivables | (31,915) | 58,251 |
| Inventories | 27,309 | (11,247) |
| Prepaid expenses | <u>(80)</u> | <u>(1,592)</u> |
| | <u>(266,185)</u> | <u>212,100</u> |
| Increase (decrease) in current liabilities: | | |
| Current installments on long-term debt | 795 | 10,606 |
| Accounts payable | (31,405) | 108,328 |
| Accrued salaries and commissions | (22,711) | 29,939 |
| Accrued expenses | (2,841) | 1,613 |
| Payroll taxes and employee deductions | 5,652 | 9,804 |
| State and Federal income taxes | <u>(49,773)</u> | <u>(10,679)</u> |
| | <u>(100,283)</u> | <u>149,611</u> |
| | <u>\$ 165,902</u> | <u>62,489</u> |

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CHAS. S. TANNER CO.

Cost of Sales

Year ended December 31, 1969
with comparative figures for 1968

| | Northern Division | | | Southern Division | | | Total | | |
|--|-------------------|----------------|------------------------|-------------------|------------------|------------------------|------------------|------------------|------------------------|
| | 1969 | 1968 | Increase (Decrease) | 1969 | 1968 | Increase (Decrease) | 1969 | 1968 | Increase (Decrease) |
| Purchases: | | | | | | | | | |
| Materials for manufactured products | \$ 43,507 | 38,657 | 4,850 | 1,180,928 | 1,260,620 | (79,692) | 1,224,435 | 1,299,277 | (74,842) |
| Distributors' chemicals | 1,746 | 2,826 | (1,080) | 419,243 | 267,360 | 151,883 | 420,989 | 270,186 | 150,803 |
| Dyestuffs and other materials | - | 128 | (128) | - | 96 | (96) | - | 224 | (224) |
| Drums, bags, and liners | 8,523 | 4,789 | 3,734 | 132,465 | 123,367 | 9,098 | 140,988 | 128,156 | 12,832 |
| Direct labor | 17,967 | 11,779 | 6,188 | 106,013 | 86,047 | 19,966 | 123,980 | 97,826 | 26,154 |
| Manufacturing expenses: | | | | | | | | | |
| Variable: | | | | | | | | | |
| Payroll taxes, health insurance, and personnel expense | 2,465 | 1,495 | 970 | 12,476 | 6,497 | 5,979 | 14,941 | 7,992 | 6,949 |
| Maintenance and repairs | 893 | 318 | 575 | 10,177 | 4,849 | 5,328 | 11,070 | 5,167 | 5,903 |
| Mill supplies | 6,302 | 1,748 | 4,554 | 28,529 | 25,095 | 3,434 | 34,831 | 26,843 | 7,988 |
| Fuel, gas, water, and electricity | 3,426 | 3,300 | 126 | 25,941 | 20,029 | 5,912 | 29,367 | 23,329 | 6,038 |
| Freight and express: | | | | | | | | | |
| Drivers' salaries | 6,708 | 7,456 | (748) | 39,008 | 24,406 | 14,602 | 45,716 | 31,862 | 13,854 |
| Gas and oil | 1,376 | 1,044 | 332 | 1,554 | 914 | 640 | 2,930 | 1,958 | 972 |
| Maintenance and repairs | 1,602 | 572 | 1,030 | 2,490 | 1,047 | 1,443 | 4,092 | 1,619 | 2,473 |
| Freight out, leased | - | - | - | 93,230 | 78,102 | 15,128 | 93,230 | 78,102 | 15,128 |
| Freight out, independent | 5,694 | 5,665 | 29 | 34,691 | 31,766 | 2,925 | 40,385 | 37,431 | 2,954 |
| Travel | 1,762 | 122 | 1,640 | 3,767 | 1,203 | 2,564 | 5,529 | 1,325 | 4,204 |
| Miscellaneous | 1,727 | 1,032 | 695 | 2,691 | 703 | 1,988 | 4,418 | 1,735 | 2,683 |
| Fixed: | | | | | | | | | |
| Depreciation: | | | | | | | | | |
| Building | 2,493 | - | 2,493 | - | - | - | 2,493 | - | 2,493 |
| Machinery and equipment | 1,614 | 1,200 | 414 | 23,761 | 23,465 | 296 | 25,375 | 24,665 | 710 |
| Leasehold improvements | - | 542 | (542) | 3,251 | 3,498 | (247) | 3,251 | 4,040 | (789) |
| Truck | 1,343 | 396 | 947 | - | - | - | 1,343 | 396 | 947 |
| Rent | - | 6,000 | (6,000) | 27,372 | 33,600 | (6,228) | 27,372 | 39,600 | (12,228) |
| Property taxes | 4,958 | 7,321 | (2,363) | 9,328 | 5,573 | 3,755 | 14,286 | 12,894 | 1,392 |
| Insurance | 2,746 | 1,505 | 1,241 | 22,645 | 16,795 | 5,850 | 25,391 | 18,300 | 7,091 |
| | <u>116,852</u> | <u>97,895</u> | <u>18,957</u> | <u>2,179,560</u> | <u>2,015,032</u> | <u>164,528</u> | <u>2,296,412</u> | <u>2,112,927</u> | <u>183,485</u> |
| Increase (decrease) in inventories: | | | | | | | | | |
| Inventories at end of year | 31,080 | 22,531 | 8,549 | 209,312 | 190,552 | 18,760 | 240,392 | 213,083 | 27,309 |
| Inventories at beginning of year | <u>22,531</u> | <u>31,834</u> | <u>(9,303)</u> | <u>190,552</u> | <u>192,496</u> | <u>(1,944)</u> | <u>213,083</u> | <u>224,330</u> | <u>(11,247)</u> |
| Increase (decrease) | <u>8,549</u> | <u>(9,303)</u> | <u>(17,852)</u> | <u>18,760</u> | <u>(1,944)</u> | <u>20,704</u> | <u>27,309</u> | <u>(11,247)</u> | <u>38,556</u> |
| | 108,303 | 107,198 | 1,105 | 2,160,800 | 2,016,976 | 143,824 | 2,269,103 | 2,124,174 | 144,929 |
| Transfers: | | | | | | | | | |
| Raw material and drum costs | 159,949 | 128,883 | 31,066 | (159,949) | (128,883) | (31,066) | - | - | - |
| Manufacturing expenses | <u>40,430</u> | <u>26,438</u> | <u>13,992</u> | <u>(40,430)</u> | <u>(26,438)</u> | <u>(13,992)</u> | - | - | - |
| Total transfers | <u>200,379</u> | <u>155,321</u> | <u>45,058</u> | <u>(200,379)</u> | <u>(155,321)</u> | <u>(45,058)</u> | - | - | - |
| | <u>\$ 308,682</u> | <u>262,519</u> | <u>46,163</u> | <u>1,960,421</u> | <u>1,861,655</u> | <u>98,766</u> | <u>2,269,103</u> | <u>2,124,174</u> | <u>144,929</u> |

CHAS. S. TANNER CO.

Selling, Laboratory, General and Administrative Expenses

Year ended December 31, 1969
with comparative figures for 1968

| | Northern Division | | | Southern Division | | | Total | | |
|---|-------------------|---------------|------------------------|-------------------|----------------|------------------------|----------------|----------------|------------------------|
| | 1969 | 1968 | Increase (Decrease) | 1969 | 1968 | Increase (Decrease) | 1969 | 1968 | Increase (Decrease) |
| Selling expenses: | | | | | | | | | |
| Salaries and commissions | \$ 20,147 | 21,561 | (1,414) | 139,947 | 124,546 | 15,401 | 160,094 | 146,107 | 13,987 |
| Travel | 4,234 | 4,669 | (435) | 12,042 | 10,034 | 2,008 | 16,276 | 14,703 | 1,573 |
| Automobile expenses | 3,857 | 3,160 | 697 | 9,955 | 12,210 | (2,255) | 13,812 | 15,370 | (1,558) |
| Entertainment | 2,697 | 1,773 | 924 | 24,654 | 19,037 | 5,617 | 27,351 | 20,810 | 6,541 |
| Advertising | 1,525 | 2,297 | (772) | 15,825 | 8,302 | 7,523 | 17,350 | 10,599 | 6,751 |
| Payroll taxes and health insurance | 649 | 490 | 159 | 2,978 | 1,710 | 1,268 | 3,627 | 2,200 | 1,427 |
| Telephone and telegraph | 2,070 | 1,357 | 713 | 2,786 | 2,189 | 597 | 4,856 | 3,546 | 1,310 |
| Miscellaneous | 638 | 596 | 42 | 2,649 | 915 | 1,734 | 3,287 | 1,511 | 1,776 |
| | <u>35,817</u> | <u>35,903</u> | <u>(86)</u> | <u>210,836</u> | <u>178,943</u> | <u>31,893</u> | <u>246,653</u> | <u>214,846</u> | <u>31,807</u> |
| General and administrative expenses: | | | | | | | | | |
| Office salaries | 5,901 | 5,343 | 558 | 34,147 | 31,951 | 2,196 | 40,048 | 37,294 | 2,754 |
| Payroll taxes, health insurance, and personnel expenses | 811 | 1,530 | (719) | 3,403 | 3,653 | (250) | 4,214 | 5,183 | (969) |
| Employee welfare | - | - | - | 1,145 | 488 | 657 | 1,145 | 488 | 657 |
| Janitorial service | - | - | - | 6,634 | 2,460 | 4,174 | 6,634 | 2,460 | 4,174 |
| Equipment maintenance and repairs | - | 92 | (92) | 2,277 | 1,190 | 1,087 | 2,277 | 1,282 | 995 |
| Stationery and supplies | 259 | - | 259 | 9,248 | 4,953 | 4,295 | 9,507 | 4,953 | 4,554 |
| Postage | - | - | - | 2,606 | 2,391 | 215 | 2,606 | 2,391 | 215 |
| Telephone and telegraph | - | - | - | 9,615 | 7,907 | 1,708 | 9,615 | 7,907 | 1,708 |
| Contributions | 1,137 | 127 | 1,010 | 765 | 305 | 460 | 1,902 | 432 | 1,470 |
| Professional services | 463 | 200 | 263 | 558 | 4,760 | (4,202) | 1,021 | 4,960 | (3,939) |
| Bad debts | - | - | - | - | 1,875 | (1,875) | - | 1,875 | (1,875) |
| Rent | - | - | - | 311 | 716 | (405) | 311 | 716 | (405) |
| Travel | - | - | - | 692 | 694 | (2) | 692 | 694 | (2) |
| Depreciation: | | | | | | | | | |
| Leasehold improvements | - | - | - | 328 | 197 | 131 | 328 | 197 | 131 |
| Furniture and fixtures | - | - | - | 2,323 | 2,300 | 23 | 2,323 | 2,300 | 23 |
| Signs | 118 | 20 | 98 | 349 | 400 | (51) | 467 | 420 | 47 |
| Miscellaneous | 520 | 550 | (30) | 1,304 | 400 | 904 | 1,824 | 950 | 874 |
| | <u>9,209</u> | <u>7,862</u> | <u>1,347</u> | <u>75,705</u> | <u>66,640</u> | <u>9,065</u> | <u>84,914</u> | <u>74,502</u> | <u>10,412</u> |
| Allocation of laboratory expenses (Schedule 6) | 19,201 | 11,674 | 7,527 | 140,539 | 118,643 | 21,896 | 159,740 | 130,317 | 29,423 |
| Allocation of executive office expenses (Schedule 7) | 24,602 | 22,965 | 1,637 | 180,072 | 168,412 | 11,660 | 204,674 | 191,377 | 13,297 |
| | <u>\$ 88,829</u> | <u>78,404</u> | <u>10,425</u> | <u>607,152</u> | <u>532,638</u> | <u>74,514</u> | <u>695,981</u> | <u>611,042</u> | <u>84,939</u> |

CHAS. S. TANNER CO.

Laboratory Expenses

Year ended December 31, 1969
with comparative figures for 1968

| | <u>1969</u> | <u>1968</u> | <u>Increase</u> <u>(Decrease)</u> |
|---|----------------------|------------------|--------------------------------------|
| Salaries | \$ 124,145 | 98,209 | 25,936 |
| Payroll taxes, health insurance, and personnel expense | 6,623 | 4,355 | 2,268 |
| Equipment maintenance and repairs | 2,121 | 595 | 1,526 |
| Supplies | 12,342 | 8,909 | 3,433 |
| Dues and library | 2,984 | 581 | 2,403 |
| Travel | 2,462 | 6,512 | (4,050) |
| Automobile expenses | 1,796 | 2,486 | (690) |
| Entertainment | 167 | 807 | (640) |
| Professional services | 815 | - | 815 |
| Depreciation: | | | |
| Machinery and equipment | 2,679 | 1,906 | 773 |
| Leasehold improvements | 1,331 | 1,435 | (104) |
| Furniture and fixtures | 258 | 255 | 3 |
| Miscellaneous | <u>2,017</u> | <u>4,267</u> | <u>(2,250)</u> |
| | 159,740 | 130,317 | 29,423 |
| Allocation to divisions (Schedule 5) | (\$ <u>159,740</u>) | <u>(130,317)</u> | <u>(29,423)</u> |

CHAS. S. TANNER CO.

Executive Office Expenses

Year ended December 31, 1969
with comparative figures for 1968

| | <u>1969</u> | <u>1968</u> | <u>Increase (Decrease)</u> |
|--|----------------------|----------------|--------------------------------|
| Officers' salaries | \$ 96,000 | 96,000 | - |
| Office salaries | 30,102 | 31,026 | (924) |
| Payroll taxes | 2,211 | 2,046 | 165 |
| Health insurance and personnel expense | 2,081 | 457 | 1,624 |
| Employee welfare | 3,309 | 1,720 | 1,589 |
| Janitorial service | 454 | 190 | 264 |
| Equipment maintenance | 869 | 900 | (31) |
| Stationery and supplies | 1,816 | 2,682 | (866) |
| Postage | 1,325 | 1,265 | 60 |
| Telephone and telegraph | 5,840 | 4,507 | 1,333 |
| Data processing | 4,920 | 3,018 | 1,902 |
| Taxes, nonpayroll | 2,621 | 4,666 | (2,045) |
| Professional services | 10,303 | 11,248 | (945) |
| Insurance: | | | |
| Officers' life | 6,289 | (2,697) | 8,986 |
| General | 777 | 781 | (4) |
| Rent | 600 | 2,160 | (1,560) |
| Dues and subscriptions | 4,019 | 2,772 | 1,247 |
| Travel | 9,083 | 9,529 | (446) |
| Automobile expense | 6,057 | 7,997 | (1,940) |
| Entertainment | 5,504 | 6,723 | (1,219) |
| Depreciation: | | | |
| Building | 2,493 | - | 2,493 |
| Furniture and fixtures | 1,905 | 1,414 | 491 |
| Automobiles | 2,567 | 2,618 | (51) |
| Miscellaneous | <u>3,529</u> | <u>355</u> | <u>3,174</u> |
| | 204,674 | 191,377 | 13,297 |
| Allocation to divisions (Schedule 5) | (\$ <u>204,674</u>) | <u>191,377</u> | <u>(13,297)</u> |

CHAS. S. TANNER CO.

Property, Plant and Equipment and Accumulated Depreciation

Year ended December 31, 1969

| | Asset | | | | Accumulated depreciation | | | | Cost less accumulated depreciation | |
|---|--------------------------|----------------|--------------------------|--------------------------|--------------------------|---------------|--------------------------|--------------------------|---------------------------------------|----------------|
| | Balance Dec. 31, 1968 | Additions | Sales and retirements | Balance Dec. 31, 1969 | Balance Dec. 31, 1968 | Additions | Sales and retirements | Balance Dec. 31, 1969 | Dec. 31, 1968 | Dec. 31, 1969 |
| Land | \$ 70,000 | 28,403 | | 98,403 | | | | | 70,000 | 98,403 |
| Building (construction in progress at December 31, 1968) | 92,160 | 36,217 | | 128,377 | | 4,985 | | 4,985 | 92,160 | 123,392 |
| Machinery and equipment | 268,852 | 28,623 | | 297,475 | 147,342 | 28,053 | | 175,395 | 121,510 | 122,080 |
| Leasehold improvements | 64,951 | 3,485 | | 68,436 | 43,171 | 4,911 | | 48,082 | 21,780 | 20,354 |
| Office furniture | 30,931 | 14,201 | | 45,132 | 14,486 | 4,486 | | 18,972 | 16,445 | 26,160 |
| Autos and truck | 31,134 | 4,564 | 7,000 | 28,698 | 17,804 | 3,911 | 5,687 | 16,028 | 13,330 | 12,670 |
| Building signs | 4,768 | 1,575 | | 6,343 | 3,048 | 467 | | 3,515 | 1,720 | 2,828 |
| Construction in progress | | 197,263 | | 197,263 | | | | | | 197,263 |
| | <u>\$ 562,796</u> | <u>314,331</u> | <u>7,000</u> | <u>870,127</u> | <u>225,851</u> | <u>46,813</u> | <u>5,687</u> | <u>266,977</u> | <u>336,945</u> | <u>603,150</u> |

CHAS. S. TANNER CO.

Financial Statements and Supplementary Data

December 31, 1970

(With Accountants' Report Thereon)

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

2081

CHAS. S. TANNER CO.

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| | <u>Schedule</u> | |
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| Operations | 2 | 9 |
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| Laboratory Expenses | 5 | 12 |
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| Property, Plant and Equipment and Accumulated Depreciation | 7 | 14 |

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
10 DORRANCE STREET
PROVIDENCE, RHODE ISLAND 02903

The Board of Directors
Chas. S. Tanner Co.:

We have examined the balance sheet of Chas. S. Tanner Co. as of December 31, 1970 and the related statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above mentioned financial statements present fairly the financial position of Chas. S. Tanner Co. at December 31, 1970, the results of its operations and the source and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. The current year's supplementary data included in Schedules 1 - 7 have been subjected to the same auditing procedures and, in our opinion, are stated fairly in all material respects when considered in conjunction with the basic financial statements taken as a whole.

Peat, Marwick, Mitchell & Co.

March 6, 1971

CORRECTION

CHAS. S. TANNER CO.

Financial Statements and Supplementary Data

December 31, 1970

(With Accountants' Report Thereon)

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

2081

CHAS. S. TANNER CO.

Table of Contents

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| | <u>Schedule</u> | |
|---|-----------------|----|
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| Operations | 2 | 9 |
| Cost of Sales | 3 | 10 |
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| Laboratory Expenses | 5 | 12 |
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PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
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PROVIDENCE, RHODE ISLAND 02903

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Peat, Marwick, Mitchell & Co.

March 6, 1971

CHAS. S. TANNER CO.

Balance Sheet

December 31, 1970
with comparative figures for 1969

| <u>Assets</u> | <u>1970</u> | <u>1969</u> | <u>Liabilities and Stockholders' Equity</u> | <u>1970</u> | <u>1969</u> |
|---|--------------|-------------|--|--------------|-------------|
| Current assets: | | | Current liabilities: | | |
| Cash | \$ 19,011 | 146,514 | Note payable to bank | \$ 75,000 | - |
| Marketable securities, at cost | - | 20,218 | Current installments on long-term debt | 12,256 | 11,401 |
| Receivables: | | | Accounts payable | 292,284 | 231,524 |
| Trade accounts | 369,161 | 230,662 | Accrued salaries and commissions | 28,390 | 21,818 |
| Other | 36,541 | 13,444 | Accrued expenses | 29,104 | 30,003 |
| Total receivables | 405,702 | 244,106 | Payroll taxes and employee deductions | 8,540 | 20,926 |
| Inventories at lower of cost (first-in, first-out) or market (note 2) | 300,699 | 240,392 | State income taxes | 973 | 8,440 |
| Prepaid expenses | 12,171 | 8,626 | Federal income taxes (note 4) | 31,112 | 43,438 |
| Total current assets | 737,583 | 659,856 | Liability for additional cost of treasury stock acquired (note 1) | - | 31,313 |
| Property, plant and equipment, at cost | | | Total current liabilities | 477,659 | 398,863 |
| (notes 3 and 6) | 981,861 | 870,127 | Deferred taxes (note 4) | 21,100 | 4,600 |
| Less accumulated depreciation | 334,435 | 266,977 | Long-term debt - mortgage payable, excluding current installments (note 6) | 115,737 | 127,993 |
| Net property, plant and equipment | 647,426 | 603,150 | Stockholders' equity (note 1): | | |
| Other assets: | | | Common stock of \$.50 par value per share. Authorized 1,000,000 shares; issued 768,000 shares | 384,000 | 384,000 |
| Deposits | 440 | 440 | Retained earnings | 554,803 | 483,354 |
| Cash surrender value of life insurance (1970 - net of loans of \$70,363) | 10,475 | 11,051 | | 938,803 | 867,354 |
| Total other assets | 10,915 | 11,491 | Less cost of 256,800 shares in treasury (234,000 shares in 1969) | 157,375 | 124,313 |
| | | | Total stockholders' equity | 781,428 | 743,041 |
| | | | Commitments (note 7). | | |
| | \$ 1,395,924 | 1,274,497 | | \$ 1,395,924 | 1,274,497 |

See accompanying notes to financial statements.

CHAS. S. TANNER CO.

Statement of Earnings and Retained Earnings

Year ended December 31, 1970
with comparative figures for 1969

| | <u>1970</u> | <u>1969</u> |
|---|-------------------|------------------|
| Sales | \$ 3,805,276 | 3,214,845 |
| Cost of sales | <u>2,676,136</u> | <u>2,269,103</u> |
| Gross profit | 1,129,140 | 945,742 |
| Selling, laboratory, general and administrative expenses | <u>854,133</u> | <u>695,981</u> |
| Operating income | 275,007 | 249,761 |
| Other income | <u>18,582</u> | <u>19,490</u> |
| | <u>293,589</u> | <u>269,251</u> |
| Other deductions: | | |
| Interest | 18,870 | 11,136 |
| Other | <u>29,440</u> | <u>-</u> |
| Total other deductions | <u>48,310</u> | <u>11,136</u> |
| Earnings before executives' bonus, employees' profit sharing, and income taxes | <u>245,279</u> | <u>258,115</u> |
| Executives' bonus | 74,780 | 77,436 |
| Employees' profit sharing (note 5) | <u>12,050</u> | <u>13,068</u> |
| | <u>86,830</u> | <u>90,504</u> |
| Earnings before income taxes | <u>158,449</u> | <u>167,611</u> |
| Income taxes: | | |
| State | 12,000 | 9,600 |
| Federal (note 4) | <u>75,000</u> | <u>76,300</u> |
| Total income taxes (including deferred taxes of \$16,500 in 1970 and \$4,600 in 1969) | <u>87,000</u> | <u>85,900</u> |
| Net earnings (per share: 1970 - \$.14; 1969 - \$.15 - based on average number of shares outstanding) (note 1) | 71,449 | 81,711 |
| Retained earnings at beginning of year (note 1) | <u>483,354</u> | <u>381,643</u> |
| | 554,803 | 463,354 |
| Amount transferred from donated surplus | <u>-</u> | <u>20,000</u> |
| Retained earnings at end of year | <u>\$ 554,803</u> | <u>483,354</u> |
| Depreciation deducted above (note 3) | <u>\$ 69,458</u> | <u>46,813</u> |

See accompanying notes to financial statements.

CHAS. S. TANNER CO.

Statement of Source and Application
of Funds and Changes in Working CapitalYear ended December 31, 1970
with comparative figures for 1969

| | <u>1970</u> | <u>1969</u> |
|---|-------------------|------------------|
| Funds provided: | | |
| From operations: | | |
| Net earnings | \$ 71,449 | 81,711 |
| Add charges not requiring funds: | | |
| Depreciation | 69,458 | 46,813 |
| Gain on sale of equipment | - | (3,187) |
| Provision for deferred taxes | <u>16,500</u> | <u>4,600</u> |
| Funds derived from operations | 157,407 | 129,937 |
| Proceeds from sale of fixed assets | - | 4,500 |
| Decrease in deposits | - | 3,300 |
| Insurance policy loans | 26,865 | 43,498 |
| Decrease in working capital | <u>1,069</u> | <u>165,902</u> |
| | \$ <u>185,341</u> | <u>347,137</u> |
| Funds used: | | |
| Additions to property, plant and equipment | 113,734 | 314,331 |
| Increase in cash surrender value of life insurance | 26,289 | 21,405 |
| Decrease in long-term debt | 12,256 | 11,401 |
| Purchase of treasury stock | <u>33,062</u> | <u>-</u> |
| | \$ <u>185,341</u> | <u>347,137</u> |
| Changes in working capital: | | |
| Increase (decrease) in current assets: | | |
| Cash | (127,503) | (261,499) |
| Marketable securities | (20,218) | - |
| Receivables | 161,596 | (31,915) |
| Inventories | 60,307 | 27,309 |
| Prepaid expenses | <u>3,545</u> | <u>(80)</u> |
| | <u>77,727</u> | <u>(266,185)</u> |
| Increase (decrease) in current liabilities: | | |
| Note payable to bank | 75,000 | - |
| Current installments on long-term debt | 855 | 795 |
| Accounts payable | 60,760 | (31,405) |
| Accrued salaries and commissions | 6,572 | (22,711) |
| Accrued expenses | (899) | (2,841) |
| Payroll taxes and employee deductions | (12,386) | 5,652 |
| State and Federal income taxes | (19,793) | (49,773) |
| Liability for additional cost of treasury stock acquired | <u>(31,313)</u> | <u>-</u> |
| | <u>78,796</u> | <u>(100,283)</u> |
| | \$ <u>1,069</u> | <u>165,902</u> |

See accompanying notes to financial statements.

2086

CHAS. S. TANNER CO.

Notes to Financial Statements

December 31, 1970

(1) Stockholders' Equity

The following transactions that took place during the year have been given retro-active effect in the December 31, 1970 and 1969 financial statements:

- (a) On December 9, 1969 the Articles of Association were amended changing the authorized common stock from 5,000 shares without par value to 1,000,000 shares of \$.50 par value stock. The 3,840 previously issued no-par shares were replaced on January 1, 1970 through a stock split-up effected in the form of a dividend of 199 shares for each share issued.
- (b) During 1970 the Company, pursuant to a redemption agreement, paid an additional \$31,313 to adjust the price paid for shares of its stock acquired from the estate of a deceased stockholder to the value as finally determined for Federal estate tax purposes. An additional \$24,000 was paid for 60 shares of no par common stock which had been purchased and retired in 1966 and \$7,313 for 1,170 shares of no par common stock purchased in 1967 and held as treasury stock.

The effect of the above transactions on stockholders' equity was as follows:

| | <u>Common stock</u> | | <u>Retained</u> | <u>Treasury stock</u> | |
|--|---------------------|-------------------|-----------------|-----------------------|-------------------|
| | <u>Shares</u> | <u>Amount</u> | <u>earnings</u> | <u>Shares</u> | <u>Amount</u> |
| Balances December 31, 1968 before reflecting retro- active adjustments | 3,840 | \$ 384,000 | 405,643 | 1,170 | \$ 117,000 |
| Conversion of no-par value common stock to \$.50 par value through a stock split-up (see (a) above) | 764,160 | | | 232,830 | |
| Additional amount paid for 60 shares of no par common stock previously retired (see (b) above) | | | (24,000) | | |
| Additional amount paid for 1,170 shares of no par com- mon stock held in treasury (see (b) above) | | | | | 7,313 |
| Balances as adjusted Decem- ber 31, 1968 | <u>768,000</u> | <u>\$ 384,000</u> | <u>381,643</u> | <u>234,000</u> | <u>\$ 124,313</u> |

CHAS. S. TANNER CO.

Notes to Financial Statements, Continued

During 1970 the Company acquired an additional 22,800 shares of \$.50 par value from the same estate at a cost of \$33,062. As at December 31, 1970, the treasury stock after conversion of the 1,170 shares of no par common stock described above for shares of \$.50 par value consisted of 256,800 shares at a total cost of \$157,375.

(2) Inventories

Following is a comparative summary of inventories:

| | <u>1970</u> | <u>1969</u> |
|------------------------------------|-------------------|----------------|
| Work in process and finished goods | \$ 127,190 | 102,262 |
| Raw materials | <u>173,509</u> | <u>138,130</u> |
| | <u>\$ 300,699</u> | <u>240,392</u> |

Inventories are valued at raw material costs only. However, the amount of labor and overhead excluded from the beginning and ending inventories is insignificant and consequently has no material effect upon the financial statements taken as a whole.

(3) Property, Plant and Equipment

Property, plant and equipment is summarized as follows:

| | <u>1970</u> | <u>1969</u> |
|--------------------------------|-------------------|----------------|
| Land (secured by mortgage) | \$ 98,403 | 98,403 |
| Building (secured by mortgage) | 130,149 | 128,377 |
| Machinery and equipment | 566,188 | 297,475 |
| Leasehold improvements | 85,666 | 68,436 |
| Office furniture | 50,945 | 45,132 |
| Autos and trucks | 43,655 | 28,698 |
| Building signs | 6,343 | 6,343 |
| Construction in progress | <u>512</u> | <u>197,263</u> |
| | 981,861 | 870,127 |
| Less accumulated depreciation | <u>334,435</u> | <u>266,977</u> |
| | <u>\$ 647,426</u> | <u>603,150</u> |

CHAS. S. TANNER CO.

Notes to Financial Statements, Continued

Depreciation is calculated on the straight-line method for all additions during 1969 and 1970. With respect to additions in prior years, machinery and equipment acquired after 1954 and office furniture acquired after 1961 are depreciated on an accelerated method. The estimated lives in years used in determining the annual rates are as follows:

| | |
|-------------------------|--------|
| Building | 5 - 40 |
| Machinery and equipment | 5 - 12 |
| Leasehold improvements | 5 - 20 |
| Office furniture | 7 - 15 |
| Autos and trucks | 2 - 5 |
| Building signs | 8 - 15 |

(4) Federal Income Taxes

Federal income tax returns of the Company have been examined by the Internal Revenue Service through December 31, 1964.

Deferred taxes arise because certain items of property, plant and equipment are being depreciated on an accelerated method for income tax purposes and on the straight-line method for financial statement purposes (See Note 3).

(5) Profit-Sharing Plan

The Company has a voluntary profit-sharing plan payable in contributions to a fully-funded retirement fund for substantially all permanent full-time employees. The expense for the current year was \$12,050, compared to \$13,068 in 1969.

(6) Long-Term Debt

The mortgage bears interest at 7 1/4% and is payable to the Rhode Island Hospital Trust National Bank in equal monthly installments of \$1,761, including interest, through December 1979. The land and building secures this obligation.

(7) Commitments

The Company has a lease for its Southern facilities with annual rentals of \$32,857 expiring in 1986.

CHAS. S. TANNER CO.

Financial Position

December 31, 1970
with comparative figures for 1969

| | <u>1970</u> | <u>1969</u> | <u>Increase (Decrease)</u> |
|---|-------------------|----------------|--------------------------------|
| Current assets: | | | |
| Cash | \$ 19,011 | 146,514 | (127,503) |
| Marketable securities | - | 20,218 | (20,218) |
| Receivable | 405,702 | 244,106 | 161,596 |
| Inventories | 300,699 | 240,392 | 60,307 |
| Prepaid expenses | <u>12,171</u> | <u>8,626</u> | <u>3,545</u> |
| | <u>737,583</u> | <u>659,856</u> | <u>77,727</u> |
| Current liabilities: | | | |
| Note payable to bank | 75,000 | - | 75,000 |
| Current installments on long-term debt | 12,256 | 11,401 | 855 |
| Accounts payable | 292,284 | 231,524 | 60,760 |
| Accrued salaries and commissions | 28,390 | 21,818 | 6,572 |
| Accrued expenses | 29,104 | 30,003 | (899) |
| Payroll taxes and employee deductions | 8,540 | 20,926 | (12,386) |
| State and Federal income taxes | 32,085 | 51,878 | (19,793) |
| Liability for additional cost of treasury stock acquired | <u>-</u> | <u>31,313</u> | <u>(31,313)</u> |
| | <u>477,659</u> | <u>398,863</u> | <u>78,796</u> |
| Current assets per \$1.00 of current liabilities | 1.54 | 1.65 | (.11) |
| Working capital | 259,924 | 260,993 | (1,069) |
| Property, plant and equipment, less accumulated depreciation | 647,426 | 603,150 | 44,276 |
| Other assets | <u>10,915</u> | <u>11,491</u> | <u>(576)</u> |
| | <u>918,265</u> | <u>875,634</u> | <u>42,631</u> |
| Less: | | | |
| Deferred taxes | 21,100 | 4,600 | 16,500 |
| Long-term debt | <u>115,737</u> | <u>127,993</u> | <u>(12,256)</u> |
| | <u>136,837</u> | <u>132,593</u> | <u>4,244</u> |
| Stockholders' equity | \$ <u>781,428</u> | <u>743,041</u> | <u>38,387</u> |
| Represented by: | | | |
| Common stock | 384,000 | 384,000 | - |
| Retained earnings | <u>554,803</u> | <u>483,354</u> | <u>71,449</u> |
| | 938,803 | 867,354 | 71,449 |
| Cost of shares in treasury | <u>157,375</u> | <u>124,313</u> | <u>33,062</u> |
| | \$ <u>781,428</u> | <u>743,041</u> | <u>38,387</u> |
| Net assets per share of common stock | \$ <u>1.53</u> | <u>1.39</u> | <u>.14</u> |

CHAS. S. TANNER CO.

Operations

Year ended December 31, 1970
with comparative figures for 1969

| | Northern Division | | | Southern Division | | | Total | | |
|---|-------------------|----------|------------------------|-------------------|-----------|------------------------|-----------|-----------|------------------------|
| | 1970 | 1969 | Increase (Decrease) | 1970 | 1969 | Increase (Decrease) | 1970 | 1969 | Increase (Decrease) |
| Sales: | | | | | | | | | |
| Manufactured products | \$ 552,346 | 355,893 | 196,453 | 2,809,718 | 2,395,880 | 413,838 | 3,362,064 | 2,751,773 | 610,291 |
| Distributor's chemicals | 4,851 | 4,552 | 299 | 419,312 | 431,699 | (12,387) | 424,163 | 436,251 | (12,088) |
| Miscellaneous | 19,049 | 26,305 | (7,256) | - | 516 | (516) | 19,049 | 26,821 | (7,772) |
| | 576,246 | 386,750 | 189,496 | 3,229,030 | 2,828,095 | 400,935 | 3,805,276 | 3,214,845 | 590,431 |
| Cost of sales (Schedule 3) | 423,647 | 308,682 | 114,965 | 2,252,489 | 1,960,421 | 292,068 | 2,676,136 | 2,269,103 | 407,033 |
| Gross profit | 152,599 | 78,068 | 74,531 | 976,541 | 867,674 | 108,867 | 1,129,140 | 945,742 | 183,398 |
| Percentage of sales | 26.5% | 20.2% | 6.3% | 30.2% | 30.7% | (.5%) | 29.7% | 29.4% | .3% |
| Selling, laboratory, general and administrative expenses (Schedule 4) | 123,190 | 88,829 | 34,361 | 730,943 | 607,152 | 123,791 | 854,133 | 695,981 | 158,152 |
| Percentage of sales | 21.4% | 23.0% | (1.6%) | 22.6% | 21.5% | 1.1% | 22.4% | 21.6% | .8% |
| Operating income (loss) | \$ 29,409 | (10,761) | 40,170 | 245,598 | 260,522 | (14,924) | 275,007 | 249,761 | 25,246 |
| Other income: | | | | | | | | | |
| Interest and dividends | | | | | | | 956 | 10,328 | (9,372) |
| Claims | | | | | | | 14,882 | 200 | 14,682 |
| Miscellaneous | | | | | | | 2,744 | 8,962 | (6,218) |
| | | | | | | | 18,582 | 19,490 | (908) |
| | | | | | | | 293,589 | 269,251 | 24,338 |
| Other deductions: | | | | | | | | | |
| Interest | | | | | | | 18,870 | 11,136 | 7,734 |
| Loss on sale of marketable securities | | | | | | | 9,562 | - | 9,562 |
| Retirement benefits | | | | | | | 19,000 | - | 19,000 |
| Miscellaneous | | | | | | | 878 | - | 878 |
| | | | | | | | 48,310 | 11,136 | 37,174 |
| Earnings before executives' bonus, employees' profit sharing and income taxes | | | | | | | 245,279 | 258,115 | (12,836) |
| Executives' bonus | | | | | | | 74,780 | 77,436 | (2,656) |
| Employees' profit sharing | | | | | | | 12,050 | 13,068 | (1,018) |
| | | | | | | | 86,830 | 90,504 | (3,674) |
| Earnings before income taxes | | | | | | | 158,449 | 167,611 | (9,162) |
| Income taxes: | | | | | | | | | |
| State | | | | | | | 12,000 | 9,600 | 2,400 |
| Federal | | | | | | | 75,000 | 76,300 | (1,300) |
| | | | | | | | 87,000 | 85,900 | 1,100 |
| Net earnings | | | | | | | 71,449 | 81,711 | (10,262) |
| Percentage of sales | | | | | | | 1.9% | 2.5% | (.6%) |

CHAS. S. TANNER CO.

Cost of Sales

Year ended December 31, 1970
with comparative figures for 1969

| | Northern Division | | | Southern Division | | | Total | | |
|---|-------------------|----------------|------------------------|-------------------|------------------|------------------------|------------------|------------------|------------------------|
| | 1970 | 1969 | Increase (Decrease) | 1970 | 1969 | Increase (Decrease) | 1970 | 1969 | Increase (Decrease) |
| Purchases: | | | | | | | | | |
| Materials for manufactured products | \$ 46,519 | 43,507 | 3,012 | 1,423,108 | 1,180,928 | 242,180 | 1,469,627 | 1,224,435 | 245,192 |
| Distributors' chemicals | | 1,746 | (1,746) | 469,144 | 419,243 | 49,901 | 469,144 | 420,989 | 48,155 |
| Drums, bags, and liners | 15,081 | 8,523 | 6,558 | 159,673 | 132,465 | 27,208 | 174,754 | 140,988 | 33,766 |
| Direct labor | 15,683 | 14,432 | 1,251 | 94,675 | 88,389 | 6,286 | 110,358 | 102,821 | 7,537 |
| Manufacturing expenses: | | | | | | | | | |
| Variable: | | | | | | | | | |
| Payroll taxes, health insurance, and personnel expense | 2,170 | 2,465 | (295) | 14,776 | 12,476 | 2,300 | 16,946 | 14,941 | 2,005 |
| Maintenance labor | | | | 22,747 | 9,874 | 12,873 | 22,747 | 9,874 | 12,873 |
| Maintenance and repairs | 623 | 893 | (270) | 8,127 | 10,177 | (2,050) | 8,750 | 11,070 | (2,320) |
| Mill supplies | 2,211 | 6,302 | (4,091) | 26,832 | 28,529 | (1,697) | 29,043 | 34,831 | (5,788) |
| Fuel, gas, water, and electricity | 3,836 | 3,426 | 410 | 30,594 | 25,941 | 4,653 | 34,430 | 29,367 | 5,063 |
| Freight and express: | | | | | | | | | |
| Drivers' salaries | 4,450 | 6,708 | (2,258) | 58,846 | 39,008 | 19,838 | 63,296 | 45,716 | 17,580 |
| Gas and oil | 2,809 | 1,376 | 1,433 | 719 | 1,554 | (835) | 3,528 | 2,930 | 598 |
| Maintenance and repairs | 2,736 | 1,602 | 1,134 | 2,827 | 2,490 | 337 | 5,563 | 4,092 | 1,471 |
| Freight out, leased | | | | 119,743 | 93,230 | 26,513 | 119,743 | 93,230 | 26,513 |
| Freight out, independent | 7,946 | 5,694 | 2,252 | 39,142 | 34,691 | 4,451 | 47,088 | 40,385 | 6,703 |
| Warehouse labor | 3,393 | 3,535 | (142) | 16,333 | 7,750 | 8,583 | 19,726 | 11,285 | 8,441 |
| Travel | 614 | 1,762 | (1,148) | 4,983 | 3,767 | 1,216 | 5,597 | 5,529 | 68 |
| Miscellaneous | 594 | 1,727 | (1,133) | 1,111 | 2,691 | (1,580) | 1,705 | 4,418 | (2,713) |
| Fixed: | | | | | | | | | |
| Depreciation: | | | | | | | | | |
| Building | 3,422 | 2,493 | 929 | | | | 3,422 | 2,493 | 929 |
| Machinery and equipment | 1,508 | 1,614 | (106) | 41,356 | 23,761 | 17,595 | 42,864 | 25,375 | 17,489 |
| Leasehold improvements | | | | 4,756 | 3,251 | 1,505 | 4,756 | 3,251 | 1,505 |
| Truck | 2,084 | 1,343 | 741 | 113 | | 113 | 2,197 | 1,343 | 854 |
| Rent | | | | 33,720 | 27,372 | 6,348 | 33,720 | 27,372 | 6,348 |
| Property taxes | 7,585 | 4,958 | 2,627 | 10,351 | 9,328 | 1,023 | 17,936 | 14,286 | 3,650 |
| Insurance | 4,186 | 2,746 | 1,440 | 25,317 | 22,645 | 2,672 | 29,503 | 25,391 | 4,112 |
| | <u>127,450</u> | <u>116,852</u> | <u>10,598</u> | <u>2,608,993</u> | <u>2,179,560</u> | <u>429,433</u> | <u>2,736,443</u> | <u>2,296,412</u> | <u>440,031</u> |
| Increase (decrease) in inventories: | | | | | | | | | |
| Inventories at end of year | 29,643 | 31,080 | (1,437) | 271,056 | 209,312 | 61,744 | 300,699 | 240,392 | 60,307 |
| Inventories at beginning of year | <u>31,080</u> | <u>22,531</u> | <u>8,549</u> | <u>209,312</u> | <u>190,552</u> | <u>18,760</u> | <u>240,392</u> | <u>213,083</u> | <u>27,309</u> |
| Increase (decrease) | <u>(1,437)</u> | <u>8,549</u> | <u>(9,986)</u> | <u>61,744</u> | <u>18,760</u> | <u>42,984</u> | <u>60,307</u> | <u>27,309</u> | <u>32,998</u> |
| | <u>128,887</u> | <u>108,303</u> | <u>20,584</u> | <u>2,547,249</u> | <u>2,160,800</u> | <u>386,449</u> | <u>2,676,136</u> | <u>2,269,103</u> | <u>407,033</u> |
| Transfers: | | | | | | | | | |
| Raw material and drum costs | 214,615 | 159,949 | 54,666 | (214,615) | (159,949) | (54,666) | | | |
| Manufacturing expenses | <u>80,145</u> | <u>40,430</u> | <u>39,715</u> | <u>(80,145)</u> | <u>(40,430)</u> | <u>(39,715)</u> | | | |
| Total transfers | <u>294,760</u> | <u>200,379</u> | <u>94,381</u> | <u>(294,760)</u> | <u>(200,379)</u> | <u>(94,381)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 423,647</u> | <u>308,682</u> | <u>114,965</u> | <u>2,252,489</u> | <u>1,960,421</u> | <u>292,068</u> | <u>2,676,136</u> | <u>2,269,103</u> | <u>407,033</u> |

CHAS. S. TANNER CO.

Selling, Laboratory, General and Administrative Expenses

Year ended December 31, 1970
with comparative figures for 1969

| | Northern Division | | | Southern Division | | | Total | | |
|---|-------------------|---------------|------------------------|-------------------|----------------|------------------------|----------------|----------------|------------------------|
| | 1970 | 1969 | Increase (Decrease) | 1970 | 1969 | Increase (Decrease) | 1970 | 1969 | Increase (Decrease) |
| Selling expenses: | | | | | | | | | |
| Salaries and commissions | \$ 31,976 | 20,147 | 11,829 | 188,870 | 139,947 | 48,923 | 220,846 | 160,094 | 60,752 |
| Travel | 6,143 | 4,234 | 1,909 | 19,652 | 12,042 | 7,610 | 25,795 | 16,276 | 9,519 |
| Automobile expenses | 3,213 | 3,857 | (644) | 15,034 | 9,955 | 5,079 | 18,247 | 13,812 | 4,435 |
| Entertainment | 2,749 | 2,697 | 52 | 32,608 | 24,654 | 7,954 | 35,357 | 27,351 | 8,006 |
| Advertising | 3,701 | 1,525 | 2,176 | 19,315 | 15,825 | 3,490 | 23,016 | 17,350 | 5,666 |
| Payroll taxes and health insurance | 672 | 649 | 23 | 4,944 | 2,978 | 1,966 | 5,616 | 3,627 | 1,989 |
| Telephone and telegraph | 1,941 | 2,070 | (129) | 4,852 | 2,786 | 2,066 | 6,793 | 4,856 | 1,937 |
| Miscellaneous | 238 | 638 | (400) | 1,205 | 2,649 | (1,444) | 1,443 | 3,287 | (1,844) |
| | <u>50,633</u> | <u>35,817</u> | <u>14,816</u> | <u>286,480</u> | <u>210,836</u> | <u>75,644</u> | <u>337,113</u> | <u>246,653</u> | <u>90,460</u> |
| General and administrative expenses: | | | | | | | | | |
| Office salaries | 6,420 | 5,901 | 519 | 37,936 | 34,147 | 3,789 | 44,356 | 40,048 | 4,308 |
| Payroll taxes, health insurance, and personnel expenses | 756 | 811 | (55) | 4,926 | 3,403 | 1,523 | 5,682 | 4,214 | 1,468 |
| Employee welfare | | | | 1,399 | 1,145 | 254 | 1,399 | 1,145 | 254 |
| Janitorial service | | | | 4,883 | 6,634 | (1,751) | 4,883 | 6,634 | (1,751) |
| Equipment maintenance and repairs | | | | 4,174 | 2,277 | 1,897 | 4,174 | 2,277 | 1,897 |
| Stationery and supplies | 15 | 259 | (244) | 11,707 | 9,248 | 2,459 | 11,722 | 9,507 | 2,215 |
| Postage | | | | 2,774 | 2,606 | 168 | 2,774 | 2,606 | 168 |
| Telephone and telegraph | | | | 14,502 | 9,615 | 4,887 | 14,502 | 9,615 | 4,887 |
| Contributions | 800 | 1,137 | (337) | 857 | 765 | 92 | 1,657 | 1,902 | (245) |
| Professional services | 62 | 463 | (401) | 667 | 558 | 109 | 729 | 1,021 | (292) |
| Rent | | | | | 311 | (311) | | 311 | (311) |
| Travel | | | | | 692 | (692) | | 692 | (692) |
| Depreciation: | | | | | | | | | |
| Leasehold improvements | | | | 428 | 328 | 100 | 428 | 328 | 100 |
| Furniture and fixtures | | | | 2,504 | 2,323 | 181 | 2,504 | 2,323 | 181 |
| Signs | 157 | 118 | 39 | 294 | 349 | (55) | 451 | 467 | (16) |
| Miscellaneous | 767 | 520 | 247 | 1,042 | 1,304 | (262) | 1,809 | 1,824 | (15) |
| | <u>8,977</u> | <u>9,209</u> | <u>(232)</u> | <u>88,093</u> | <u>75,705</u> | <u>12,388</u> | <u>97,070</u> | <u>84,914</u> | <u>12,156</u> |
| Allocation of laboratory expenses (Schedule 5) | 32,861 | 19,201 | 13,660 | 184,190 | 140,539 | 43,651 | 217,051 | 159,740 | 57,311 |
| Allocation of executive office expenses (Schedule 6) | 30,719 | 24,602 | 6,117 | 172,180 | 180,072 | (7,892) | 202,899 | 204,674 | (1,775) |
| | <u>\$ 123,190</u> | <u>88,829</u> | <u>34,361</u> | <u>730,943</u> | <u>607,152</u> | <u>123,791</u> | <u>854,133</u> | <u>695,981</u> | <u>158,152</u> |

CHAS. S. TANNER CO.

Laboratory Expenses

Year ended December 31, 1970
with comparative figures for 1969

| | <u>1970</u> | <u>1969</u> | <u>Increase (Decrease)</u> |
|---|----------------------|------------------|--------------------------------|
| Salaries | \$ 170,629 | 124,145 | 46,484 |
| Payroll taxes, health insurance, and personnel expense | 12,207 | 6,623 | 5,584 |
| Equipment maintenance and repairs | 1,963 | 2,121 | (158) |
| Supplies | 16,355 | 12,342 | 4,013 |
| Dues and library | 1,768 | 2,984 | (1,216) |
| Travel | 3,117 | 2,462 | 655 |
| Automobile expenses | 552 | 1,796 | (1,244) |
| Entertainment | 80 | 167 | (87) |
| Professional services | 4,600 | 815 | 3,785 |
| Depreciation: | | | |
| Machinery and equipment | 3,392 | 2,679 | 713 |
| Leasehold improvements | 1,629 | 1,331 | 298 |
| Furniture and fixtures | 326 | 258 | 68 |
| Miscellaneous | <u>433</u> | <u>2,017</u> | <u>(1,584)</u> |
| | 217,051 | 159,740 | 57,311 |
| Allocation to divisions (Schedule 4) | (\$ <u>217,051</u>) | <u>(159,740)</u> | <u>(57,311)</u> |

CHAS. S. TANNER CO.

Executive Office Expenses

Year ended December 31, 1970
with comparative figures for 1969

| | <u>1970</u> | <u>1969</u> | <u>Increase (Decrease)</u> |
|--|----------------------|------------------|--------------------------------|
| Officers' salaries | \$ 96,000 | 96,000 | - |
| Office salaries | 30,837 | 30,102 | 735 |
| Payroll taxes | 2,226 | 2,211 | 15 |
| Health insurance and personnel expense | 2,014 | 2,081 | (67) |
| Employee welfare | 2,133 | 3,309 | (1,176) |
| Janitorial service | - | 454 | (454) |
| Equipment maintenance | 745 | 869 | (124) |
| Stationery and supplies | 1,819 | 1,816 | 3 |
| Postage | 1,256 | 1,325 | (69) |
| Telephone and telegraph | 5,750 | 5,840 | (90) |
| Data processing | 6,072 | 4,920 | 1,152 |
| Taxes, nonpayroll | 1,236 | 2,621 | (1,385) |
| Professional services | 12,008 | 10,303 | 1,705 |
| Insurance: | | | |
| Officers' life | 9,887 | 6,289 | 3,598 |
| General | (29) | 777 | (806) |
| Rent | - | 600 | (600) |
| Dues and subscriptions | 3,188 | 4,019 | (831) |
| Travel | 7,193 | 9,083 | (1,890) |
| Automobile expense | 4,006 | 6,057 | (2,051) |
| Entertainment | 5,767 | 5,504 | 263 |
| Depreciation: | | | |
| Building | 3,422 | 2,493 | 929 |
| Furniture and fixtures | 2,034 | 1,905 | 129 |
| Automobiles | 2,033 | 2,567 | (534) |
| Miscellaneous | <u>3,302</u> | <u>3,529</u> | <u>(227)</u> |
| | 202,899 | 204,674 | (1,775) |
| Allocation to divisions (Schedule 4) | (\$ <u>202,899</u>) | <u>(204,674)</u> | <u>1,775</u> |

CHAS. S. TANNER CO.

Property, Plant and Equipment and Accumulated Depreciation

Year ended December 31, 1970

| | Asset | | | Accumulated depreciation | | | | Cost less accumulated depreciation | |
|--|------------------------|------------------|--------------------------|--------------------------|------------------------|---------------|--------------------------|---------------------------------------|-------------------------------|
| | Balance Dec.31,1969 | Additions | Sales and retirements | Balance Dec.31,1970 | Balance Dec.31,1969 | Additions | Sales and retirements | Balance Dec.31,1970 | Dec.31,1969 Dec.31,1970 |
| Land | \$ 98,403 | | | 98,403 | | | | | 98,403 98,403 |
| Building | 128,377 | 1,772 | | 130,149 | 4,985 | 6,843 | | 11,828 | 123,392 118,321 |
| Machinery and equipment | 297,475 | 268,713 | | 566,188 | 175,395 | 46,256 | | 221,651 | 122,080 344,537 |
| Leasehold improvements | 68,436 | 17,230 | | 85,666 | 48,082 | 6,813 | | 54,895 | 20,354 30,771 |
| Office furniture | 45,132 | 5,813 | | 50,945 | 18,972 | 4,864 | | 23,836 | 26,160 27,109 |
| Autos and truck | 28,698 | 16,957 | 2,000 | 43,655 | 16,028 | 4,230 | 2,000 | 18,258 | 12,670 25,397 |
| Building signs | 6,343 | | | 6,343 | 3,515 | 452 | | 3,967 | 2,828 2,376 |
| Construction in progress | <u>197,263</u> | <u>(196,751)</u> | | <u>512</u> | | | | | <u>197,263</u> <u>512</u> |
| | <u>\$ 870,127</u> | <u>113,734</u> | <u>2,000</u> | <u>981,861</u> | <u>266,977</u> | <u>69,458</u> | <u>2,000</u> | <u>334,435</u> | <u>603,150</u> <u>647,426</u> |
| Percent of cost, excluding land | | | | | <u>34.6%</u> | | | <u>37.9%</u> | |
| Percent of average cost, excluding land, during year (7.4% in 1969) | | | | | | <u>8.4%</u> | | | |

CHAS. S. TANNER CO.

Financial Statements and Supplementary Data

December 31, 1971

(With Accountants' Report Thereon)

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

CHAS. S. TANNER CO.

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PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

40 WESTMINSTER STREET

PROVIDENCE, RHODE ISLAND 02903

The Board of Directors
Chas. S. Tanner Co.:

We have examined the balance sheet of Chas. S. Tanner Co. as of December 31, 1971 and the related statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, except for the method of recording inventories as described in Note 2, the above mentioned financial statements present fairly the financial position of Chas. S. Tanner Co. at December 31, 1971, the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. The current year's supplementary data included in Schedules 1 - 3 have been subjected to the same auditing procedures and, in our opinion, except for the matter described above, are stated fairly in all material respects when considered in conjunction with the basic financial statements taken as a whole.

Peat, Marwick, Mitchell & Co.

March 17, 1972

CHAS. S. TANNER CO.

Balance Sheet

December 31, 1971
with comparative figures for 1970

| <u>Assets</u> | <u>1971</u> | <u>1970</u> | <u>Liabilities and Stockholders' Equity</u> | <u>1971</u> | <u>1970</u> |
|---|--------------|-------------|--|--------------|-------------|
| Current assets: | | | Current liabilities: | | |
| Cash | \$ 46,994 | 19,011 | Notes payable to bank | 225,000 | 75,000 |
| Receivables: | | | Current installments on long-term debt | 13,174 | 12,256 |
| Trade accounts | 487,510 | 369,161 | Accounts payable and accrued liabilities | 537,121 | 358,318 |
| Other | 33,735 | 36,541 | Federal and State income taxes (note 4) | 37,288 | 32,085 |
| Total receivables | 521,245 | 405,702 | Total current liabilities | 812,583 | 477,659 |
| Inventories, at lower of cost (first-in, first-out) or market (note 2) | 480,156 | 300,699 | Deferred taxes (note 4) | 38,300 | 21,100 |
| Prepaid expenses | 15,731 | 12,171 | Long-term debt - mortgage payable, excluding current installments (note 6) | 102,563 | 115,737 |
| Total current assets | 1,064,126 | 737,583 | Stockholders' equity (note 1): | | |
| Property, plant and equipment, at cost (notes 3 and 6) | 1,245,137 | 981,861 | Common stock of \$.50 par value per share. Authorized 1,000,000 shares; issued 768,000 shares | 384,000 | 384,000 |
| Less accumulated depreciation | 415,289 | 334,435 | Retained earnings | 683,702 | 554,803 |
| Net property, plant and equipment | 829,848 | 647,426 | Paid-in capital | 21,527 | - |
| Other assets: | | | | 1,089,229 | 938,803 |
| Deposits | 440 | 440 | Less cost of 246,400 shares in treasury (256,800 shares in 1970) | 142,294 | 157,375 |
| Cash surrender value of life insurance - (net of loans of \$89,370 in 1971 and \$70,369 in 1970) | 5,967 | 10,475 | Total stockholders' equity | 946,935 | 781,428 |
| Total other assets | 6,407 | 10,915 | Commitments (note 7). | | |
| | \$ 1,900,381 | 1,395,924 | | \$ 1,900,381 | 1,395,924 |

768,000
246,400
521,600

See accompanying notes to financial statements.

CHAS. S. TANNER CO.

Statement of Earnings and Retained Earnings

Year ended December 31, 1971
with comparative figures for 1970

| | <u>1971</u> | <u>1970</u> |
|--|--------------------------|-----------------------|
| Sales | \$ 5,000,263 | 3,805,276 |
| Cost of sales | <u>3,579,103</u> | <u>2,676,136</u> |
| Gross profit | 1,421,160 | 1,129,140 |
| Selling, laboratory, general and administrative expenses | <u>1,156,425</u> | <u>940,963</u> |
| Operating income | 264,735 | 188,177 |
| Other income | <u>19,649</u> | <u>18,582</u> |
| | <u>284,384</u> | <u>206,759</u> |
| Other deductions: | | |
| Interest | 22,408 | 18,870 |
| Other | <u>4,377</u> | <u>29,440</u> |
| Total other deductions | <u>26,785</u> | <u>48,310</u> |
| Earnings before income taxes | <u>257,599</u> | <u>158,449</u> |
| Income taxes: | | |
| State | 19,600 | 12,000 |
| Federal (net of investment credit of \$4,800 in 1971) | <u>109,100</u> | <u>75,000</u> |
| Total income taxes (including deferred taxes of \$17,200 in 1971 and \$16,500 in 1970) | <u>128,700</u> | <u>87,000</u> |
| Net earnings (per share: 1971 - \$.25; 1970 - \$.14 - based on average number of shares outstanding) | 128,899 | 71,449 |
| Retained earnings at beginning of year | <u>554,803</u> | <u>483,354</u> |
| Retained earnings at end of year | \$ <u><u>683,702</u></u> | <u><u>554,803</u></u> |

See accompanying notes to financial statements.

CHAS. S. TANNER CO.

Statement of Changes in Financial Position

Year ended December 31, 1971
with comparative figures for 1970

| | <u>1971</u> | <u>1970</u> |
|--|-------------------|-----------------|
| Funds provided: | | |
| From operations: | | |
| Net earnings | \$ 128,899 | 71,449 |
| Add charges not requiring funds: | | |
| Depreciation | 84,614 | 69,458 |
| Provision for deferred taxes | <u>17,200</u> | <u>16,500</u> |
| Funds derived from operations | 230,713 | 157,407 |
| Proceeds from sale of treasury stock | 36,608 | - |
| Insurance policy loans | 19,008 | 26,865 |
| Decrease in working capital | <u>8,381</u> | <u>1,069</u> |
| | \$ <u>294,710</u> | <u>185,341</u> |
| Funds used: | | |
| Additions to property, plant and equipment | 267,036 | 113,734 |
| Increase in cash surrender value of life insurance | 14,500 | 26,289 |
| Decrease in long-term debt | 13,174 | 12,256 |
| Purchase of treasury stock | <u>-</u> | <u>33,062</u> |
| | \$ <u>294,710</u> | <u>185,341</u> |
| Changes in working capital: | | |
| Increase (decrease) in current assets: | | |
| Cash | 27,983 | (127,503) |
| Marketable securities | - | (20,218) |
| Receivables | 115,543 | 161,596 |
| Inventories | 179,457 | 60,307 |
| Prepaid expenses | <u>3,560</u> | <u>3,545</u> |
| | <u>326,543</u> | <u>77,727</u> |
| Increase (decrease) in current liabilities: | | |
| Notes payable to bank | 150,000 | 75,000 |
| Current installments on long-term debt | 918 | 855 |
| Accounts payable and accrued liabilities | 178,803 | 54,047 |
| Federal and State income taxes | 5,203 | (19,793) |
| Liability for additional cost of treasury stock acquired | <u>-</u> | <u>(31,313)</u> |
| | <u>334,924</u> | <u>78,796</u> |
| | \$ <u>8,381</u> | <u>1,069</u> |

See accompanying notes to financial statements.

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CHAS. S. TANNER CO.

Notes to Financial Statements

December 31, 1971

(1) Stockholders' Equity

During 1971, the Company received \$36,608 from the sale of 10,400 shares of treasury stock to eight employees. The difference between the cost of the stock sold and the proceeds received, \$21,527, is shown as paid-in capital.

(2) Inventories

Inventories are valued at raw material costs only. Had labor and overhead been included in the inventories, the net earnings for 1971 and 1970 would have been increased by approximately \$13,000 and \$3,500, respectively. Retained earnings at December 31, 1971 would be increased by approximately \$30,000, representing the cumulative effect of the exclusion of labor and overhead from the inventories through December 31, 1971.

Following is a comparative summary of inventories:

| | <u>1971</u> | <u>1970</u> |
|------------------------------------|-------------------|----------------|
| Work in process and finished goods | \$ 214,127 | 127,190 |
| Raw materials | <u>266,029</u> | <u>173,509</u> |
| | <u>\$ 480,156</u> | <u>300,699</u> |

(3) Property, Plant and Equipment

Property, plant and equipment is summarized as follows:

| | <u>1971</u> | <u>1970</u> |
|--------------------------------|-------------------|----------------|
| Land (secured by mortgage) | \$ 98,403 | 98,403 |
| Building (secured by mortgage) | 139,278 | 130,149 |
| Machinery and equipment | 628,457 | 566,188 |
| Leasehold improvements | 112,128 | 85,666 |
| Office furniture | 65,860 | 50,945 |
| Autos and trucks | 48,548 | 43,655 |
| Building signs | 6,938 | 6,343 |
| Construction in progress | <u>145,525</u> | <u>512</u> |
| | 1,245,137 | 981,861 |
| Less accumulated depreciation | <u>415,289</u> | <u>334,435</u> |
| | <u>\$ 829,848</u> | <u>647,426</u> |

CHAS. S. TANNER CO.

Notes to Financial Statements, Continued

Depreciation is calculated on the straight-line method for all additions subsequent to 1968. With respect to additions in prior years, machinery and equipment acquired after 1954 and office furniture acquired after 1961 are depreciated on an accelerated method. The estimated lives in years used in determining the annual rates are as follows:

| | | |
|-------------------------|-------|------|
| Building | 5 | - 40 |
| Machinery and equipment | 2 | - 15 |
| Leasehold improvements | 3 1/2 | - 20 |
| Office furniture | 5 | - 15 |
| Autos and trucks | 2 | - 5 |
| Building signs | 8 | - 15 |

(4) Federal Income Taxes

Federal income tax returns of the Company have been examined by the Internal Revenue Service through December 31, 1963.

Deferred taxes arise because certain items of property, plant and equipment are being depreciated on an accelerated method for income tax purposes and on the straight-line method for financial statement purposes (See Note 3).

(5) Profit-Sharing Plan

The Company has a voluntary profit-sharing plan payable in contributions to a fully-funded retirement fund for substantially all permanent full-time employees. The expense for the current year was \$23,067, compared to \$12,050 in 1970.

(6) Long-Term Debt

The mortgage bears interest at 7 1/4% and is payable to the Rhode Island Hospital Trust National Bank in equal monthly installments of \$1,761, including interest, through December 1979. The land and building secures this obligation.

(7) Commitments

The Company has a lease for its Southern facilities expiring in 1986, with current annual rentals of \$38,308. During 1971, the Company rented additional facilities in an industrial park to house its Southern warehouse, laboratory and administrative functions. A 3-year lease is presently being negotiated requiring annual rentals of \$18,000.

CHAS. S. TANNER CO.

Cost of Sales

Year ended December 31, 1971
with comparative figures for 1970

| | <u>1971</u> | <u>1970</u> | <u>Increase (Decrease)</u> |
|---|---------------------|------------------|--------------------------------|
| Purchases: | | | |
| Materials for manufactured products | \$ 2,030,103 | 1,469,627 | 560,476 |
| Distributors' chemicals | 605,693 | 469,144 | 136,549 |
| Drums, bags, and liners | 269,694 | 174,754 | 94,940 |
| Direct labor | 168,207 | 110,358 | 57,849 |
| Manufacturing expenses: | | | |
| Variable: | | | |
| Payroll taxes, health insurance, and personnel expense | 28,788 | 16,946 | 11,842 |
| Maintenance labor | 24,067 | 22,747 | 1,320 |
| Maintenance and repairs | 12,656 | 8,750 | 3,906 |
| Mill supplies | 29,130 | 29,043 | 87 |
| Fuel, gas, water, and electricity | 46,199 | 34,430 | 11,769 |
| Freight and express: | | | |
| Drivers' salaries | 81,726 | 63,296 | 18,430 |
| Gas and oil | 6,089 | 3,528 | 2,561 |
| Maintenance and repairs | 13,101 | 5,563 | 7,538 |
| Freight out, leased | 187,133 | 119,743 | 67,390 |
| Freight out, independent | 43,668 | 47,088 | (3,420) |
| Warehouse labor | 27,977 | 19,726 | 8,251 |
| Travel | 7,740 | 5,597 | 2,143 |
| Miscellaneous | 4,478 | 1,705 | 2,773 |
| Fixed: | | | |
| Depreciation: | | | |
| Building | 3,422 | 3,422 | - |
| Machinery and equipment | 51,777 | 42,864 | 8,913 |
| Leasehold improvements | 5,637 | 4,756 | 881 |
| Truck | 4,667 | 2,197 | 2,470 |
| Rent | 40,866 | 33,720 | 7,146 |
| Property taxes | 25,184 | 17,936 | 7,248 |
| Insurance | 40,558 | 29,503 | 11,055 |
| | <u>3,758,560</u> | <u>2,736,443</u> | <u>1,022,117</u> |
| Deduct increase in inventories: | | | |
| Inventories at end of year | 480,156 | 300,699 | 179,457 |
| Inventories at beginning of year | <u>300,699</u> | <u>240,392</u> | <u>60,307</u> |
| | <u>179,457</u> | <u>60,307</u> | <u>119,150</u> |
| | <u>\$ 3,579,103</u> | <u>2,676,136</u> | <u>902,967</u> |

CHAS. S. TANNER CO.

Selling, Laboratory, General and Administrative Expenses

Year ended December 31, 1971
with comparative figures for 1970

| | <u>1971</u> | <u>1970</u> | <u>Increase (Decrease)</u> |
|---|----------------|----------------|--------------------------------|
| Selling expenses: | | | |
| Salaries and commissions | \$ 296,361 | 220,846 | 75,515 |
| Travel | 39,616 | 25,795 | 13,821 |
| Automobile expenses | 25,720 | 18,247 | 7,473 |
| Entertainment | 38,790 | 35,357 | 3,433 |
| Advertising | 17,957 | 23,016 | (5,059) |
| Samples | 5,122 | - | 5,122 |
| Payroll taxes and health insurance | 9,853 | 5,616 | 4,237 |
| Telephone and telegraph | 12,119 | 6,793 | 5,326 |
| Miscellaneous | <u>1,330</u> | <u>1,443</u> | <u>(113)</u> |
| | <u>446,868</u> | <u>337,113</u> | <u>109,755</u> |
| Laboratory expenses: | | | |
| Salaries | 189,273 | 172,338 | 16,935 |
| Payroll taxes, health insurance, and personnel expense | 11,285 | 12,207 | (922) |
| Equipment maintenance and repairs | 5,411 | 1,963 | 3,448 |
| Supplies | 16,221 | 16,355 | (134) |
| Dues and library | 2,363 | 1,768 | 595 |
| Telephone | 2,972 | - | 2,972 |
| Travel | 3,190 | 3,117 | 73 |
| Automobile expenses | 580 | 552 | 28 |
| Entertainment | 111 | 80 | 31 |
| Professional services | 3,795 | 4,600 | (805) |
| Utilities | 2,272 | - | 2,272 |
| Depreciation: | | | |
| Machinery and equipment | 3,815 | 3,392 | 423 |
| Leasehold improvements | 2,735 | 1,629 | 1,106 |
| Furniture and fixtures | 809 | 326 | 483 |
| Rent | 3,733 | - | 3,733 |
| Miscellaneous | <u>747</u> | <u>433</u> | <u>314</u> |
| | <u>249,312</u> | <u>218,760</u> | <u>30,552</u> |

(Continued)

CHAS. S. TANNER CO.

Selling, Laboratory, General and Administrative Expenses, Continued

| | <u>1971</u> | <u>1970</u> | <u>Increase (Decrease)</u> |
|--|---------------------|----------------|--------------------------------|
| General and administrative expenses: | | | |
| Office salaries | \$ 53,815 | 44,356 | 9,459 |
| Profit sharing and other incentive pay | 23,352 | 12,050 | 11,302 |
| Payroll taxes, health insurance, and personnel expenses | 9,266 | 5,682 | 3,584 |
| Employee welfare | 1,365 | 1,399 | (34) |
| Janitorial service | 2,486 | 4,883 | (2,397) |
| Equipment maintenance and repairs | 4,326 | 4,174 | 152 |
| Stationery and supplies | 9,246 | 11,722 | (2,476) |
| Postage | 3,239 | 2,774 | 465 |
| Telephone and telegraph | 15,726 | 14,502 | 1,224 |
| Contributions | 1,204 | 1,657 | (453) |
| Professional services | 322 | 182 | 140 |
| Rent | 1,867 | - | 1,867 |
| Travel | 709 | 547 | 162 |
| Utilities | 740 | - | 740 |
| Depreciation: | | | |
| Leasehold improvements | 820 | 428 | 392 |
| Furniture and fixtures | 2,648 | 2,504 | 144 |
| Signs | 279 | 451 | (172) |
| Miscellaneous | <u>1,359</u> | <u>1,809</u> | <u>(450)</u> |
| | <u>132,769</u> | <u>109,120</u> | <u>23,649</u> |
| Executive office expenses: | | | |
| Officers' salaries and bonuses | 216,000 | 169,071 | 46,929 |
| Office salaries | 27,824 | 30,837 | (3,013) |
| Payroll taxes | 2,182 | 2,226 | (44) |
| Health insurance and personnel expense | 3,472 | 2,014 | 1,458 |
| Employee welfare | 663 | 2,133 | (1,470) |
| Equipment maintenance | 898 | 745 | 153 |
| Stationery and supplies | 2,435 | 1,819 | 616 |
| Postage | 1,186 | 1,256 | (70) |
| Telephone and telegraph | 6,912 | 5,750 | 1,162 |
| Data processing | 5,450 | 6,072 | (622) |
| Taxes, nonpayroll | 460 | 1,236 | (776) |
| Professional services | 17,892 | 12,008 | 5,884 |
| Insurance: | | | |
| Officers' life | 10,884 | 9,887 | 997 |
| General | - | (29) | 29 |
| Dues and subscriptions | 2,266 | 3,188 | (922) |
| Travel | 7,603 | 7,193 | 410 |
| Automobile expense | 4,143 | 4,006 | 137 |
| Entertainment | 6,888 | 5,767 | 1,121 |
| Depreciation: | | | |
| Building | 3,422 | 3,422 | - |
| Furniture and fixtures | 1,966 | 2,034 | (68) |
| Automobiles | 2,334 | 2,033 | 301 |
| Miscellaneous | <u>2,596</u> | <u>3,302</u> | <u>(706)</u> |
| | <u>327,476</u> | <u>275,970</u> | <u>51,506</u> |
| | \$ <u>1,156,425</u> | <u>940,963</u> | <u>215,462</u> |

Year ended December 31, 1971

2108

RESOLUTION

STATE OF SOUTH CAROLINA BUDGET AND CONTROL BOARD

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WHEREAS, heretofore the County Board of Commissioners of Spartanburg County (the County Board) did, pursuant to Act No. 103 of the Acts 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

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WHEREAS, the proposed undertaking consists of the acquisition by the County Board of a parcel of land located near the Town of Woodruff, in Spartanburg County, and the construction of improvements thereon; and the County Board proposes to finance the acquisition, construction and improvement of the said facilities for the manufacture of chemicals (said tract of land, and the building and equipment to be located thereon constituting the said facilities being hereinafter referred to as the Project) by the issuance of Bonds pursuant to the Act, and to lease the same to Chas. S. Tanner Co., a Rhode Island corporation (Lessee); and

WHEREAS, the Project is to be leased to the Lessee at a rental sufficient to provide for the payment of the Bonds of Spartanburg 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 initial issue of \$1,000,000 Spartanburg County First Mortgage Industrial Revenue Bonds pursuant to the Act payable from the rentals derived from the Lessee and additionally secured by a Trust Indenture between Spartanburg County and Southern Bank and Trust Company, as Trustee; and

WHEREAS, the form of the Lease Agreement between Spartanburg County and the Lessee and the said Trust Indenture have been considered by this Board:

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

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

(a) That the statement of facts set forth in the recitals to 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 sum prescribed by Section 6 of the Act.

(c) That the Project, will provide employment for approximately 16 persons, and will be of benefit to Spartanburg 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, and to finance the construction of the building thereon and the acquisition of the necessary machinery and equipment, to lease the Project to the Lessee and to finance the cost of acquiring and improving the Project through the initial issuance of \$1,000,000 Spartanburg County First Mortgage Industrial Revenue Bonds, payable from the revenues to be derived from the leasing of the Project, and additionally secured by the said Trust Indenture, 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 by the State Board in giving approval to the undertaking of Spartanburg County above described in paragraph 2, supra, shall be published in THE SPARTANBURG HERALD, a newspaper having general circulation in Spartanburg 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
OF SOUTH CAROLINA FOR THE YEAR
1967

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

The acquisition by the County Board of a parcel of land containing 244 acres near the Town of Woodruff, in Spartanburg County, the construction of a building thereon, and the acquisition of the necessary machinery and equipment (the said tract of land, equipment and machinery constituting the said facilities being hereinafter referred to as the Project), all of which will constitute facilities for the manufacture of chemicals, including such flammable chemicals as vinyle acetate, acrylate monomer and cryogenic ethylene. To finance the acquisition and improvement of the Project, the County Board will initially issue \$1,000,000 of Spartanburg 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, as amended. The County Board will lease the Project to Chas. S. Tanner Co., a Rhode Island corporation (Lessee), under a Lease Agreement and the Bonds of Spartanburg 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 additionally secured by a Trust Indenture which will constitute a forecloseable lien upon the Project.

In addition, the Lessee has agreed to pay as additional rentals to Spartanburg 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 Spartanburg 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 Spartanburg County will lease the Project to the Lessee provides that the Lessee may 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 16 persons.

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

THE STATE BUDGET AND CONTROL BOARD

By: P. C. Smith, Secretary

PUBLICATION DATE:

_____, 1973.

SPARTANBURG COUNTY, SOUTH CAROLINA

AND

SOUTHERN BANK AND TRUST COMPANY,
AS TRUSTEE

TRUST INDENTURE

Dated as of July 1, 1973

TRUST INDENTURE

THIS TRUST INDENTURE made and entered into as of the first day of July, 1973, by and between SPARTANBURG 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 SOUTHERN BANK AND TRUST COMPANY, a 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 State of South Carolina, 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, as amended (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 revenue bonds payable solely from the lease rentals, revenues and receipts from any such project and secured by a pledge of said lease rentals, revenues and receipts and by a mortgage on the land, buildings, improvements, machinery and equipment so acquired; and

WHEREAS, the County has made the necessary arrangements with Chas. S. Tanner Co., a corporation organized and existing

under the laws of the State of Rhode Island, and duly authorized to conduct business in the State of South Carolina (hereinafter sometimes referred to as the "Lessee"), for the acquisition of new facilities for the manufacture of chemicals, and the necessary land, buildings, machinery and equipment in connection therewith (hereinafter sometimes referred to as the "Project") which will be of the character and accomplish the purpose provided by the Act, and the County has further entered into a Lease Agreement with the Lessee specifying the terms and conditions of the acquisition of the Project and the leasing of the same to the Lessee; and

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 County Commissioners of Spartanburg County (hereinafter sometimes referred to as the "County Board"), as established by Act No. 1035 of the Acts of the South Carolina General Assembly for the year 1968, as amended, and the County in accordance with the requirements of Section 14 of the Act has submitted its Petition to the State Budget and Control Board of South Carolina, including a general summary of the terms and conditions of the Indenture, and the State Budget and Control Board of South Carolina has duly approved the Project in accordance with the provisions of the Act and thereby authorized the County Board to proceed with the acquisition and financing of the Project. Notice of the approval was duly published in a newspaper having general circulation in Spartanburg 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 initially necessary to finance the cost of the Project, including necessary expenses incidental thereto, will require the issuance, sale and delivery of Bonds designated as SPARTANBURG COUNTY FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, SERIES 1973 (CHAS. S. TANNER CO. - LESSEE) in the aggregate principal amount of \$1,000,000 as hereinafter provided; and

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

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

(FORM OF BOND)

UNITED STATES OF AMERICA

STATE OF SOUTH CAROLINA

SPARTANBURG COUNTY

FIRST MORTGAGE INDUSTRIAL REVENUE BOND, SERIES 1973

(CHAS. S. TANNER CO. - LESSEE)

Number _____ \$5,000.00

KNOW ALL MEN BY THESE PRESENTS that Spartanburg County, a body politic and corporate, and a political subdivision of the State of South Carolina (hereinafter called the "County"), for value received promises to pay, but only from the source and as hereinafter provided, to bearer, or, if this Bond be registered, to the registered holder hereof, on July 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 January 1, 1974, and semi-annually thereafter on July 1 and January 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 Southern Bank and Trust Company, in the City of Greenville, State of South Carolina, or its successor in trust.

This Bond is one of an authorized series of Bonds in the aggregate principal amount of \$1,000,000 issued for the purpose of acquiring new industrial facilities for the manufacture of chemicals, and leasing the same to Chas. S. Tanner Co., a Rhode Island corporation (hereinafter referred to as the "Lessee") (the land, buildings, equipment and machinery comprising such

industrial facilities being hereinafter called the "Project") and paying necessary expenses incidental thereto so as to thereby promote industry and develop trade in South Carolina. Said Bonds are issued under and are to be equally and ratably secured and entitled to the protection given by a Trust Indenture (hereinafter called the "Indenture"), dated as of July 1, 1973, duly executed and delivered by the County to Southern Bank and Trust Company, as Trustee (the term "Trustee" where used herein referring collectively to said Trustee or its successors in said trust). The Project has been leased to the Lessee under and pursuant to a Lease Agreement between the County and the Lessee dated as of July 1, 1973 (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. Copies of the Indenture and the Lease Agreement are on file at the principal office of the Trustee in the City of Greenville, South Carolina, and are recorded in the office of the R. M. C. for Spartanburg County, South Carolina, and reference is made to the Indenture and the Lease 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.

As provided in the Indenture, bonds of other series ranking equally with the Bonds of the series of which this is one may be issued, and such additional bonds may vary in such manner as is provided and permitted in the Indenture.

This Bond and appurtenant coupons are fully negotiable and shall pass by delivery, but this Bond may be registered as to principal 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 series are noncallable for redemption prior to July 1, 1983, except in the event of (1) exercise by the Lessee of its options to purchase the Project as provided in Section 11.2 of the Lease Agreement or (2) mandatory purchase of the Project by the Lessee pursuant to Section 12.2 of the Lease Agreement. If called for redemption in any of such events, such Bonds shall be subject to redemption by the County at any time, in whole and not in part, at the principal amount thereof plus accrued interest to the redemption date and, but only in the event of redemption as a result of the mandatory purchase of the Project pursuant to Section 12.2 of the Lease Agreement, a redemption premium (in lieu of all other redemption premiums) equal to the sum of (a) ___% of the principal amount of each Bond redeemed and (b) an additional amount determined by multiplying _____ of the annual interest on each Bond redeemed by the number of ___-day periods, or fraction thereof, between the date as of which interest on the Bonds becomes (or is determined to be as provided in Section 12.2 of

the Lease Agreement) taxable and the redemption date, but in no event shall the redemption premium for any Bond redeemed exceed 12% of the principal amount thereof. If it shall occur that any Bond shall have been paid or retired subsequent to the date as of which such interest on the Bonds became (or was determined to have become) taxable, but prior to the redemption of the Bonds from the purchase price derived from the mandatory purchase of the Project by the Lessee pursuant to Section 12.2 of the Lease Agreement, then in such event the holder of any such Bond on the occasion of its payment (whether at maturity or by redemption) shall be entitled to receive from the purchase price to be paid by the Lessee pursuant to Section 12.2 of the Lease Agreement a premium computed as aforesaid to the date of payment or redemption less any option redemption premium previously paid on such Bond.

The Bonds of this series maturing on July 1, 1984 and thereafter are also subject to redemption by the County prior to maturity on any interest payment date on or after July 1, 1983, in whole or in part, in inverse order of their maturities (less than all of the Bonds of a single maturity to be selected by lot by the Trustee at the redemption prices (expressed as percentages of principal amount) set forth in the table below, plus accrued interest to the redemption date:

| <u>Redemption Dates</u> <u>(dates inclusive)</u> | <u>Redemption Price</u> |
|---|-------------------------|
| July 1, 1984 to July 1, 1986. | 104% |
| July 1, 1987 to July 1, 1989. | 103% |
| July 1, 1990 to January 1, 1992 | 102% |

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 series 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, as amended, and pursuant to resolutions duly adopted by the Board of County Commissioners of Spartanburg County and with the approval of the State Budget and Control Board of South Carolina. This Bond and the series of which it forms a part 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 "Spartanburg County Industrial Revenue Bond Fund--Chas. S. Tanner Co. Project" and have been pledged for that purpose, and in addition the Project has been subjected to the lien of the Indenture to secure payment of such principal and interest and premium.

The holder of this Bond 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, Spartanburg County, South Carolina, has caused this Bond to be executed by the Chairman of the Board of County Commissioners of Spartanburg County, by his facsimile signature, and its corporate seal to be impressed hereon, and attested by the Secretary of its said Board of County Commissioners, 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 July, 1973.

(SEAL)

SPARTANBURG COUNTY, SOUTH CAROLINA

By

Chairman of the Board of County
Commissioners of Spartanburg County

Attest:

Secretary of the Board of County
Commissioners of Spartanburg County

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

SOUTHERN BANK AND TRUST COMPANY,
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____, Spartanburg County, South Carolina (unless the Bond to which this coupon appertains shall have been duly called for previous redemption and payment of the redemption price made or provided for) will pay to bearer, subject to the provisions of the Indenture, but solely from the lease rentals, revenues and receipts pledged therefor, all as described in the Bond hereinafter mentioned, and upon presentation and surrender of this coupon at the principal office of the Trustee, Southern Bank and Trust Company, in the City of Greenville, State of South Carolina, or its successor in trust, the amount shown hereon in lawful money of the United States of America, as provided in and being semi-annual interest then due on its First Mortgage Industrial Revenue Bond, Series 1973 (Chas. S. Tanner Co. - Lessee), dated as of July 1, 1973, Numbered _____.

By _____

Chairman of the Board of County
Commissioners of Spartanburg County

Secretary of the Board of
County Commissioners of
Spartanburg County

; and

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

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

That the County in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the holders and owners thereof, and of the sum of one dollar, lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable considerations, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect and the performance and observance by the County of all the covenants expressed or implied herein and in the Bonds, does hereby, subject to the terms and provisions of the Lease Agreement, grant, bargain, sell, convey, mortgage, pledge and assign unto Southern Bank and Trust Company, 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 Spartanburg County, State of South Carolina, described in Exhibit A attached hereto, with all buildings, additions, improvements and fixtures now or hereafter located thereon or therein and with the tenements, hereditaments, servitudes, appurtenances, rights, privileges and immunities thereunto belonging or appertaining which may from time to time be owned by the County.

II

The machinery, equipment or other property described in Exhibit B attached hereto, and substitutions or replacements therefor; all machinery, equipment or other property acquired by the County with the proceeds from the Bonds issued and secured by this Indenture, and substitutions or replacements therefor; all machinery, equipment or other property which under the terms of the Lease Agreement is to become the property of the County or subjected to the lien of this Indenture; and, without limiting the foregoing, all of the property of the County at any time installed or located on the land described in Exhibit A attached hereto.

III

All right, title and interest of the County in and to the Lease Agreement, dated as of July 1, 1973, between the County and Chas. S. Tanner Co. and all lease rentals, revenues and receipts received or to be received under said Lease Agreement, except amounts paid by the Lessee thereunder to the County and other local taxing authorities in lieu of taxes pursuant to Section 5.5 thereof and all amounts paid by Lessee to the County pursuant to Section 8.7 thereof.

IV

All 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

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, as amended.

"ADDITIONAL BONDS" means the Bonds of the County issued under Section 209 of this Indenture.

"BOND" or "BONDS" means the Spartanburg County First Mortgage Industrial Revenue Bonds, of all series from time to time authenticated and delivered under this Indenture.

"BOND FUND" or "SPARTANBURG COUNTY INDUSTRIAL REVENUE BOND FUND - CHAS. S. TANNER CO. PROJECT" means the fund created in Section 502 hereof.

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

"CONSTRUCTION FUND" or "SPARTANBURG COUNTY INDUSTRIAL CONSTRUCTION FUND - CHAS. S. TANNER CO. PROJECT" means the fund created by Section 602 hereof.

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

"COUNTY BOARD" means the Board of County Commissioners of Spartanburg County, as the governing body of Spartanburg 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 July 1, 1973, and any amendments or supplements thereto.

"LESSEE" means Chas. S. Tanner Co., a Rhode Island 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 and V of the granting clause preceding this Article.

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

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

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

(b) Bonds for the payment or redemption of which cash funds shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that if such Bonds are to be redeemed prior to the maturity thereof,

notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee, shall have been filed with the Trustee; and

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

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

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

"SERIES 1973 BONDS" means the \$1,000,000 Spartanburg County First Mortgage Industrial Revenue Bonds, Series 1973 (Chas. S. Tanner Co. - Lessee) of the County to be initially issued under the Indenture.

"TRUST ESTATE" means the Mortgaged Property.

"TRUSTEE" means Southern Bank and Trust Company, 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 \$5,000,000.

SECTION 202. Issuance of Series 1973 Bonds. The Series 1973 Bonds in the aggregate principal amount of \$1,000,000 dated as of July 1, 1973, shall be designated "First Mortgage Industrial Revenue Bonds, Series 1973 (Chas. S. Tanner Co. - Lessee)." They shall bear interest from July 1, 1973 at the respective rates per annum as set forth in the following schedule, payable January 1, 1974, and semi-annually thereafter on July 1 and January 1 of each year. They shall be in the denomination of \$5,000 each and shall be numbered consecutively from 1 upwards and shall mature in numerical order on July 1 in each of the years set forth in, and in the principal amount set opposite each year in, the following schedule:

| <u>July 1 in the Year</u> | <u>Principal Amount Maturing</u> | <u>Interest Rate</u> |
|-------------------------------|--------------------------------------|--------------------------|
| 1975 | \$30,000 | 6.00% |
| 1976 | 35,000 | 6.10 |
| 1977 | 35,000 | 6.20 |
| 1978 | 35,000 | 6.30 |
| 1979 | 40,000 | 6.40 |
| 1980 | 40,000 | 6.50 |
| 1981 | 45,000 | 6.60 |
| 1982 | 50,000 | 6.70 |
| 1983 | 50,000 | 6.75 |
| 1984 | 55,000 | 6.75 |
| 1985 | 60,000 | 6.75 |
| 1986 | 60,000 | 6.75 |
| 1987 | 65,000 | 6.75 |
| 1988 | 70,000 | 6.75 |
| 1989 | 75,000 | 6.75 |
| 1990 | 80,000 | 6.75 |
| 1991 | 85,000 | 6.75 |
| 1992 | 90,000 | 6.75 |

The interest on the Bonds shall be evidenced by coupons. The principal of, premium, if any, and interest on the Bonds, except as otherwise provided in the case of registration of Bonds as provided in Section 208 hereof, shall be payable to bearer upon presentation and surrender of the Bonds or coupons as they respectively become due at the principal office of the Trustee.

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. Form of Bonds. The Bonds issued under this Indenture and the coupons attached thereto shall be substantially in the form hereinabove set forth with such appropriate variations, omissions and insertions as are permitted or required by this Indenture, or any Indenture supplemental hereto.

SECTION 206. Delivery of Series 1973 Bonds. Upon the execution and delivery of this Indenture, the County shall execute and deliver to the Trustee and the Trustee shall authenticate the Series 1973 Bonds in the aggregate principal amount of \$1,000,000 and deliver them to the purchaser as may be directed by the County as hereinafter in this Section 206 provided.

Prior to the authentication by the Trustee of any of the Series 1973 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.
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 Series 1973 Bonds.
4. The written opinion of counsel for the County, or other counsel satisfactory to the Trustee, expressing the conclusion that upon payment of the purchase price of the land described in Exhibit A attached hereto and acceptance of the instruments of conveyance, all as theretofore agreed upon, the County will have title free and clear of liens and encumbrances upon said land (except for Permitted Encumbrances as defined in the Lease Agreement).

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

6. A request and authorization to the Trustee on behalf of the County Board and signed by the Chairman and Secretary of the County Board to authenticate and deliver the Series 1973 Bonds in the aggregate principal amount of \$1,000,000 to the purchasers therein indentified upon payment to the Trustee but for account of the County of a sum specified in such request and authorization plus accrued interest thereon to the date of delivery. Such proceeds shall be paid over to the Trustee and deposited to the credit of the Bond Fund and Construction Fund as hereinafter provided under Article VI hereof.

SECTION 207. Mutilated, Lost, Stolen or Destroyed Bonds or Coupons. In the event any Bond is mutilated, lost, stolen or destroyed, the County may execute and the Trustee may authenticate a new Bond of like date, maturity and denomination as that mutilated, lost, stolen or destroyed, which new Bond shall have attached thereto coupons corresponding in all respects to those (if any) on the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond together with all coupons (if any) appertaining thereto shall first be surrendered to the County, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the County and the Trustee evidence of such loss, theft or destruction satisfactory to the County and the Trustee, together with indemnity satisfactory to them. In the event any such Bond or coupon shall have matured, instead of issuing a duplicate Bond or coupon the County may pay the same without surrender thereof. The County and the Trustee may charge the holder or owner of such Bond with their reasonable fees and expenses in this connection.

SECTION 208. Registration of Bonds; Persons Treated

As Owners. Each of the Bonds issued hereunder shall be fully negotiable and pass by delivery but shall be subject to registration (as hereinafter provided) as to principal or as to both principal and interest in the name of the owner on registration books to be provided for that purpose by the County at said principal office of the Trustee, as Bond Registrar. Upon presentation at said office any of the Bonds may be registered as to principal only and such registration shall be evidenced by notation to that effect by the Bond Registrar in the registration blank on the reverse side thereof, after which no transfer thereof shall be valid unless made at the written request of the registered owner or his duly authorized attorney on said registration books and similarly endorsed thereon. Such registered Bonds may be thus transferred to bearer whereupon transferability by delivery shall be restored but the Bonds may again, from time to time, be registered or transferred to bearer as before. Such registration of any of the Bonds shall not affect the transferability by delivery only of the coupons thereunto appertaining, provided that if upon registration of any such Bond, or at any time thereafter while registered in the name of the owner, the unmatured coupons attached evidencing interest to be thereafter paid thereon shall be surrendered to said Bond Registrar a statement to that effect will be endorsed thereon and thereafter interest evidenced by such surrendered coupons will be paid by check or draft at the times provided therein to the registered owner by mail to the address shown on the registration books. Each of the Bonds when converted as aforesaid into a Bond registered as to both principal and interest may be reconverted into a coupon Bond at the written request of the registered owner or his

duly authorized attorney and upon presentation at the office of said Bond Registrar. Upon such reconversion the coupons representing the interest to become due thereafter to the date of maturity will be attached to the Bond and a statement will be endorsed thereon by said Bond Registrar in the registration blank on the back of the Bond as to whether it is then registered as to principal alone or payable to bearer. No charge shall be made to any Bondholder for the privilege of registration and transfer hereinabove granted, but any bondholder requesting any such registration or transfer shall pay any tax or other governmental charge required to be paid with respect thereto. As to any Bond registered as to principal, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and payment of or on account of the principal of any such Bond shall be made only to or upon the order of the registered owner thereof, or his duly authorized attorney, and neither the County, the Trustee, any paying agent nor the Bond Registrar shall be affected by any notice to the contrary, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. The County, the Trustee, the Bond Registrar and any paying agent may deem and treat the bearer of any Bond which shall not at the time be registered as to principal (except to bearer), and the bearer of any coupon appertaining to any Bond, whether such Bond be registered as to principal or not, as the absolute owner of such Bond or coupon, as the case may be, whether such Bond or coupon 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. Issuance of Additional Bonds. The County, at the request of the Lessee and to the extent permitted by law in effect at the time thereof, shall use its best efforts to issue Additional Bonds from time to time for the purpose of providing additional moneys, to be used for the purpose of providing for the acquisition of additional land or interest therein within the County which shall become part of the Leased Land (as defined in the Lease Agreement), or for the acquisition, construction or improvement of buildings, structures, facilities, machinery or equipment, all to become part of the Project and to be located on the Leased Land (as defined in the Lease Agreement) on a parity with the Series 1973 Bonds and any Additional Bonds theretofore or thereafter issued and payable from the Bond Fund; provided, that no Additional Bonds shall be issued either prior to the expiration of three years from the date of delivery of the Series 1973 Bonds or thereafter, if by reason of such issuance any covenant made by the Lessee in Section 8.9 of the Lease Agreement is violated. The proceeds of any Additional Bonds shall be used solely to pay the costs of improvement to the Project and to pay the costs incident to the issuance of the Additional Bonds, in accordance with Section 8.10 of the Lease Agreement. The aggregate principal amount of all Bonds issued (including Series 1973 Bonds and Additional Bonds to be issued) to be issued pursuant to this Indenture shall not exceed \$5,000,000.

Such Additional Bonds shall be issued in such series and principal amounts, within the limitations herein provided, shall be dated, shall bear interest at such rate or rates,

shall be subject to redemption at such times and prices, and shall mature in such years as the indenture supplemental hereto authorizing the issuance thereof shall fix and determine and, when so issued, shall be deposited with the Trustee for authentication and delivery.

SECTION 210. Delivery of Additional Bonds. Upon the execution and delivery in each instance of an appropriate indenture supplemental hereto, the County shall execute and deliver to the Trustee, and the Trustee shall authenticate such Additional Bonds and deliver them to the purchaser or purchasers as may be directed by the County, as hereinafter in this Section 210 provided. Prior to the delivery by the Trustee of any such Bonds there shall be filed with the Trustee:

1. A valid and effective amendment to the Lease Agreement, pursuant to Section 8.10 thereof, extending the Lease Term, where required, to the extent permitted by Section 8.10, providing for the inclusion within the Project (as defined in the Lease Agreement) of any real estate and interest thereon and any buildings, structures, facilities, machinery, equipment and related property to be acquired by purchase or construction from the proceeds of the Additional Bonds, and providing for an increase in the obligations of the County and the Lessee in accordance with Section 5.3 of the Lease Agreement.

2. An appropriate amendment to the Lease Guaranty Agreement so as to include within the scope thereof the additional obligations of the Lessee under the amendment to the Lease Agreement required by paragraph 1 of this Section 210.

3. A valid and effective supplemental indenture providing for the issuance of such new series of Additional Bonds and subjecting to the lien of this Indenture any and all real estate and interest therein, and any building, structures, facilities,

machinery, equipment and related property acquired by purchase or construction from the proceeds of such Additional Bonds, and pledging and assigning the additional rentals to the payment of the Bonds, subject to the rights of the Lessee under the Lease Agreement.

4. A copy, duly certified by the Secretary of the County Board, of the Resolutions theretofore adopted and approved authorizing the execution and delivery of such supplemental indenture, such amendments to the Lease Agreement, and the issuance of such Bonds.

5. A request and authorization to the Trustee, on behalf of the County and signed by the Chairman and Secretary of the County Board to deliver such Bonds to the purchaser or purchasers therein identified, upon payment to the Trustee, for the account of the County, of a specified sum plus any interest. The proceeds of such Bonds shall be paid over to the Trustee and deposited to the credit of the Bond Fund and Construction Fund as hereinafter provided under Article VI hereof.

6. A certificate of independent certified public accountants stating that by the issuance of such Additional Bonds there will be no violation of any covenant of the Lessee made pursuant to Section 8.9 of the Lease Agreement.

7. A written opinion by an attorney or firm of attorneys of recognized standing on the subject of municipal bonds, to the effect that the issuance of such Bonds and the execution thereof have been duly authorized, the conditions precedent to the delivery thereof have been fulfilled, and that the tax exempt status of the interest on the Series 1973 Bonds is not affected by the issuance of such Additional Bonds.

ARTICLE III

REDEMPTION OF SERIES 1973 BONDS BEFORE MATURITY

SECTION 301. Redemption Dates and Prices for Series 1973

Bonds. The Series 1973 Bonds are noncallable for redemption prior to July 1, 1983, except in the event of (1) exercise by the Lessee of its options to purchase the Project as provided in Section 11.2 of the Lease Agreement, or (2) mandatory purchase of the Project by the Lessee pursuant to Section 12.2 of the Lease Agreement. If called for redemption in any of such events, the Series 1973 Bonds shall be subject to redemption by the County at the earliest possible date after notice as provided in Section 302 of this Indenture, whether or not such date is an interest payment date, in whole and not in part, at the principal amount thereof, plus accrued interest to the redemption date and, but only in the event of redemption as a result of the mandatory purchase of the Project pursuant to Section 12.2 of the Lease Agreement, a redemption premium (in lieu of all other redemption premiums) in an amount equal to the aggregate of the premiums computed on each Series 1973 Bond outstanding on the date as of which interest on the Series 1973 Bond becomes (or is determined to be as provided in Section 12.2 of the Lease Agreement) taxable, (such date being hereinafter in this Section 301 referred to as the "taxable date"), as follows: the sum of (a) ___% of the principal amount of each such Bond and (b) an additional amount determined by multiplying _____ of the annual interest on each such Bond by the number of ___-day periods, or fraction thereof, between the taxable date and the date of redemption; but in no event to exceed 12% of the principal amount of each Bond redeemed; and, in case of Series 1973 Bonds previously paid (whether at maturity or by redemption)

subsequent to the taxable date and prior to the redemption date, the redemption premium prescribed by this paragraph shall be calculated from the taxable date to the date as of which such Bonds were paid, but shall be reduced by the amount of any optional redemption premium previously paid on any such Bond.

The Series 1973 Bonds maturing on and after July 1, 1984, are also subject to redemption by the County prior to maturity on any interest payment date on or after July 1, 1983, in whole or in part, but if in part in inverse order of their maturities (less than all of such Series 1973 Bonds of a single maturity to be selected by lot by the Trustee) at the redemption prices (expressed as percentages of principal amount) set forth in the table below, plus accrued interest to the redemption date:

| <u>Redemption Date</u> <u>(dates inclusive)</u> | <u>Redemption Price</u> |
|--|-------------------------|
| July 1, 1984 to July 1, 1986. | 104% |
| July 1, 1987 to July 1, 1989. | 103% |
| July 1, 1990 to January 1, 1992 | 102% |

SECTION 302. Notice of Redemption. In the event any of the Bonds are called for redemption, the Trustee shall give notice, in the name of the County, of the redemption of such Bonds, which notice shall specify the maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any maturity are to be redeemed, the numbers of such Bonds so to be redeemed. Such notice shall be given by publication at least once not less than 30 days nor more than 60 days prior to the redemption date in a newspaper or financial journal of general circulation published in the City of New York, New York, and in the case

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

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

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

SECTION 305. Purchase of Bonds. The Trustee shall, if and to the extent practicable, purchase Bonds at the written direction of the County upon request of the Lessee at such time, in such manner and at such price as may be specified by the Lessee. The Trustee may so purchase Bonds with any moneys then held by the Trustee and available for the redemption or purchase of Bonds in excess of any amount set aside for payment of Bonds called for redemption; provided, that any limitations or restrictions on such redemption or purchase contained in the Lease Agreement or this Indenture shall be complied with. The expenses of such purchase shall be deemed an expense of the Trustee under Section 1102.

SECTION 306. Selection of Series 1973 Bonds to be Redeemed. In the event of redemption of less than all of the Series 1973 Bonds, the Series 1973 Bonds to be redeemed shall be selected by lot by the Trustee. If, on the redemption date, moneys for the redemption of all the Series 1973 Bonds to be redeemed, together with interest to the redemption date, shall

be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date, interest on the Series 1973 Bonds so called for redemption shall cease to accrue and become payable, and the coupons for interest appertaining thereto maturing subsequent to the redemption date shall be void. If said moneys shall not be so available on the redemption date, such Series 1973 Bonds shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

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 described in Exhibit A attached hereto and that it has good and indefeasible title and estate therein (except for Permitted Encumbrances as defined in the Lease Agreement), and that it lawfully owns and is lawfully possessed of the equipment and machinery described in Exhibit B attached hereto (or, in the case of any such equipment and machinery not yet acquired, that the same will be acquired by the County from the moneys in the Construction Fund or furnished by the Lessee pursuant to Section 4.6 of the Lease Agreement), and that it will defend the title to the Project and every part thereof to the Trustee, for the benefit of the holders and owners of the Bonds and the bearers of the coupons appertaining thereto against the claims and demands of all persons whomsoever. The County covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further

acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee all and singular the property herein described and the lease rentals, revenues and receipts pledged hereby to the payment of the principal of and interest and premium, if any, on the Bonds. Any and all property hereafter acquired which is of the kind or nature herein provided to be and become subject to the lien hereof shall ipso facto, and without any further conveyance, assignment or act on the part of the County or the Trustee, become and be subject to the lien of this Indenture as fully and completely as though specifically described herein, but nothing in this sentence contained shall be deemed to modify or change the obligations of the County under this Section 403. The County covenants and agrees that, except as herein and in the Lease Agreement provided, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Project or the lease rentals, revenues and receipts therefrom or of its rights under the Lease Agreement.

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

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

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

SECTION 407. Rights Under Lease Agreement. 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 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 R. M. C. for Spartanburg 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 R. M. C. for Spartanburg County and in the office of the Secretary of State of South Carolina in the City of Columbia, South Carolina, of financing statements which fully comply with the South Carolina Uniform Commercial Code--Secured Transactions. Such financing or continuation statements shall be filed from time to time in said offices of the said R. M. C. for Spartanburg County and of the Secretary of State of South Carolina as in the opinion of counsel, as provided in Section 13.5(a)(4) of the Lease Agreement or otherwise, are necessary to preserve the lien of this Indenture.

ARTICLE V

REVENUES AND FUNDS

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

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

SECTION 502. Creation of the Bond Fund. There is hereby created by the County and ordered established with the Trustee a trust fund to be designated "Spartanburg County Industrial Revenue Bond Fund-Chas. S. Tanner Co. 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 "Spartanburg County Industrial Construction Fund - Chas. S. Tanner Co. Project". The balance of the proceeds of the issuance and delivery of Bonds remaining after the deduction provided by Section 601 hereof shall have been made shall be deposited in the Construction Fund. Moneys in the Construction Fund shall be expended in accordance with the provisions of the Lease Agreement and particularly Section 4.3 thereof.

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

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

SECTION 603. Completion of the Project. The completion of the Project and the payment of all costs and expenses incident thereto shall be evidenced by the filing with the Trustee of (i) the certificate of the Authorized Lessee Representative

(as defined in the Lease Agreement) required by the provisions of Section 4.5 of the Lease Agreement and (ii) a certificate signed by the Chairman of the County Board and by the Lessee (by one of the authorized officers of the Lessee), which certificate shall state that all obligations and costs in connection with the Project and payable out of the Construction Fund have been paid and discharged except for amounts retained by the Trustee with the approval of the said Authorized Lessee Representative for the payment of costs of the Project not then due and payable as provided in the Lease Agreement. As soon as practicable and in any event after sixty days from the date of the certificate referred to in clause (ii) of the preceding sentence any balance remaining in the Construction Fund (other than the amounts retained by the Trustee referred to in the preceding sentence) shall without further authorization be deposited in the Bond Fund by the Trustee with advice to the County and to the Lessee of such action unless the Lessee shall have directed the Trustee to purchase Bonds in the open market for the purpose of cancellation in accordance with Section 4.3(k) of the Lease Agreement.

ARTICLE VII

INVESTMENTS

SECTION 701. Investment of Construction Fund Moneys.

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

SECTION 702. Investment of Bond Fund Moneys.

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

the provisions of this Section 702 whenever the cash balance in the Bond Fund is insufficient to pay the current interest and principal requirements.

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

ARTICLE VIII

POSSESSION, USE AND PARTIAL RELEASE OF LEASED PROPERTY

SECTION 801. Subordination to Rights of the Lessee.

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

SECTION 802. Release of Leased Land. Reference is made to the provisions of the Lease Agreement, including without limitation Sections 8.5 and 11.3 thereof, whereby the County and the Lessee have reserved the right to withdraw certain portions of the Leased Land (as defined in the Lease Agreement) upon compliance with the terms and conditions of the Lease Agreement. The Trustee shall release from the lien of this Indenture any such land upon compliance with the provisions of the Lease Agreement.

SECTION 803. Release of Leased Equipment. Reference is made to the provisions of the Lease Agreement, including without limitation Section 6.2 thereof, whereby the Lessee may withdraw certain items of equipment constituting Leased Equipment (as defined in the Lease Agreement) upon compliance with the terms and conditions of the Lease Agreement. The Trustee shall release from the lien of this Indenture any such item of equipment upon compliance with the provisions of the Lease Agreement.

SECTION 804. Granting of Easements. Reference is made to the provisions of the Lease Agreement, including, without limitation Section 8.6 thereof, whereby the Lessee may grant easements and take other action upon compliance with the terms and conditions of the Lease Agreement. The Trustee shall execute or confirm the grants or releases of easements, licenses, rights of way and other rights and privileges permitted by Section 8.6 thereof upon compliance with the provisions of the Lease Agreement.

ARTICLE IX

DISCHARGE OF LIEN

SECTION 901. Discharge of Lien of the Indenture.

If the County shall pay or cause to be paid to the holders and owners of the Bonds 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, 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 Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration; or

(c) Subject to the provisions of Section 1013, default in the performance or observance of any other of the covenants, agreements or conditions on the part of the County in this Indenture or in the Bonds contained; or

(d) The occurrence of an "event of default" under the Lease Agreement.

SECTION 1002. Acceleration. Upon the occurrence of an event of default the Trustee may, and upon the written request of the holders of not less than twenty-five percent in aggregate principal amount of Bonds then outstanding shall, by notice in writing delivered to the County, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

SECTION 1003. Surrender of Possession of Mortgaged Property; Rights and Duties of Trustee in Possession; Other Remedies. Upon the occurrence of an event of default the

County, upon demand of the Trustee, shall forthwith surrender the possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Mortgaged Property together with the books, papers and accounts of the County pertaining thereto, and including the rights and the position of the County under the Lease Agreement, and to hold, operate and manage the same, and from time to time make all needful repairs and improvements as by the Trustee shall be deemed wise; and the Trustee may lease the Project or any part thereof in the name and for account of the County and collect, receive and sequester the rents, revenues, issues, earnings, income, products and profits therefrom, and out of the same and any moneys received from any receiver of any part thereof pay, and/or set up proper reserves for the payment of all proper costs and expenses of so taking, holding and managing the same, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the Trustee hereunder, and any taxes and assessments and other charges prior to the lien of this Indenture which the Trustee may deem it wise to pay, and all expenses of such repairs and improvements, and apply the remainder of the moneys so received in accordance with the provisions of Section 1008 hereof. Whenever all that is due upon the Bonds shall have been paid and all defaults made good, the Trustee shall surrender possession to the County; the same right of entry, however, to exist upon any subsequent event of default.

While in possession of such property the Trustee shall render annually to the County and the Lessee and also to the Bondholders, at their addresses set forth in the list required by Section 408 hereof and to the holders of all Bonds then

registered as to principal (except to bearer) at their addresses shown by the registration books, a summarized statement of income and expenditures in connection therewith.

Upon the occurrence of an event of default the lien on the Project created and vested by this Indenture may be foreclosed either by sale at public outcry or by proceedings in equity and the Trustee or the holder or holders of any of the Bonds then outstanding, whether or not then in default of payment of principal or interest, may become the purchaser at any foreclosure sale if the highest bidder.

Upon the occurrence of an event of default, Trustee shall have the power to proceed with any right or remedy granted by the Constitution and laws of the State of South Carolina, as it may deem best, including any suit, action or special proceeding in equity or at law for the special performance of any covenant or agreement contained herein or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect the rights aforesaid, insofar as such may be authorized by law, and the right to appointment, as a matter of right and without regard to the sufficiency of the security afforded by the Mortgaged Property, of a receiver for all or any part of the Mortgaged Property and the earnings, rents and income thereof; the rights here specified are to be cumulative to all other available rights, remedies or powers and shall not exclude any such rights, remedies or powers.

SECTION 1004. Rights of Bondholders. If an event of default shall have occurred, and if requested so to do by the holders of not less than twenty-five per cent in the aggregate principal amount of Bonds then outstanding and if

indemnified as provided in Section 1101(1) hereof, the Trustee shall be obliged to exercise such one or more of the rights and powers conferred by this Section and by Section 1003 as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Bondholders.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default hereunder, whether by the Trustee or by the Bondholders shall extend to or shall affect any subsequent default or event of default 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 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, and, if the amount available shall not be sufficient to pay in full principal of the Bonds due on any particular date, then to the payment ratably, according to the amount of the principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

Third--To the payment to the persons entitled thereto of interest at the rate of 7% per annum on all past due installments of principal and interest from their respective due dates and, if

the amount available shall not be sufficient to pay in full the whole amount of such interest, then to the payment ratably, according to the amount of such interest due, to the persons entitled thereto without any discrimination or privilege and without any distinction between interest on past due interest and interest on past due principal.

(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 and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal 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 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

SECTION 1010. Rights and Remedies of Bondholders.

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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 or the Bonds, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against any obligor thereon, and collect in the manner provided by law out of the property of any obligor thereon wherever situated the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of any obligor under the Lease Agreement under the National Bankruptcy Act or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of any such obligor, or in case any other judicial proceedings relative to any obligor under the Lease Agreement, or to the creditors or property of any such obligor, the Trustee, irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the power vested in it by the Indenture, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee, its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith) and of the Bondholders allowed in any such judicial proceedings relative to the Lessee or any other obligor under the Lease Agreement or to the creditors

or property of the Lessee, or any such other obligor, as the case may be, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Bondholders and of the Trustee on their behalf; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of the Bondholders to make payments to the Trustee and, in the event that the Trustee shall consent to the making of payments directly to the Bondholders, to pay to the Trustee such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith.

In case of a default hereunder the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture, and the Lease Agreement by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or the Lease Agreement or in aid of the exercise of any power granted in this Indenture, the Lease Agreement or to enforce any other legal or equitable right vested in the Trustee by this Indenture, the Lease Agreement or by law.

ARTICLE XI

THE TRUSTEE

SECTION 1101. Acceptance of the Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, 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 damaged, 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 of the Lease Agreement, and in particular in case of the enforcement of either on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the Mortgaged Property, in trust, as herein granted, or take any other 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;

(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; and

(e) for the purpose of making provision for the issuance of Additional Bonds to the extent permitted by Section 209 hereof.

The County and the Trustee shall without the consent of, or notice to, any of the Bondholders enter into an indenture or indentures supplemental to this Indenture (i) to the extent necessary with respect to the land and interests in land,

buildings, machinery and equipment forming a part of the Project and generally described as Exhibits A and B attached hereto so as to more precisely identify the same or to substitute or add additional land or interests in land, buildings, machinery and equipment, (ii) with respect to any changes required to be made in the description of the Mortgaged Property in order to conform with similar changes made in the Lease Agreement as permitted by Section 1301.

SECTION 1202. Supplemental Indentures Requiring Consent of Bondholders. Exclusive of indentures supplemental hereto covered by Section 1201 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the holders of not less than two-thirds in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the County and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the County for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this Section contained shall permit, or be construed as permitting (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate, or extension of the time of payment, of interest on, or reduction of any premium payable on the redemption of, any Bonds, without the consent of the holder of such Bonds, or (b) the creation of any lien (other than any Permitted Encumbrances as defined in the Lease Agreement) prior to or on a parity with the lien

of this Indenture, or (c) a reduction in the aforesaid aggregate principal amount of Bonds the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all the Bonds at the time outstanding which would be affected by the action to be taken, or (d) the modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee.

If at any time the County shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be published as shall be requested by the County and in any event one time in a newspaper or financial journal of general circulation published in the City of New York, New York, and shall also cause a similar notice to be mailed, postage prepaid, to all registered Bondholders; provided, however, that no publication of such notice shall be required and notice by mail as aforesaid shall be deemed sufficient notice where all Bonds outstanding are registered. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Bondholders. If, within sixty days or such longer period as shall be prescribed by the County following the final publication of such notice, the holders of not less than two-thirds in aggregate principal amount of the Bonds outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no holder of any Bond and no bearer of any coupon shall have

any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the County from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

Anything herein to the contrary notwithstanding, a supplemental indenture under this Article XII which affects any rights of the Lessee shall not become effective unless and until the Lessee shall have consented to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture together with a copy of the proposed supplemental indenture to be mailed by certified or registered mail to the Lessee at least fifteen days prior to the proposed date of execution and delivery of any supplemental indenture. The Lessee shall be deemed to have consented to the execution and delivery of any such supplemental indenture if the Trustee does not receive a letter of protest or objection thereto signed by or on behalf of the Lessee on or before 2:30 o'clock P. M., E. S. T., of the fifteenth day after mailing of said notice and a copy of the proposed supplemental indenture. The Trustee may rely upon an opinion of counsel as conclusive evidence that execution and delivery of a supplemental indenture has been effected in compliance with the provisions of this Article XII.

ARTICLE XIII

AMENDMENT OF LEASE AGREEMENT

SECTION 1301. Amendments, etc., to Lease Agreement Not Requiring Consent of Bondholders. The County and the Trustee may without the consent of or notice to the Bondholders consent to any amendment, change or modification of the Lease Agreement as may be required (i) by the provisions of the Lease Agreement and this Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) in connection with the lands and interests in land, buildings, machinery and equipment described in Exhibits A and B to the Lease Agreement so as to identify more precisely the same or substitute or add additional land or interests in land, buildings, machinery and equipment, (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, or (v) as may be required to effect the issuance of Additional Bonds which are authorized by Section 209 hereof, but within the limitations prescribed by Section 8.10 of the Lease Agreement.

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 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 County Commissioners of Spartanburg County,
Spartanburg County Courthouse, Spartanburg, South Carolina;
if to the Lessee at

Attention:

; 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.

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 princi-
pal of the Bonds or the date fixed for redemption of any Bonds
shall be a Sunday or shall be in South Carolina a legal holiday
or a day on which banking institutions are authorized by law
to close, then payment of interest or principal (and premium,
if any) need not be made on such date in such city but may
be made on the next succeeding business day not a Sunday or
a legal holiday or a day upon which banking institutions are
authorized by law to close with the same force and effect
as if made on the date of maturity or the date fixed for redemp-
tion, 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, SPARTANBURG COUNTY has caused these presents to be signed in its name and behalf by the Chairman of the Board of County Commissioners of Spartanburg County and its corporate seal to be hereunto affixed and attested by the Secretary of the Board of County Commissioners of Spartanburg County and to evidence its acceptance of the trusts hereby created, SOUTHERN BANK AND TRUST COMPANY 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.

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman of the Board of County
Commissioners of Spartanburg County

Attest:

Secretary of the Board of County
Commissioners of Spartanburg County

In the presence of:

SOUTHERN BANK AND TRUST COMPANY,
Trustee

(SEAL)

By _____
Trust Officer

Attest:

Assistant Trust Officer

In the presence of:

STATE OF SOUTH CAROLINA,
COUNTY OF GREENVILLE.

SS:

PERSONALLY appeared before me _____
who being duly sworn says that he saw the corporate seal of
Southern Bank and Trust Company, as Trustee, affixed to the
foregoing Trust Indenture, and that he also saw _____
_____ as Trust Officer and _____
as an Assistant Trust Officer of Southern Bank and Trust Company,
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 Southern Bank and
Trust Company, as Trustee.

SWORN to before me this

_____ day of _____, 1973.

_____(L.S.)
Notary Public for the State of
South Carolina

My Commission Expires _____.

STATE OF SOUTH CAROLINA,
COUNTY OF SPARTANBURG.

ss:

PERSONALLY appeared before me _____
who being duly sworn says that he saw the corporate seal of
Spartanburg County, S. C., affixed to the foregoing Trust
Indenture, and that he also saw _____, as
Chairman of the Board of County Commissioners of Spartanburg
County, S.C., and _____ as Secretary of the
Board of County Commissioners of Spartanburg 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 Spartanburg County, S. C.

SWORN to before me this

_____ day of _____, 1973.

(L.S.)
Notary Public for the State of
South Carolina

My Commission Expires _____.

EXHIBIT "A"

DESCRIPTION OF LEASED LAND

(Attached to the Trust Indenture between Spartanburg County,
South Carolina and Southern Bank and Trust Company, as Trustee,
dated as of July 1, 1973)

EXHIBIT "B"

DESCRIPTION OF LEASED EQUIPMENT

(Attached to the Trust Indenture between Spartanburg County,
South Carolina and Southern Bank and Trust Company, as Trustee,
dated as of July 1, 1973)

THIS LEASE AGREEMENT, dated as of July 1, 1973 between SPARTANBURG COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina, acting by and through its Board of County Commissioners, which is the governing body of said County as constituted by Title 14, Chapter 58, Article 1.1, Code of Laws of South Carolina, 1962, as amended, party of the first part, and CHAS. S. TANNER CO., a corporation organized and existing under the laws of the State of Rhode Island, 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, the insurance proceeds, and proceeds from released property and condemnation awards as herein provided):

ARTICLE I

DEFINITIONS

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

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

"ACT" means Act No. 103 of the Acts of the General Assembly of the State of South Carolina for the year 1967, as amended, and appearing as Article 2.1, Chapter 8, Title 14, Code of Laws of South Carolina, 1962, as amended.

"ADDITIONAL BONDS" means Bonds of the County issued pursuant to Section 212 of the Indenture.

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

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

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

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

"BONDS" means the bonds of the County from time to time issued and outstanding under the Indenture.

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

"BUILDING" means the buildings and all other facilities forming a part of the Project and not constituting part of the Leased Equipment which, as set out in Section 4.1(a) hereof, are to be constructed on the Leased Land, as they may at any time exist, including any air conditioning and heating systems (which shall be deemed fixtures).

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

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

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

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

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

"INDENTURE" means the Trust Indenture between the County and Southern Bank and Trust Company, as Trustee, of even date herewith, providing for the terms, conditions and provisions under which the Bonds will be issued, pursuant to which the County's interest in this Agreement, and the lease rentals, revenues and receipts received by the County from the Project (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 a full time employee of either the County, the Lessee or the Guarantor.

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

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

"LEASED EQUIPMENT" means those items of machinery, equipment and related property required herein to be acquired and installed in the Building or elsewhere on the Leased Land with proceeds from the sale of the Series 1973 Bonds, or the proceeds of any payment by Lessee pursuant to Section 4.6 hereof and any item of machinery, equipment and related property acquired and installed in the Building or elsewhere on the Leased Land in substitution therefor and renewals and replacements thereof pursuant to the provisions of Sections 4.1(b), 6.1, 6.2(a), 7.1 and 7.2 hereof and is further defined as all property owned by the County and hereby leased to the Lessee which is not included in the definition of Leased Land or Building, but not including Lessee's own machinery and equipment installed under the provisions of Section 9.7 hereof. Leased Equipment is more particularly described in Exhibit "B" attached hereto which, by this reference thereto, is incorporated herein.

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

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

"NET PROCEEDS", when used with respect to any insurance or condemnation award, means the gross proceeds from the insurance or condemnation award with respect to which that term is used remaining after payment of all expenses (including attorneys' fees and 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 (or if the Building is not yet complete, the operations to be conducted) in the Building (or, if the Building has been completed and no operations are being conducted therein, the operations for which the Building was designed or last modified), (iv) such minor defects, irregularities, encumbrances, and clouds on title as normally exist with respect to properties similar in character to the Project and as do not in the opinion of an Independent Counsel, materially impair the title to the Project for the purposes for which it was acquired or is held by the County, and (v) mechanics' and materialmen's liens not filed or perfected in the manner prescribed by Chapter 5, Title 45, Code of Laws of South Carolina, 1962, as now or hereafter amended.

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

"SERIES 1973 BONDS" means the \$1,000,000 Spartanburg County, First Mortgage Industrial Revenue Bonds, Series 1973 (Chas S. Tanner Co. - Lessee) of the County to be issued pursuant to the Indenture.

"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, or, with the proceeds of the Series 1973 Bonds, will acquire, the Leased Land, upon which the Building is to be constructed by the Lessee and has authorized, and does hereby authorize, the Lessee to complete the construction of the Building thereon, to acquire and install the Leased Equipment in the Building or on the Leased Land and to acquire, install and construct all other things deemed necessary in connection with the Project, and the County proposes to lease the Project to the Lessee and to sell the Project to the Lessee at the expiration or earlier termination of the Lease Term, all for the purposes of promoting and employing the manpower and natural resources of South Carolina.

(c) Heretofore, and before construction of the Building was begun, the County and the Lessee did agree that the County would finance the cost of acquiring,

constructing and equipping the Project. The Lessee has estimated that such cost will be approximately \$2,000,000 and on that basis the County now proposes to issue the Series 1973 Bonds in the aggregate principal amount of \$1,000,000, which will be dated, mature and bear interest as set forth in Section 202 of the Indenture and which will be subject to redemption on the occasions and at the redemption prices set forth in Section 301 of the Indenture, in order to finance the cost of acquiring, constructing and equipping the Project.

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

(a) The Lessee is a corporation duly incorporated under the laws of Rhode Island, is in good standing under its charter and the laws of Rhode Island and 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.

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(c) Relying upon the agreement of the County to finance the cost of acquiring, constructing and equipping the Project as aforesaid, the Lessee has heretofore entered into a purchase contract for the Leased Land.

(d) The Lessee intends to construct the Building on the Leased Land 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 chemicals, including such flammable chemicals as liquid ethylene gas, vinyl acetate, acrylate monomer and cryogenic ethylene, or for the manufacture of such other products as the Lessee may deem appropriate.

(e) The acquiring of the Project by the County through the issuance of the Series 1973 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, TITLE INSURANCE

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

SECTION 3.2. Warranty of Title. The County warrants that it has acquired a good and marketable fee simple title to the Leased Land, free from all encumbrances other than Permitted Encumbrances, and the County will furnish, at the time of the delivery of the Series 1973 Bonds, a written opinion of Independent Counsel that it has good and marketable fee simple title to the Leased Land, subject to Permitted Encumbrances.

SECTION 3.3. Title Insurance. At the time of the delivery of the Series 1973 Bonds, the County will provide a Mortgagee Title Insurance Policy (or appropriate Binder) upon the Leased Land and Building issued by a Company approved by the Trustee insuring the lien of the Indenture upon the Leased Land and Building, subject to no encumbrances other than Permitted Encumbrances, in the amount of not less than . Any Net Proceeds therefrom shall be used to remedy the title defect resulting in the payment thereof or be deposited in the Bond Fund.

ARTICLE IV

CONSTRUCTION OF THE PROJECT; ISSUANCE OF THE SERIES 1973 BONDS; CONSTRUCTION FUND

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

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

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

the Project.

The Lessee agrees to complete the construction of the Building as promptly as practicable after receipt of proceeds from the sale of Series 1973 Bonds and to continue the said construction with all reasonable dispatch, and to effect the acquisition and installation of the Leased Equipment as promptly as practicable.

SECTION 4.2. Agreement to Issue Series 1973 Bonds; Application of Bond Proceeds. In order to provide funds for payment of the costs of the Project, the County agrees that it will, on or before the _____ day of _____, sell and cause to be delivered to the initial purchaser the Series 1973 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 Series 1973 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 to perfect or protect the lien or security interest of the Indenture on the Project; and the fees and expenses in connection with any actions

or proceedings that either the Trustee, the Lessee or Independent Counsel may deem desirable to bring in order to perfect or protect the title of the County to the Project or to perfect or protect the lien or security interest of the Indenture on the Project.

(b) Payment of the purchase price of the Leased Land and payment to the Lessee and the County, as the case may be, of such amounts, if any, as shall be necessary to reimburse the Lessee and the County in full for all advances and payments made by them or any of them prior to or after the delivery of the Series 1973 Bonds for expenditures in connection with (i) the acquisition by the County of title to the Leased Land, including the cost of the Leased Land and the preparation of plans and specifications for the Project (including any preliminary study or planning of the Project or any aspect thereof), (ii) clearing the Leased Land, the construction of the Building, the acquisition and installation of, the Leased Equipment, and all construction, acquisition and installation expenses required to provide utility services or other facilities, and all real or personal properties deemed necessary in connection with the Project (including architectural, engineering and supervisory services with respect to any of the foregoing), and (iii) any other costs and expenses relating to the Project.

(c) Payment of the cost of legal and accounting fees and expenses, title insurance premium, and printing and engraving costs incurred in connection with the authorization, sale and issuance of the Series 1973 Bonds, the preparation of this Agreement, the Indenture, and all other documents in connection therewith and in connection with the acquisition of title to the Leased Land, Building and Leased Equipment.

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

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

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

(g) To such extent as they shall not have been paid by a contractor for construction or installation with respect to any part of the Project, payment of the premiums on all insurance required to be taken out and maintained during the Construction Period under this Agreement, 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 become payable during the Construction Period, 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 completion of the construction of the Building and acquisition and installation of the Leased Equipment and payment in full of the costs thereof, and after payment of all other items provided for in the preceding subsections (a) to (j), inclusive, of this Section, shall at the direction of the Lessee be (i) used by the Trustee for the purchase of Series 1973 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 into the Bond Fund, except for amounts retained by the Trustee with the approval of the Authorized Lessee Representative for payment of Project costs not then due and payable, 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:

(l) 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.

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

SECTION 4.4. Trustee May Rely on Orders and Certifications. In making any such payment from the Construction Fund, the Trustee may rely on any such orders and certifications delivered to it pursuant to Section 4.3, and the Trustee shall be relieved of all liability with respect to making such payments in accordance with such orders and certifications.

SECTION 4.5. Establishment of Completion Date. The Completion Date shall be evidenced to the Trustee by a certificate signed by the Authorized Lessee Representative stating that, except for amounts retained by the Trustee for Project costs not then due and payable as provided in Section 4.3(k), (i) construction of the Building has been completed in accordance with the specifications therefor and all labor, services, materials and supplies used in such construction have been paid for, and (ii) all other facilities necessary in connection with the Project have been constructed, acquired and installed in accordance with the specifications therefor and all costs and

expenses incurred in connection therewith have been paid, the Leased Equipment has been installed to his satisfaction, the Leased Equipment so installed is suitable and sufficient for the efficient operation of the Project for the purposes specified in Section 4.1(a) hereof and all costs and expenses incurred in the acquisition and installation of the Leased Equipment have been paid. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being. It shall be the duty of the Lessee to cause the certificate contemplated by this Section 4.5 to be furnished as soon as the Project shall have been completed.

SECTION 4.6. Lessee Required to Pay Construction Costs in Event Construction Fund Insufficient. In the event the moneys in the Construction Fund available for payment of the costs of the Project shall not be sufficient to pay the costs thereof in full, the Lessee agrees to complete, or cause to be completed, the Project and to pay all that portion of the costs of the Project as may be in excess of the moneys available therefor in the Construction Fund. The County does not make any warranty, either express or implied, that the moneys which will be paid into the Construction Fund and which, under the provisions of this Agreement, will be available for payment of the costs of the Project, will be sufficient to pay all the costs which will be incurred in that connection. The Lessee agrees that if after exhaustion of the moneys in the Construction Fund the Lessee shall pay any portion of the said costs of the Project pursuant to the provisions of this

Section, it shall not be entitled to any reimbursement therefor from the County or from the Trustee or from the holders of any of the Series 1973 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(j), and the County agrees that the Lessee may, from time to time, in its own name, or in the name of the County, take such action as may be necessary or advisable, as determined by Lessee, to insure the construction of the Project in accordance with the terms of such construction contracts, to insure the peaceable

and quiet enjoyment of the Project for the Lease Term, and to insure the performance by the County of all covenants and obligations of the County under this Agreement, with all costs and expenses incurred by the Lessee in connection therewith to be considered as part of the Project costs referred to in Section 4.3(j). Any amounts recovered by way of 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 Construction Fund and after the Completion Date shall be paid into the Bond Fund.

SECTION 4.9. Investment of Construction Fund Moneys Permitted. Any moneys held as part of the Construction Fund shall at the written request of the Authorized Lessee Representative be invested or reinvested by the Trustee 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 insured by the Federal Savings and Loan 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.

The Lessee covenants and agrees that no investment of any moneys held as a part of the Construction Fund shall be made which would be contrary to any policy or rules or regulations of the Internal Revenue Service with respect to arbitrage and the effect of which would be to cause the loss of the exemption of the interest on the Bonds from Federal Income Taxes.

ARTICLE V

EFFECTIVE DATE OF THE AGREEMENT; DURATION OF ORIGINAL
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 July 1, 1992.

SECTION 5.2. Delivery and Acceptance of Possession.

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

SECTION 5.3. Rents and Other Amounts Payable. At least seven days before January 1, 1974, and at least seven days before each July 1 and January 1 thereafter until the principal of, premium, if any, and interest on the Series 1973 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 July 1, a sum equal to the amount payable on such date as principal and interest upon the Series 1973 Bonds and (ii) if such date is January 1, a sum equal to the amount payable on such date as interest upon the Series 1973 Bonds, as provided in the Indenture.

In the event additional Bonds shall be issued pursuant to Section 213 of the Indenture, thereafter at least seven days before any date on which the principal or interest on any such Bonds shall be due, until the principal of, premium, if any, and interest on all such Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Lessee shall pay to the Trustee a sum equal to the amount payable on such date as principal (whether at maturity or by such sinking fund redemption as may be provided in the Indenture) and/or interest upon such Bonds, as provided in the Indenture.

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

In the event the Lessee shall fail to make any of the payments required in this Section, the item or installment so in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid, and the Lessee agrees to pay the same with interest thereon at the rate of _____ per annum until 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 or officers as may from time to time be charged with responsibility for making such valuations; (ii) shall cause to be appropriately applied to the valuation or valuations so determined the respective rate or rates of such taxes, that would be applicable to the Project if so privately owned; (iii) shall cause the respective appropriate officer or officers charged with the duty of levying and collecting taxes to submit to the Lessee, when the respective levies are made upon property privately owned as aforesaid,

a statement specifying the amount and due date of such taxes which the county, school district and other political units having taxing powers would receive if the Project were so privately owned; and Lessee shall file any accounts or tax returns required with the appropriate officer or officers. The Lessee shall pay to the aforesaid taxing authorities when due all such payments in lieu of taxes with respect to the Project required by the 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 _____ per annum until paid.

SECTION 5.6. Obligations of Lessee Hereunder Unconditional. Subject to the provisions of this Section and Section 9.6 hereof, the obligations of the Lessee to make the payments required in Sections 5.3 and 5.5 hereof and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional and until such time as the principal 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 of the Lessee to complete the Project, the taking by eminent domain of title to or the right of temporary use of all or any part of the Project, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or South Carolina or any political subdivision of either thereof or any failure of the County to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release the County from the performance of any of the agreements on its part herein contained; and in the event the County should fail to perform any such agreement on its part, the Lessee may institute such action against the County as the Lessee may deem necessary

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

ARTICLE VI

MAINTENANCE, TAXES AND INSURANCE

SECTION 6.1. Maintenance and Modifications of Project

by Lessee. The Lessee agrees that during the Lease Term it will at its own expense (i) keep the Project in as reasonably safe condition as its operations shall permit and (ii) keep the Building and Leased Equipment and all other improvements forming a part of the Project in good repair and in good operating condition, making from time to time, subject to the provisions of Section 6.2, all necessary repairs thereto and renewals and replacements thereof. Subject to the provisions of Section 8.9, the Lessee may, also at its own expense, make from time to time any Additions or Alterations to the Project it may deem desirable for its business purposes that do not adversely affect the operations being conducted in and upon the Project (or, if no operations are being conducted, the operations for which the Project was designed or last modified). Subject to the provisions of Section 9.7 hereof, such Additions and Alterations so made by the Lessee shall be on the Leased Land and become a part of the Project. The Lessee shall not permit any mechanics' or other liens to be established or remain against the Project for labor or materials furnished in connection with any additions, 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 or forfeiture, in which event the Lessee shall promptly pay and cause to be satisfied and discharged all such unpaid items. The County will cooperate fully with the Lessee in any such contest.

SECTION 6.2. Removal of Leased Equipment. The County shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable, or unnecessary Leased Equipment. If no event of default under this Agreement shall have happened and be continuing, in any instance where the Lessee in its discretion determines that any items of Leased Equipment have become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, subject to the provisions of Section 8.9 hereof the Lessee may remove such items of Leased Equipment from the Building and the Leased Land and (on behalf of the County) sell, trade in, exchange or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the County or the Trustee therefor, provided that the Lessee shall either:

(a) Substitute (either by direct payment of the cost thereof or by advancing to the County the funds necessary therefor) and install anywhere in the Building or on the Leased Land other machinery, equipment or related property having equal or greater utility (but not necessarily having the same function) in the operation of the Project for the purpose for which it is intended, provided such removal and substitution shall not impair operating unity,

all of which substituted machinery, equipment or related property shall be free of all liens and encumbrances (other than Permitted Encumbrances) and shall become a part of the Leased Equipment; or

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

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

The Lessee shall promptly report to the Trustee each such removal, substitution, sale and other disposition and shall pay to the Trustee such amounts as are required by the provisions of the preceding subsection (b) of this Section to be paid into the Bond Fund promptly after the sale, trade-in or other disposition requiring such payment; provided, that no such report and payment need be made until the amount to be paid into the Bond Fund on account of all such sales, trade-ins or other dispositions

not previously reported aggregates at least _____.

The Lessee shall not remove, or permit the removal of, any of the Leased Equipment from the Leased Land except in accordance with the provision of this Section.

SECTION 6.3. Taxes, Other Governmental Charges and Utility Charges. The County and the Lessee acknowledge (i) that pursuant to Section 13 of the Act, no part of the Project owned by the County will be subject to taxation in South Carolina, 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 non-payment 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 _____ per annum from the date thereof until paid, the Lessee agrees to pay.

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

SECTION 6.4. Insurance Required. (a) Lessee shall, at Lessee's sole cost and expense at all times during the Lease Term, keep or cause to be kept, 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 (including workmen's compensation insurance in amounts usually carried by similar operations) against claims for bodily injury or death occurring upon, in or about the Project, with such insurance (other than workmen's compensation insurance) to afford protection to the limits of not less than _____ in respect of bodily injury or death to any one person and to the limit of not less than _____ 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 _____ in respect of damage to the property of any one owner.

(c) The insurance required by this Section 6.4 shall be maintained in full force and effect at all times during the Lease Term, except that such insurance required by Section 6.4(a) need not be placed in force and effect until the completion of the construction of the Project, provided that builder's risk insurance is in effect at least to the extent contemplated by Section 6.4(a) and provided further that in no event shall

the insurance required by Section 6.4(a) be placed into force and effect later than the expiration of the builder's risk insurance carried pursuant to the provisions of any contracts entered into with contractors, with the end in view of having full insurance coverage at all times.

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

(e) Policies of insurance provided for in Section 6.4(a) and any builder's risk insurance referred to in Section 6.4(c) shall name the County and the Lessee as insureds as their respective interests may appear, provided, however, that the 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.

(f) All insurance required by this Section 6.4 shall be effected with responsible insurance companies selected by the Lessee. Lessee shall cause appropriate provisions to be inserted in each insurance policy making each policy non-cancellable without at least ten (10) days prior written notice to the County, Lessee and 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 (f) shall diminish Lessee's obligation to repair or rebuild as provided in Section 7.1. The Lessee shall have the sole right and responsibility to adjust any loss with the insurer involved and to conduct any negotiations in connection therewith, provided that so long as any Bonds remain outstanding and unpaid no settlement of any claim shall be effected without the written consent of the Trustee.

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) and 6.4(c) hereof shall 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 _____ per annum from the date thereof until paid, the Lessee agrees to pay.

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

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

(b) Unless the Building or the Leased Equipment shall be destroyed or damaged to the extent prescribed by, and the Lessee shall elect to exercise its option to purchase pursuant to, the provisions of Section 11.2(a) hereof, if prior to full

payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) the Project is destroyed or is damaged (in whole or in part) by fire or other casualty to such extent that the claim for loss under the insurance policies required to be carried pursuant to Section 6.4(a) and Section 6.4(c) hereof resulting from such destruction or damages is in excess of _____, 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 _____ shall be paid to and held by the Trustee in a separate trust account, whereupon the Lessee shall proceed promptly to repair, rebuild or restore the Project to substantially the same condition thereof as existed prior to the event causing such damage or destruction with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Lessee and as will not impair the value or the character of the Project as a plant for the manufacture of chemicals or such other products as the Lessee may deem appropriate, whereupon the Trustee shall apply so much as may be necessary of the Net Proceeds of such insurance to payment of the costs of such repair, rebuilding or restoration, either on completion thereof or as the work progresses.

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

(d) The Lessee shall not, by reason of the payment of such excess costs 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.

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

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

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

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.

In the event the Net Proceeds are applied pursuant to subsection (a) or (b) and are not sufficient to pay in full the costs of such restoration or acquisition of improvements, as the case may be, the Lessee shall nonetheless complete said work and shall pay that portion of the costs thereof in excess of the amount of the Net Proceeds. The Lessee shall not, by reason of the payment of any 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.

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

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

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

SECTION 7.3. Condemnation of Lessee-Owned Property.

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

ARTICLE VIII

SPECIAL COVENANTS, IMPROVEMENT BONDS

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, provided the surviving, resulting or transferee corporation as the case may be, assumes in writing all of the obligations of the Lessee under this Agreement; in which event the County shall release in writing, concurrently with and contingent upon such assumption, the Lessee from all liability hereunder, and provided that prior to such sale, transfer, consolidation or merger the Trustee shall be furnished a certificate from a firm of independent certified public accountants stating that the covenants contained in Section 8.9 and Section 8.10 hereof will not be violated as a result of such sale, transfer, consolidation or merger.

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 of (i) any unimproved part of the Leased Land (on which neither the Building nor any Leased Equipment is situated, but upon which transportation or utility facilities may be situated) on which the County then proposes to construct, or cause to be constructed, improvements for lease to the Lessee or any subsidiary or affiliated corporation thereof 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 to construct, or cause to be constructed, improvements on the portion of the Leased Land so requested to be released and to lease the same or a copy of the instrument granting the easement or conveying the title to a railroad, public utility or public body.

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

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

as a manufacturing plant.

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

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

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

(i) a copy of the instrument of grant or release, (ii) a written application signed by the president or a vice president or the chairman of the board of directors of the Lessee requesting such instrument, and (iii) a certificate executed by the president or a vice president or the chairman of the board of directors of the Lessee stating (1) that such grant or release is not detrimental to the proper conduct of the business of the Lessee, and (2) that such grant or release will not impair the effective use of 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, Lessee further, shall agree to indemnify and save the County and the Trustee harmless against and from all claims arising during the Lease Term from (i) any condition of the Project, (ii) any breach or default on the part of Lessee in the performance of any of its obligations under this Agreement, (iii) any act or negligence of Lessee or of any of its agents, contractors, servants, employees or licensees, or (iv) any act or negligence of any assignee or sublessee of Lessee, or of any agents, contractors, servants, employees or licensees of any assignee or sublessee of Lessee. Lessee shall indemnify and save the County and the 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 performance of any act requested of it by the Lessee, or by reason of the County's ownership of the Project

or the operation of the Project by the Lessee, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing, nevertheless, if the County should incur any 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. Financial Statements of Lessee. The Lessee agrees to furnish the County such information respecting the business affairs, operation and financial condition of the Lessee and its consolidated subsidiaries as may be reasonably requested; and without any request to furnish to the Trustee, and upon request, to the holder of any Bond (a) as soon as available and in any event at the time the same are made available to the stockholders of the Lessee, copies of all quarterly and other interim financial statements as the Lessee shall furnish to the stockholders, and (b) as soon as available and in any event within one hundred fifty (150) days after closing of each fiscal year of the Lessee a copy of the annual audit report (including balance sheets, profit and loss, and surplus statements) of the Lessee and its consolidated subsidiaries for each fiscal year, all as prepared and certified by independent public accountants of recognized standing; provided, however, that if the annual report of Lessee to its stockholders shall contain financial statements of substantially similar detail and similarly prepared and certified, copies of such annual report may be delivered in lieu of the copies of the annual reports referred to herein.

SECTION 8.9. Covenants of Lessee with Respect to Capital Expenditures. The County is issuing the Series 1973 Bonds pursuant to an election made under Section 103(c)(6)(D) of the Internal Revenue Code of 1954. In order to insure that interest on the Series 1973 Bonds will not become subject to Federal Income Taxes as a result of a violation of the capital expenditures limitation prescribed in said Section 103(c)(6)(D), the Lessee covenants with the County, the Trustee, and with each of the future holders of any Series 1973 Bonds or interest coupons appertaining thereto as follows:

(1) That all rights and privileges granted to the Lessee hereunder shall be exercised in such manner that the covenants made by this Section 8.9 shall be observed, and if any conflict between Section 8.9 and any other provisions in this Agreement shall arise, then in such case, Section 8.9 shall control;

(2) That the Lessee will never permit the occurrence of any circumstances set forth in Section 103(c)(6)(D) and (E) of the Internal Revenue Code of 1954, as amended, which might cause interest on the Series 1973 Bonds to lose its tax exempt status; and Lessee will not commit, or permit to be committed, any act which would cause interest on the Series 1973 Bonds to become subject to Federal Income Taxes by virtue of Section 103(c)(1) of the Internal Revenue Code of 1954, as amended, nor fail to take any action necessary to be taken in order that the exemption of said Section 103(c)(6)(D) and (E) will continue to apply to the Series 1973 Bonds;

(3) That within 60 days following (i) _____ 1, 1973, and (ii) the first day of each _____ thereafter to and including _____ 1, 1976, the Lessee will furnish to

the Trustee a certificate of independent certified public accountants, together with an opinion of Independent Counsel, stating that during the period beginning July 1, 1970, to such _____ 1 (or, in the case of the _____ 1, 1976 certificate, to the 3rd anniversary of the date of the delivery of the Series 1973 Bonds), capital expenditures (including the \$1,000,000 principal amount of the Series 1973 Bonds) in excess of the greater of (a) \$5,000,000, or (b) the capital expenditures limitation prescribed by said Section 103(c)(6)(D) if hereafter amended so as to increase the limitation, have not been paid or incurred with respect to "facilities" described in Section 103(c)(6)(E) of the Internal Revenue Code of 1954, in Spartanburg County, South Carolina, of which the Lessee or a related person as defined in Section 103(c)(6)(C) of the Internal Revenue Code of 1954 is the principal user; and

(4) That it will comply with the governing regulations applicable to Section 103 of the Internal Revenue Code of 1954 to the extent that compliance therewith is necessary in order that interest on the Series 1973 Bonds shall remain exempt.

Nothing herein contained is intended to create any obligation upon the Lessee as a result of interest on any Series 1973 Bond becoming taxable or any deficiency being asserted against the holder of any Series 1973 Bond by virtue of the provisions of Section 103(c)(7) of the Internal Revenue Code of 1954.

SECTION 8.10. Completion and Improvement Bonds. Subject to the obligations of the County under the Indenture and subject to the provisions of Section 8.9 hereof, the County and the Lessee may hereafter negotiate one or more amendments to this Agreement pertaining to an increase in the obligations of the County and the Lessee upon an undertaking of the County to complete the Project or to provide Additions or Alterations for

the Project through the issuance of additional Bonds pursuant to Section 213 of the Indenture; provided that no obligation is imposed on the County by this Section 8.10 to enter into any such amendment and no such amendment is permitted hereunder which would result either in the breach of the County's agreements pursuant to the Indenture or in the reduction of Lessee's obligations pursuant to this Agreement.

SECTION 8.11. Financial Covenants.

ARTICLE IX

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

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

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

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

(c) The Lessee shall, within thirty days after the delivery thereof, furnish or cause to be furnished to the County and to the Trustee a true and complete copy of each such assignment or sublease, as the case may be, accompanied by a certificate of an independent certified public accountant and an opinion of Independent Counsel that nothing in the transaction so done has violated any covenant of Section 8.9.

SECTION 9.2. Mortgage of Property 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 in lieu of taxes pursuant to Section 5.5 and payments made pursuant to Section 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. The certificate of the County required by Section 307 of the Indenture shall contain such information as is requested by the Lessee.

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

SECTION 9.6. Lessee Entitled to Certain Rent Abatements if Bonds Paid Prior to Maturity. If at any time the aggregate moneys in the Bond Fund shall be sufficient to retire in accordance with the provisions of the Indenture all of the Bonds at the time outstanding, and to pay all fees and charges of the Trustee and any paying agents on the Bonds due or to become due through the date on which the last of the Bonds is retired, under circumstances not resulting in termination of the Lease Term, and if the Lessee is not at the time otherwise in default hereunder, the Lessee shall be entitled to use and occupy the Project from the date on which such aggregate moneys are in the hands of the Trustee to and including July 1, 1992, with no obligation to make the rental payments specified in the first paragraph of Section 5.3 hereof during that interval (but otherwise on the terms and conditions hereof).

SECTION 9.7. Installation of Lessee's Own Machinery and Equipment. Subject always to the provisions of Section 8.9, the Lessee may from time to time, in its sole discretion and at its own expense, install machinery, equipment and other personal property in the Building or on the Leased Land and which may be attached or affixed to the Building or the Leased Land. All such machinery, equipment and other personal property shall remain the sole property of the Lessee and the Lessee may remove the same from the Building or the Leased Land at any time, in its sole discretion and at its own expense; provided, that any damage to the Project resulting from any such removal shall be repaired by the Lessee at the expense of the Lessee. The Lessee may create any mortgage, encumbrance, lien or charge

on any such machinery, equipment and other personal property provided that the same will not diminish or impair the security intended to be given by or under the Indenture. Neither the County nor the Trustee shall have any interest in or landlord's lien on any such machinery, equipment or personal property so installed pursuant to this Section 9.7 and all such machinery, equipment and personal property shall be and remain identified as the property of the Lessee by appropriate tags or other markings.

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

(a) If there is no default under Section 8.9 and there is on deposit in the Bond Fund a 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 payment of all Trustee's and paying agents' fees, accrued and to accrue, has been made in a manner satisfactory to the Trustee and such paying agents, or

(b) If there have been irrevocably deposited with the Trustee (i) moneys sufficient to pay, redeem and retire all the then outstanding Bonds (including, without limitation, principal, premium, interest to maturity

or earliest applicable redemption date, as the case may be, expenses of redemption and Trustee's and paying agents' fees), and (ii) evidence satisfactory to the Trustee that all redemption notices required by the Indenture have been duly given by the County or the Trustee has been irrevocably authorized to give such redemption notices.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

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

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

(b) Violation by the Lessee of any of the covenants set forth in Section 8.9(2) and Section 8.9(4) hereof and failure of the Lessee to fulfill its obligation to purchase the Project as provided in Section 12.2 hereof.

(c) Failure by the Lessee to observe and perform any covenant, condition or agreement in this Agreement on the part of the Lessee to be observed or performed, other than as referred to in subsections (a) and (b) of this Section, for a period of 30 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, which cannot with due diligence be cured within such 30-day period if Lessee shall fail to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence, it being intended in connection with such a default not susceptible of being cured with due diligence with 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).

(d) The dissolution or liquidation of the Lessee or the filing by the Lessee of a voluntary petition in bankruptcy, or failure by the Lessee promptly to lift any execution, garnishment or attachment of such consequence as will impair the ability of the Lessee to carry on its operations at the Project, or the commission by the Lessee of any act of bankruptcy, or adjudication of the Lessee as a bankrupt, or assignment by the Lessee for the benefit of its creditors, or the entry by the Lessee into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee in any proceeding for its reorganization instituted under the provisions of the general bankruptcy act, as amended, or under any similar act in any domestic or foreign jurisdiction which may now be in effect or hereafter enacted. The term "dissolution or liquidation of the Lessee, as used in this subsection, shall not be construed to include the

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

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, 8.9 and 12.2 hereof, to which this paragraph shall have no application), the Lessee shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of South Carolina or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricane; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Lessee, 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, which amounts Lessee hereby agrees to pay.

(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 in 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 may appear necessary or desirable to collect the rent and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Lessee under this Agreement.

Any amounts collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and the Lessee is then in good standing with respect to the payment of rent hereunder and shall have paid the County and the Trustee all other sums due and owing hereunder, to the Lessee.

No action taken pursuant to this Section (including repossession of the Project or termination of the Lease Term) shall relieve the Lessee from the Lessee's obligations pursuant to Section 5.3, Section 10.2(a) and Section 12.2 hereof, all of which shall survive any such action, and the 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, including the Lessee's obligation to purchase the Project under Section 12.2 hereof.

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

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

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

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

(b) At any time after full payment of the Bonds (or provision for payment thereof having been made in

accordance with the provisions of the Indenture) and of any and all sums then due to the County 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), should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE XI

OPTIONS IN FAVOR OF THE LESSEE

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

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

satisfactory to the Trustee for the giving of the required notice of redemption, (ii) by paying to the County any and all sums then due to the County under this Agreement, and (iii) by giving the County notice in writing of such termination, and such termination shall forthwith become effective.

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

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

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

of insurance carried thereon pursuant to the requirements of Section 6.4(a) and Section 6.4(c) hereof, plus the deductible amounts for which the Lessee is self-insured with respect to the Project.

(b) Title to, or the temporary use of, all or substantially all the Project, or such part thereof as shall materially interfere, in Lessee's judgment, 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 body or by any person, firm or corporation acting under governmental authority (including such a taking or takings as results in the Lessee being thereby prevented from carrying on its normal operations at the Project for a period of six 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 in accordance with the intent and purposes of the parties as expressed in this Agreement, or unreasonable burdens or excessive liabilities shall have been imposed on the County or the Lessee in respect to the Project including without limitation federal, state or other ad valorem, property, income or other taxes not being imposed on the date of this Agreement.

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

(1) An amount of money which, when added to the amount then on deposit in the Bond Fund, will be sufficient to retire and redeem all the then outstanding Bonds on the earliest possible date after notice as provided by the Indenture, whether or not such date is an interest payment date, 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 agent's fees and expenses under the Indenture accrued and to accrue until such final payment and redemption of the Bonds, plus

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

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

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

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

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

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

The County agrees that upon receipt of the notice, certificate and money required in this Section to be furnished to it by the Lessee, the County will promptly deliver such money to the Trustee for deposit in the Bond Fund, and secure from the Trustee a release from the lien of the Indenture of such portion of the Leased Land with respect to which the Lessee shall have exercised the option granted to it in this Section. 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.

SECTION 11.4. Conveyance on Exercise of Option to Purchase. At the closing of any purchase pursuant to any option to purchase granted herein, the County shall upon receipt of the purchase price deliver to the Lessee the following:

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

(b) Documents conveying to the Lessee good and marketable title to the property being purchased, as such property then exists, subject to the following:

- (i) those liens and encumbrances (if any) to which title to said property was subject when conveyed to the County;
- (ii) those liens and encumbrances created by the Lessee or to the creation or suffering of which the Lessee consented;
- (iii) those liens and encumbrances resulting from the failure of the Lessee to perform or observe any of the agreements on its part contained in this Agreement;

(iv) Permitted Encumbrances other than the Indenture and this Agreement; and (v) if the option is exercised pursuant to the provisions of Section 11.2(b) hereof, the rights and title of the condemning authority.

SECTION 11.5. Relative Position of Options and Indenture.

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

ARTICLE XII

ADDITIONAL OBLIGATIONS OF LESSEE AND COUNTY

SECTION 12.1. Obligation to Purchase Project. The Lessee hereby agrees to purchase, and the County hereby agrees to sell, the Project for one dollar, and any and all sums then due to the County under this Agreement, at the expiration or sooner termination of the Lease Term following full payment of the Bonds, or provision for payment thereof having been made, in accordance with the provisions of the Indenture. At the closing of the foregoing purchase, the County shall deliver to the Lessee the documents referred to in Section 11.4 hereof. The 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.

SECTION 12.2. Lessee's Obligation to Purchase Project

Under Certain Circumstances. Should Lessee be unable to provide the certificate and opinion required by Section 8.9(3) or should, by reason of any actual or claimed violation of any covenant set forth in Section 8.9(2) or Section 8.9(4) (whether through act of the Lessee or circumstances not under Lessee's control or otherwise) interest on the Series 1973 Bonds be determined by (i) the National Office of the Internal Revenue Service of the United States Treasury Department, or (ii) the District Director of Internal Revenue for the District in which the Lessee files the Statements required by the governing regulations referred to in Section 8.9(4) hereof, or (iii) any court of competent jurisdiction, to be subject to Federal Income Tax by reason of a violation (actual or claimed) of the capital expenditure limitation prescribed in Section 103(c)(6)(D) of the Internal Revenue Code of 1954, the Lessee agrees to purchase, in full discharge of all liability hereunder, the Project within thirty days after such determination at a purchase price equal to the principal amount of all Series 1973 Bonds then outstanding plus accrued interest to the redemption date and a redemption premium computed in the manner prescribed in subsection (b) of Section 12.4, plus any expenses of redemption and the Trustee's and paying agent's fees and charges, but after the deduction of the amount, if any, then in the Bond Fund. The obligation of the Lessee under this Section 12.2 shall survive any termination of the Lease Term of this Agreement. Provided, that the Lessee may in good faith to the extent permitted by law, contest, at Lessee's expense, any such determination, in which event, at Lessee's option, the performance of its obligation to purchase pursuant to the foregoing provisions of this Section 12.2 as a result of that determination may be postponed for one year from the date of Lessee's receipt of written notice regarding

the earliest such determination (but in no event shall the performance of Lessee's obligation to purchase be postponed beyond the expiration of such one year period, even though any such litigation or contest shall not then be completed or terminated). If such determination is reversed or withdrawn by competent authority within such one year period Lessee shall be relieved of such obligation to purchase.

At the closing of any such purchase of the Project under this Section 12.2, the County shall deliver to the Lessee the documents referred to in Section 11.5. The purchase price shall be applied, together with other available monies in the Bond Fund, to the redemption of the Bonds on the earliest possible date after notice as provided in the Indenture, whether or not such date is an interest payment date, and to the payment of any redemption premium required by subsection (b) of Section 12.4 on account of previously paid Series 1973 Bonds.

SECTION 12.3. Obligation of Lessee Further Defined.

The parties recognize that the Series 1973 Bonds are being issued as tax free obligations by virtue of an election made under Section 103(c)(6)(D) of the Internal Revenue Code of 1954, as amended, and that circumstances (not now contemplated or anticipated) may hereafter result in the contention by the Internal Revenue Service (which may be disputed) that interest on the Series 1973 Bonds is no longer tax free. It is the intention of the parties hereto that subject to the proviso of Section 12.2, the Lessee, in such event, shall provide each person who is a holder of a Series 1973 Bond on the occasion as of which interest on the Series 1973 Bonds becomes (or is determined to be) taxable, with the relief prescribed in Section 12.2 and subsection (b) of Section 12.4 hereof, without regard

to the final outcome of any dispute, and such determination as prescribed in Section 12.2 shall be conclusive even though it might be thereafter determined by Court order, ruling or otherwise that interest on the Series 1973 Bonds was, in fact, not subject to Federal Income Taxes.

SECTION 12.4. Computation of Additional Redemption Premium. In the event the Lessee is required to purchase the Project by virtue of the provisions of Section 12.2, the redemption premium payable shall be the aggregate of the premiums computed on each Series 1973 Bond outstanding on the date as of which interest on the Series 1973 Bonds becomes taxable as follows: the sum of (a) a redemption premium in the amount of _____% of the principal amount and (b) an additional redemption premium determined by multiplying _____ of the annual interest on such Series 1973 Bond by the number of _____ day periods, or fraction thereof, between the date as of which interest on the Series 1973 Bonds is (or is determined or contended by the Internal Revenue Service to be) taxable and the earliest possible date of redemption or the earlier payment date of any Series 1973 Bond which shall have been paid (whether at maturity or by redemption) subsequent to the date as of which interest on the Series 1973 Bonds is (or is determined or contended by the Internal Revenue Service to be) taxable and prior to the earliest possible redemption date (less any optional redemption premium previously paid on such Series 1973 Bond). Provided, however, that the additional redemption premium computed under clause (b) next above of this Section 12.4 shall not exceed, in the case of any Series 1973 Bond, _____% of the principal amount thereof. On the occasion of the purchase of the Project pursuant to the requirements of Section 12.2 the purchase price paid by Lessee shall include the premium above prescribed so that each person who is the holder of any Bond on the earliest possible redemption

date, as well as each person who was the holder of any Series 1973 Bond on the occasion when the same was paid (whether at maturity or by redemption) prior to such redemption date but subsequent to the date as of which interest on the Bonds became (or was determined or contended by the Internal Revenue Service to have become) taxable, shall receive a premium on each such Bond computed according to the provisions of this Section 12.4.

ARTICLE XIII

MISCELLANEOUS

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

SECTION 13.2. Surrender of Project. Except as otherwise 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, or required by express provisions of this Agreement, addressed as follows: if to the County, to the

_____;
if to the Lessee, at _____,
Attention: _____; if to the Trustee at

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

SECTION 13.4. Recording and Filing.

(a) This Agreement as originally executed shall be recorded prior to the recordation of the Indenture. It shall be recorded and indexed as a miscellaneous conveyance and as a security agreement in the Office of the Register of Mesne Conveyance for Spartanburg 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 Commercial Code--Secured Transactions, in the Office of the Register of Mesne Conveyance for Spartanburg County 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 Commercial Code--Secured Transactions, in order to continue the security interests created by this Agreement, to the end that the rights of the holders of the Series 1973 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 Series 1973 Bonds. If subsequent to such recording the Series 1973 Bonds shall not be delivered on or before _____, 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 Series 1973 Bonds; and all properties conveyed to the County by the said deed and for the same consideration paid by the County less any advances made therefor by the Lessee. All parties shall execute such further instruments as may be necessary to fully implement the provisions of this subsection (b) of Section 13.4.

SECTION 13.5. Other Instruments.

(a) The Lessee covenants to deliver to the County and the Trustee within 60 days after _____, after each _____ 1 thereafter until the Completion Date, after the Completion Date and after the close of each fiscal year of the Lessee following the Completion Date, a description of the Project, on such _____ 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 13.4; 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 Series 1973 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 Series 1973 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 Section 8.3, 9.1, 9.2 and 9.3 hereof.

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

SECTION 13.8. Amounts Remaining in Bond Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the fees, charges and expenses of the Trustee 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. Except in the instance of an amendment pursuant to Section 8.10 hereof, this Agreement may not be amended, changed, modified, altered or terminated without in each instance the prior written consent of the Trustee.

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

SECTION 13.11. Execution of Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 13.12. Law Governing Construction of Agreement.

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

IN WITNESS WHEREOF, SPARTANBURG COUNTY, SOUTH CAROLINA, has executed this Lease Agreement by causing its name to be hereunto subscribed by the Chairman of its Board of County Commissioners and the official seal of said County Board to be impressed hereon and attested by the Secretary of said County Board; and CHAS. S. TANNER CO. 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.

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

By _____

Chairman, County Board of Commissioners
of Spartanburg County

Attest:

Secretary, County Board of
Commissioners of Spartanburg County

Signed, Sealed and Delivered in
the Presence of:

CHAS. S. TANNER CO.

(SEAL)

By _____
President

Attest:

Secretary

Signed, Sealed and Delivered in
the Presence of:

STATE OF SOUTH CAROLINA,
COUNTY OF SPARTANBURG.

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

SWORN to before me this

_____ day of _____, A. D. 1973.

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

STATE OF RHODE ISLAND,
COUNTY OF _____.

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

SWORN to before me this

_____ day of _____, A. D. 1973.

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

Outstanding

C. EMILE SAINT-AMAND
JAMES R. THOMPSON
WESLEY L. BROWN

SAINT-AMAND, THOMPSON & BROWN
ATTORNEYS AT LAW, P. A.
210 SOUTH LIMESTONE STREET
PIEDMONT FEDERAL BUILDING
GAFFNEY, SOUTH CAROLINA 29340

EXHIBIT VIII
JUNE 19, 1973
P. O. BOX 936
TELEPHONE (803) 489-6052

June 8, 1973

State Budget and Control Board
The State of South Carolina
Columbia, South Carolina 29201

Re: \$1,675,000 Cherokee County First Mortgage
Industrial Revenue Bonds, Series 1973
(Litton Business Systems, Inc. - Lessee)

Dear Sir:

Enclosed is the original Petition in the above matter which is forwarded to you at the request of Mr. Thomas A. Hutcheson of the law firm of Sinkler, Gibbs, Simons & Guerard, Charleston, South Carolina.

Very truly yours,

SAINT-AMAND, THOMPSON & BROWN

James R. Thompson
BY: James R. Thompson

JRT/wm

Enclosure

*manufacture of
drills*

STATE OF SOUTH CAROLINA
COUNTY OF CHEROKEE

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

P E T I T I O N

The Petition of the County Board of Commissioners of Cherokee County (the County Board) respectfully shows:

1. The County Board is the governing body of Cherokee County as established by law, and as such is the County Board referred to in Act No. 103 of the South Carolina General Assembly enacted at its 1967 Session, as amended (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, equipment, machinery and other improvements deemed necessary, suitable and useful by any manufacturing or processing enterprise; to lease the same; and to finance the acquisition, construction and equipping 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, equipment and machinery and other improvements.
3. In 1969 the County Board agreed with Litton Business Systems, Inc., a New York corporation (the Lessee), that the County Board would undertake to finance the acquisition, construction and equipping of industrial facilities in Cherokee County through the issuance of Industrial Revenue Bonds pursuant to the Act, which facilities will be for the manufacture of drills. The County Board has agreed to issue One Million Six Hundred Seventy Five Thousand Dollars (\$1,675,000) Cherokee County First Mortgage Industrial Revenue Bonds, Series 1973 (Litton Business Systems, Inc. - Lessee), pursuant to the Act in order to finance the

acquisition, construction and equipping of the facilities which include a parcel of land containing 13 acres in Cherokee County, the 50,000 square foot building thereon and the equipment and machinery therein (said facilities being hereinafter referred to herein as the Project).

4. The County Board is advised by the Lessee that the cost of acquiring the said land, the cost of constructing the building thereon, and the cost of acquiring and installing the necessary machinery and equipment amounted to approximately One Million Six Hundred Seventy Five Thousand Dollars (\$1,675,000) and that, therefore, in order to finance the acquisition, construction and equipping of the Project, including the costs and charges incident to the issuance and sale of the bonds hereinafter described, it will be necessary that the County Board issue One Million Six Hundred Seventy Five Thousand Dollars (\$1,675,000) Cherokee County First Mortgage Industrial Revenue Bonds, Series 1973 (Litton Business Systems, Inc. - Lessee) (the Bonds).

5. The Project provides for the employment by the Lessee in Cherokee County of approximately 120 persons.

6. For the reasons above set forth and hereinafter 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.

(d) The Series 1973 Bonds will be dated June 1, 1973, will mature on June 1, 1998 and will bear interest at a rate to be agreed upon by the Lessee and Lehman Brothers Incorporated, the prospective purchaser of the bonds. It is contemplated that Lehman Brothers Incorporated will sell the proposed bonds, together with a proposed issue of Lexington County Industrial Revenue Bonds financing another project of the Lessee in conjunction with each other and using a single prospectus.

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

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

(a) The Project consists of the acquisition of a parcel of land in Cherokee County, South Carolina, the construction of appropriate buildings thereon and the acquisition and installation of machinery and equipment which constitute facilities for the manufacture of drills.

(b) The Project provides for employment of approximately 120 persons in Cherokee County. It is, therefore, believed that the Project has a beneficial effect upon the economy of the County and areas adjacent thereto.

(c) The cost of the entire Project amounts to approximately \$1,675,000, including the cost of acquiring the said land, the construction of the necessary buildings thereon, and the acquisition of the equipment installed and to be installed thereon, and all other expenses to be incurred in connection therewith.

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

(a) To finance the cost of the acquisition, construction and equipping of the Project the County will issue \$1,675,000 Cherokee County First Mortgage Industrial Revenue Bonds, Series 1973 (Litton Business Systems, Inc. - Lessee). All Bonds will be secured by a pledge of the rents to be paid by the Lessee and will be further secured by a Trust Indenture, as authorized by Section 5 of the Act.

(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 the costs 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 payments to Cherokee County, to any School District in Cherokee 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 Cherokee 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.

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, equipment and machinery and interests therein, acquired or to be acquired for the Project.

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

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

The Indenture makes provision for the issuance of the One Million Six Hundred Seventy Five Thousand Dollars (\$1,675,000) of Bonds referred to above. 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 will be forwarded to the State Budget and Control Board when they have been prepared) 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 forms, it is not expected that there will be any changes which will substantially affect the undertaking as now outlined therein.

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

That the State Budget and Control Board accept the filing of the Petition presented herewith and that it do, thereafter, and as soon as practicable, make its independent investigation of the Project and the terms and provisions of the Lease and the Trust Indenture, as it deems advisable, and that thereafter, the said

6.

State Board make a finding that the 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 13 of the Act.

June 5, 1973.

Respectfully submitted,

COUNTY BOARD OF COMMISSIONERS OF
CHEROKEE COUNTY

By W. R. Blanton
Chairman

(SEAL)

Attest:

Vernon Wright
Clerk

RESOLUTION

STATE OF SOUTH CAROLINA BUDGET AND CONTROL BOARD

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

WHEREAS, the proposed undertaking consists of the acquisition by the County Board of a parcel of land containing approximately 13 acres in Gaffney, in Cherokee County, and the improvements thereon; and the County Board proposes to finance the acquisition, construction and improvement of the said facilities to be used for the manufacture of drills (said tract of land, and the buildings and equipment located thereon constituting the said facilities being hereinafter referred to as the Project) by the issuance of Bonds pursuant to the Act, and to lease the same to Litton Business Systems, Inc., a New York corporation (Lessee); and

WHEREAS, the Project is to be leased to the Lessee at a rental sufficient to provide for the payment of the Bonds of Cherokee 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 \$1,675,000 Cherokee County First Mortgage Industrial Revenue Bonds pursuant to the Act payable from the rentals derived from the Lessee and additionally secured by a Trust Indenture between Cherokee County and a bank to be chosen by Lessee, as Trustee; and

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

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

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

(a) That the statement of facts set forth in the recitals to 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 sum prescribed by Section 6 of the Act.

(c) That the Project provides employment for approximately 120 persons, and will be of benefit to Cherokee 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, and to finance the construction of the building thereon and the acquisition of the necessary machinery and equipment, to lease the Project to the Lessee and to finance the cost of acquiring and improving the Project through the issuance of \$1,675,000 Cherokee County First Mortgage Industrial Revenue Bonds, payable from the revenues to be derived from the leasing of the Project, and additionally secured by the said Trust Indenture, 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 by the Senate Board in giving approval to the undertaking of Cherokee County above described in paragraph 2, supra, shall be published in THE GAFFNEY LEDGER, a newspaper having general circulation in Cherokee 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
OF SOUTH CAROLINA FOR THE YEAR
1967

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

The acquisition by the County Board of a parcel of land in Gaffney, in Cherokee County, the buildings thereon, and the necessary machinery and equipment (the said tract of land, buildings, equipment and machinery constituting the said facilities being hereinafter referred to as the Project), all of which constitute facilities for the manufacture of drills. To finance the acquisition and improvement of the Project, the County Board will issue \$1,675,000 Cherokee 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, as amended. The County Board will lease the Project to Litton Business Systems, Inc., a New York corporation (Lessee), under a Lease Agreement and the Bonds of Cherokee 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 additionally secured by a Trust Indenture which will constitute a forecloseable lien upon the Project.

In addition, the Lessee has agreed to pay as additional rentals to Cherokee 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 Cherokee 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 Cherokee County will lease the Project to the Lessee provides that the Lessee may purchase the Project for One Dollar (\$1.00) upon the payment in full of the bonds.

The Project employs approximately 120 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 Cherokee County.

THE STATE BUDGET AND CONTROL BOARD

By: P. C. Smith, Secretary

PUBLICATION DATE:

_____, 1973

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 Rembert C. Dennis, 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 11 A. M.,
JUNE 19, 1973, 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:

MR. PATTERSON

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

FOR MOTION

4

AGAINST MOTION

0

The Chairman thereupon declared 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

_____, 1973.

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

June 21, 1973

Mr. William T. Putnam
Special Assistant to the State Auditor
P. O. Box 11333
Columbia, S. C. 29211

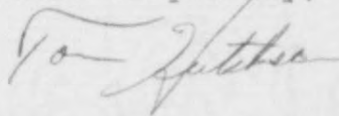
Re: \$1,325,000 Lexington County First Mortgage
Industrial Revenue Bonds, Series 1973 (Litton
Business Systems, Inc., - Lessee)

\$1,675,000 Cherokee County First Mortgage
Industrial Revenue Bonds, Series 1973 (Litton
Business Systems, Inc. - Lessee)

Dear Bill:

I am enclosing herewith the original and 11 copies of the Resolution of the Budget and Control Board in connection with each of the Industrial Revenue and Bond Issues. I am also enclosing two copies of the Annual Report and April 30, 1973 figures of Litton Industries, the Guarantor or each of these issues. I understand that these issues were approved at the Board meeting yesterday and therefore I am proceeding with the publication of notice as provided in the enclosed resolutions.

Yours very truly,



TAH:wjh
Enclosures

cc: Mr. Ludwig T. Smith, Esq.
Senior Vice President
Litton Industries
360 North Crescent Drive
Beverly Hills, California 90210

Mr. Joseph J. Darcy
Lehman Brothers, Inc.
One William Street
New York, N. Y. 10004

2305

SINKLER GIBBS SIMONS & GUÉRARD

PROFESSIONAL ASSOCIATION

Mr. William T. Putnam
Page 2
June 21, 1973

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

James R. Thompson, Esq.
Saint-Amand & Thompson
210 S. Limestone Street
Gaffney, South Carolina 29340

CRANES & CREST

LITTON INDUSTRIES, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

APRIL 30, 1973

(thousands of dollars)

ASSETS

Current Assets:

| | |
|---|---------------------------|
| Cash | \$ 76,464 |
| Accounts receivable | 628,676 |
| Inventories, less progress billings | 652,406 |
| Prepaid expenses | <u>19,550</u> |
| Total Current Assets | <u>1,377,096</u> |
| Equity in Unconsolidated Finance Subsidiaries | <u>40,916</u> |
| Long-term Investments | <u>15,179</u> |
| Property, Plant and Equipment | 835,350 |
| Less accumulated depreciation | <u>343,401</u> |
| Net Property, Plant and Equipment | <u>491,949</u> |
| Other Assets | <u>126,051</u> |
| Total Assets | <u><u>\$2,051,191</u></u> |

LIABILITIES AND SHAREHOLDERS' INVESTMENT

Current Liabilities:

| | |
|---|----------------|
| Notes payable | \$ 168,156 |
| Amounts due vendors and employees | 365,661 |
| National taxes on income | 12,540 |
| Current portion of long-term liabilities and debentures | <u>51,521</u> |
| Total Current Liabilities | <u>597,878</u> |
| Long-term Liabilities | <u>398,245</u> |
| Future Principal Payments for Leased Facility | <u>124,605</u> |
| Deferred National Taxes on Income | <u>36,648</u> |
| Deferred Service Contract and Other Income | <u>30,893</u> |
| Convertible Subordinated Debentures | <u>27,818</u> |
| Shareholders' Investment | |
| Voting preferred stock: | |
| Series A | 516 |
| Series B | 14,403 |
| Voting preference stock | 5,309 |
| Common stock | 33,069 |
| Additional paid-in capital | 436,226 |
| Earnings retained in the business | <u>354,369</u> |
| | 843,892 |
| Less cost of common shares held in treasury | <u>(8,788)</u> |
| Total Shareholders' Investment | <u>835,104</u> |

Total Liabilities and Shareholders' Investment

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\$2,051,191

June 1, 1973

LITTON INDUSTRIES, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF EARNINGS
NINE MONTHS 1973 AND 1972
(thousands of dollars)

| | <u>Nine Months Ended April 30,</u> | |
|--|------------------------------------|--------------------|
| | <u>1973</u> | <u>1972</u> |
| Sales and service revenues | \$1,960,180 | \$1,880,152 |
| Less discontinued operations | <u>(130,026)</u> | <u>(221,209)</u> |
| Sales and service revenues - continuing operations | <u>1,830,154</u> | <u>1,658,943</u> |
| Cost and expenses - continuing operations: | | |
| Cost of sales | 1,329,535 | 1,248,445 |
| Selling, general and administrative | 355,116 | 335,063 |
| Depreciation | 51,121 | 51,142 |
| Interest | 37,180 | 30,823 |
| National taxes on income | <u>25,855</u> | <u>(5,395)</u> |
| | <u>1,798,807</u> | <u>1,660,078</u> |
| Net earnings (loss) - continuing operations | 31,347 | (1,135) |
| Net earnings (loss) - discontinued operations | <u>(1,573)</u> | <u>(9,922)</u> |
| Net earnings (loss) - before extraordinary item | 29,774 | (11,057) |
| Extraordinary item - gain on sale of subsidiaries | <u>9,478</u> | <u> </u> |
| Net earnings (loss) | <u>\$ 39,252</u> | <u>\$ (11,057)</u> |
| Earnings (loss) per share (after provision for dividends on preferred stock) | | |
| Continuing operations | \$.75 | \$ (.16) |
| Discontinued operations | <u>(.04)</u> | <u>(.28)</u> |
| Earnings (loss) per share before extraordinary item | .71 | (.44) |
| Extraordinary item | <u>.27</u> | <u>-</u> |
| Earnings per share | <u>\$.98</u> | <u>\$ (.44)</u> |

June 1, 1973

LITTON INDUSTRIES, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

APRIL 30, 1973

(thousands of dollars)

ASSETS

Current Assets:

| | |
|---|---------------------------|
| Cash | \$ 76,464 |
| Accounts receivable | 628,676 |
| Inventories, less progress billings | 652,406 |
| Prepaid expenses | 19,550 |
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| Total Assets | <u><u>\$2,051,191</u></u> |

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| Total Shareholders' Investment | <u>835,104</u> |
| Total Liabilities and Shareholders' Investment | <u><u>\$2,051,191</u></u> |

2309

June 1, 1973

LITTON INDUSTRIES, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF EARNINGS
NINE MONTHS 1973 AND 1972
(thousands of dollars)

| | <u>Nine Months Ended April 30,</u> | |
|--|------------------------------------|--------------------|
| | <u>1973</u> | <u>1972</u> |
| Sales and service revenues | \$1,960,180 | \$1,880,152 |
| Less discontinued operations | <u>(130,026)</u> | <u>(221,209)</u> |
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| Interest | 37,180 | 30,823 |
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| Earnings per share | <u>\$.98</u> | <u>\$(.44)</u> |

June 1, 1973

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

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To Our Shareholders:

Fiscal 1972 was both a difficult and a decisive year for Litton Industries. A number of significant management decisions were made, and actions taken, to reverse the decline in Litton earnings and to strengthen the overall product-market position of the company. These primarily involved consolidations, discontinuance of unprofitable product lines, relocations, and other one-time special expenses which impacted substantially on the year's earnings.

Stringent Management Actions Taken

In the second quarter, we reported the decision to move Royal typewriter production to more competitive facilities. That has now been accomplished. At the same time, we provided for anticipated contract losses and the consolidation of operations of the Rust Engineering division. By year end, that division was sold. All electric motor operations of the Louis Allis division were consolidated into its manufacturing facilities in Milwaukee and the Evansville, Indiana, plant was closed.

In the third quarter, we reduced to zero the profit being recorded on the U.S. Navy's Landing Helicopter Assault (LHA) ship program pending negotiation of the contract price. We also provided for full settlement of all outstanding claims and counterclaims related to the construction of eight containerships for Farrell and American President Lines.

Also in the third quarter a stringent review was conducted of all operating units leading to decisions and actions on some 20 items, no one of which accounted for more than \$2 million before taxes. These items included, for example, the phasing out of two Fitchburg papermaking machines, consolidating Material Handling operations, and shutting down certain Resource Exploration activities in Canada and Nigeria.

In addition to the immediate and significant effect of these actions on this year's costs, they also contributed substantially to the company's ability to improve future productivity and better employ its resources.

For the year, sales from continuing operations were \$2,476,623,000, compared to \$2,341,937,000 for fiscal year 1971. Net earnings for fiscal year 1972 were \$1,118,000, compared to \$50,003,000 for the previous year. After provision for the payment of dividends on the preferred stock, a loss of \$0.14 per share was reported for the year, based on outstanding common and preference stock. This compares to \$1.27 earnings per share for the same period a year earlier adjusted for the 2½ percent common stock dividend of November 1971.

Profitability Resumes in Fourth Quarter

Sales from continuing operations for the fourth quarter of fiscal year 1972 were \$666,268,000, compared to \$651,497,000 for the same period a year earlier. Net earnings for the three months ended July 31 were \$12,175,000, compared to \$13,818,000 for the

comparable period of fiscal year 1971. Earnings per share were \$0.31, compared to a similarly computed \$0.36 for the fourth quarter of fiscal year 1971 adjusted for the 2½ percent common stock dividend of November 1971.

Net earnings of \$0.31 per share reported for the fourth quarter of fiscal year 1972 included: earnings of \$0.23 per share from continuing operations; a loss of \$0.02 per share from discontinued operations (Rust division); and a gain of \$0.10 per share from the sale of these discontinued operations. Comparable figures for the fourth quarter of fiscal year 1971 were \$0.35 earnings per share from continuing operations and \$0.01 earnings per share from discontinued operations.

Sound Financial Base Reported

Litton concluded fiscal year 1972 in a sound financial position, with a net current ratio of 2.2, net worth of more than \$809 million, a cash balance in excess of \$92 million, and unused credit of approximately \$130 million. At year-end, cash and accounts receivable alone amounted to approximately \$650 million which more than covered all of the current liabilities.

The company's dividend program continued throughout the year. For the fourteenth consecutive year, the Board of Directors declared a 2½ percent stock dividend on its common stock, payable November 15, 1972 to shareholders of record September 18, 1972. The Board also declared the regular \$0.50 quarterly cash dividend on the Series B \$2 Cumulative Convertible Preferred Stock of the company to stockholders of record on December 8, 1972 payable on January 1, 1973.

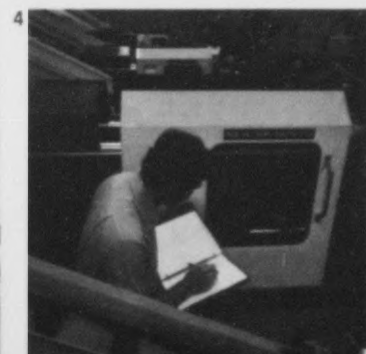
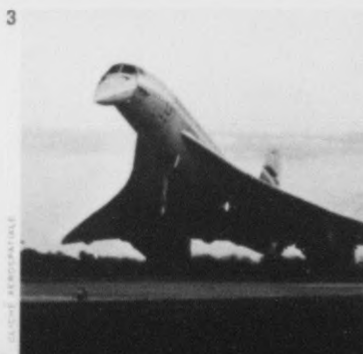
Special Expenses Affect Each Group

In general, special expenses, including the write-offs and a number of labor strikes, affected results in each of Litton's four major product groups. A detailed three-year comparison of both sales and profitability on a group-by-group basis appears on page 9 of this section, followed by two pages of sales and market information on Litton's 16 product-market areas.

New Products for Existing Markets 1

In 1972, Litton spent more than \$90 million on developing a strong product-market base needed for future growth. Among the many products introduced during the year to existing Litton markets are:

1 Monroe 1300 Series of electronic business calculators offering the latest in MOS/LSI technology and a combined display-printout capability; **2** ABS 1281 desk-size business minicomputer featuring a magnetic ledger system with the largest memory and fastest printout in its price class; **3** LTN-51 commercial inertial navigation system for use on Concorde SSTs, DC-10s, 747s, DC-8s, and 707s; **4** New Britain plastic injection molding machine designed for high-volume and automatic production of parts for tape cartridges and cassettes;



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The business areas reporting losses were those affected most by the special one-time expenses reported in the second and third quarters. These include: Typewriters; Marine; Material Handling; and Electric Motors. Together they accounted for approximately \$1.07 decrease in earnings per share for fiscal year 1972, compared with fiscal year 1971.

Two other areas, Machine Tools and Educational and Professional Publishing, while reporting continued profitability, accounted for \$0.24 earnings per share decrease for fiscal year 1972 compared to the previous year. The remaining product-market areas as a group had earnings approximately equal to the previous year after bearing the write-offs reported in the second and third quarters.

Product and Market Developments

In the Business Systems and Equipment group, the Monroe division again reported record sales and earnings as the market for advanced electronic calculators continues to grow. During the year Monroe tripled the capacity of its South Carolina plant to meet production requirements for its new and highly successful Series 1300 electronic calculators featuring combined display and printout capability and for its lines of miniaturized machines, such as the Model 20.

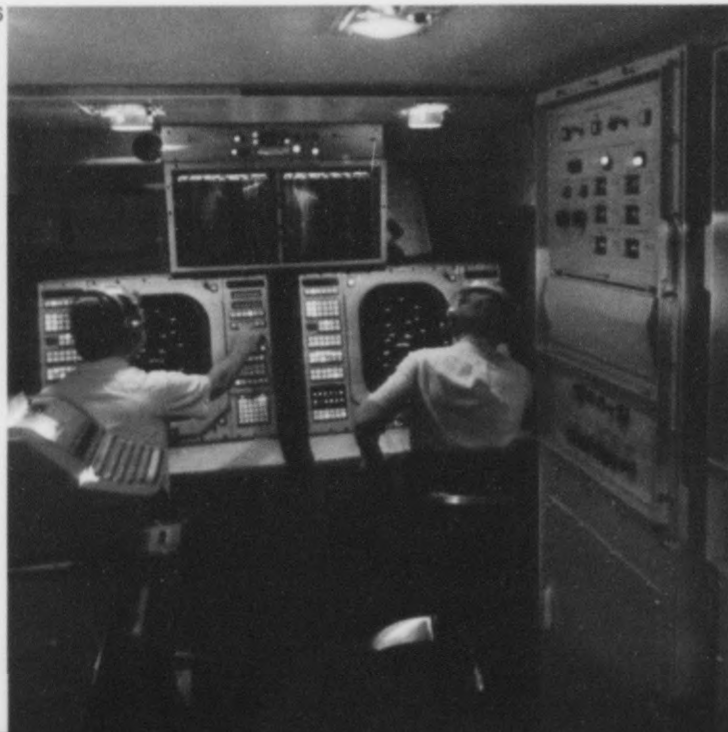
Other contributions to future profitability were made during the year by Litton ABS division with the introduction of the ABS 1281 business minicomputer which has a magnetic ledger system with the largest memory and fastest printout in its price class. The introduction to the North American market of a new plain paper copier by the Royal division is opening up another major new market for Litton, which for years has been a supplier of coated paper copiers. And Sweda's newly introduced electronic stand-alone and full capability point-of-sale retail information systems are being delivered and installed at customer sites throughout the U.S. and Europe.

In the Industrial Systems and Equipment group, Machine Tool bookings increased 21 percent during the year; however, profits in the fourth quarter were affected by two lengthy strikes which have since been resolved. The introduction of a robot-type Material



5 fully-motorized dental chair systems with electro-controls for posture positioning in "sit-down dentistry" applications;

6 AN/TSQ-73 "Missile Minder," the U.S. Army's new field transportable air surveillance and missile control system; 7 Model 888 Digital Seismic Field Recording System, developed for use in geophysical research for the petroleum industry.



Handling warehousing system for automatic storage and retrieval of bulky industrial products has received excellent customer response. In addition, contracts have been received for specialized conveyor systems designed for post office applications. At the same time, growth in consumer and computer markets is leading Electronic Components to significant sales improvements.

In Professional Services and Equipment, substantial amounts were spent on new product developments and manufacturing improvements in the Medical divisions. Sales increases were reported on all types of medical equipment, especially higher-performance x-ray and film processing units. During the year, Litton Bionetics was named to manage the new National Cancer Center at Fort Detrick, Maryland, under an initial contract from The National Cancer Institute. Our Educational Publishing activities experienced a sales decline during the year reflecting financial cut-backs in the nation's private and public schools. At the same time, however, sales of professional periodicals, books, and reference works continued strong.

Unprecedented demand for new sources of metals and minerals, particularly in less-developed regions of the world, has led to an upsurge in Resource Exploration contracts for our Western Geophysical division.

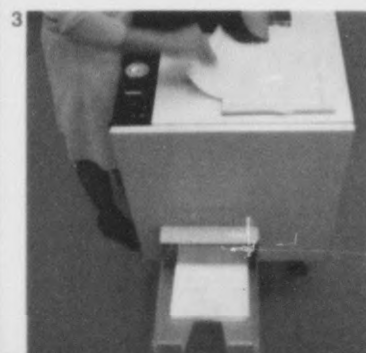
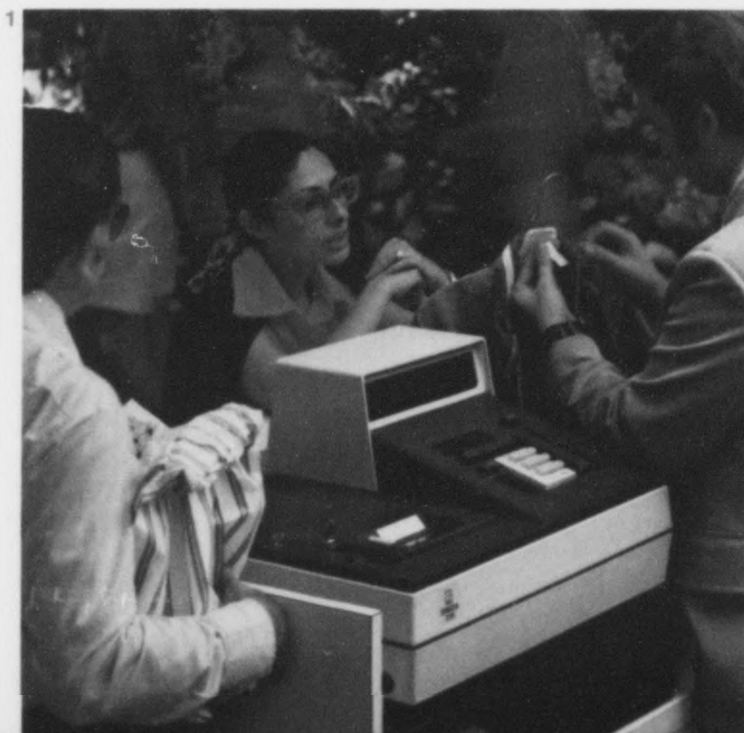
Sales and profit increases were reported throughout Litton's Food Products and Services area as Stouffer divisions returned to high prerecession sales levels and the Atherton division made significant progress into the consumer market with new lines of microwave ovens for home and recreation use.

In Defense and Marine Systems, a number of significant new long-term contracts were received during the year in both of Litton's Defense Systems areas. Navigation and Control Systems divisions expanded their share-of-market with new inertial guidance contracts from both military and commercial customers including awards to provide systems for the U.S. B-1 bomber and for the British-French Concorde SST. Litton further expanded its guidance systems capability beyond aircraft markets into the missile field

New Business Opportunities

Among recent developments reflecting major new business opportunities for Litton are: **1** key initial installations of Sweda Series 700 high-speed electronic point-of-sale systems at major retail stores in the U.S. and Europe; **2** the introduction in North American markets of the Monroe 200 Electronic Billing System, a compact automated typewriter invoicing system manufactured in Germany by Litton's Triumph-Adler division for small office applications; **3** expansion from coated paper copiers into the larger market for high quality plain paper reproduction with the new Royal Bond™ copier; **4** development of LTN-58 inertial sensor subsystem for advanced area navigation systems; **5** introduction of a robot-type Material Handling system for automatic storage and retrieval of bulky industrial products.

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with a U.S. Air Force contract to provide a system for Subsonic Cruise Armed Decoy missiles. European-based divisions during the year moved into the important military airborne computer market. The LITEF central computer was designed and developed and is being built in Germany for use in the new Multi-Role Combat Aircraft (MRCA) being produced jointly by England, Germany and Italy.

Our Communications and Electronic Data Systems divisions delivered an initial TACFIRE System for testing by the U.S. Army and were subsequently awarded a contract to provide the Army with the operable segment of the Tactical Operations System for the automation of battlefield intelligence, operations and fire support coordination. In addition, the digital communications technology developed in these divisions over the years is now being applied in the rapidly expanding private business telephone market with a line of Litcom telephone interconnect systems. During the first six months following the introduction of these new products, the division booked over \$8 million of orders.

Marine Activities Summarized

Litton's Marine activities account for approximately 15 percent of total sales. Because of the size of the individual shipbuilding contracts involved, they have received considerable public attention and speculation as to their outcome. This, in turn, has generated some misinformation about these contracts and Litton's shipbuilding performance.

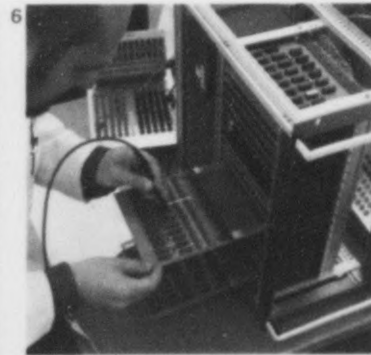
In a little more than a year, Litton has delivered eight ships and launched five others. Current contracts call for the completion of eight commercial containerships and 39 ships for the U.S. Navy including three nuclear powered submarines; one ammunition ship; five LHAs; and 30 DD-963 class destroyers, 16 of which have been funded. Current delivery schedules extend through 1978.

New and firm dates for delivery of the eight containerships to Farrell and American President Lines have been set. The first of four Farrell ships was delivered in September,



bulky industrial products; **6** entry into the important airborne computer market in Europe with LITEF-designed and manufactured central computer for the new Multi-Role Combat Aircraft (MRCA) being built jointly by England, Germany and Italy; **7** moving into rapidly growing specialized commercial telephone market with the introduction of telephone interconnect systems.

2316



1972 and is already in service. The second Farrell ship and the first APL were launched during the year and are currently undergoing outfitting prior to sea trials. The remainder of the containerships, in various stages of construction at our Ingalls Shipbuilding division, will be delivered during 1973.

LHA Negotiations Beginning

As required by the contract, Litton submitted on March 31st its LHA repricing proposal as a basis for negotiating a firm contract schedule and total program price with the U.S. Navy. We later announced an interim agreement with the Navy calling for compensation based on costs incurred on the program while negotiations are under way. In addition to delivery schedules, escalation payments and cancellation costs related to the reduction from nine to five ships, the LHA repricing proposal claims further compensation covering approximately 100 constructive changes arising from actions of the government and their expected effect on the program. The Navy has since requested that data supporting these changes be submitted in a new format. Litton expects that both the substantial amounts due and delays caused by these changes will be settled as a part of the total negotiations on this contract.

DD-963s Continue on Schedule

The DD-963 program is in the engineering and early production phases. Fabrication began six months earlier than scheduled, providing additional margin for meeting the schedule for delivery of the first ship in 1974. To date, we have met every milestone of the DD-963 contract on or ahead of schedule, and program expenditures are within budget projections made to the U.S. Navy more than two years ago.

Ship Claims Appealed

Litton has submitted three shipbuilding claims against the U.S. Navy to the Armed Services Board of Contract Appeals. While in the past a number of contractors' claims have been referred to the Board of Contract Appeals or the Court of Claims for settlement, most are negotiated and settled with a contracting officer. However, the

Litton in Consumer Markets

Most Litton products are sold to commercial, industrial and government customers. The consumer market, however, is an important source of revenue. Among Litton consumer products and services available today are: **1** a full line of Royal Digital electronic calculators for home and professional use; **2** Stouffer's nationwide network of 10 motor inns and 52 restaurants; **3** the new electric Royal MEDALLION™ and other portable typewriters; **4** microwave ovens, including the important MINUTE-MASTER® series, for home and recreation use; **5** and a broad range of Litton publications for physicians and other professionals.



normal process of settling claims has become so constrained that the company expects a larger number of such claims will have to go before the Board of Contract Appeals for equitable settlement.

We believe a full review by the Board of Contract Appeals on these three claims will result in an equitable decision and substantial recovery for Litton. Additional details on these claims and contracts are included in the Financial Comments section of this report.

Shipbuilding Progress Reported

During this year, we have substantially achieved our shipbuilding employment goals, successfully resolving the work force buildup problems that had been so widely reported in the past. This was accomplished in part by the unification late in the year of Litton's two major shipbuilding divisions in Pascagoula, Mississippi. We did this to realize the full benefits and efficiencies available from the coordinated use of Litton's total shipbuilding capabilities, which now include: 168 acres of conventional and nuclear submarine construction and overhaul facilities; a 611-acre plant specializing in use of modular assembly techniques in the series production of surface ships. The newly combined Ingalls Shipbuilding division employs a total work force of about 18,000 people with plans calling for a gradual increase to approximately 19,000 during 1973.

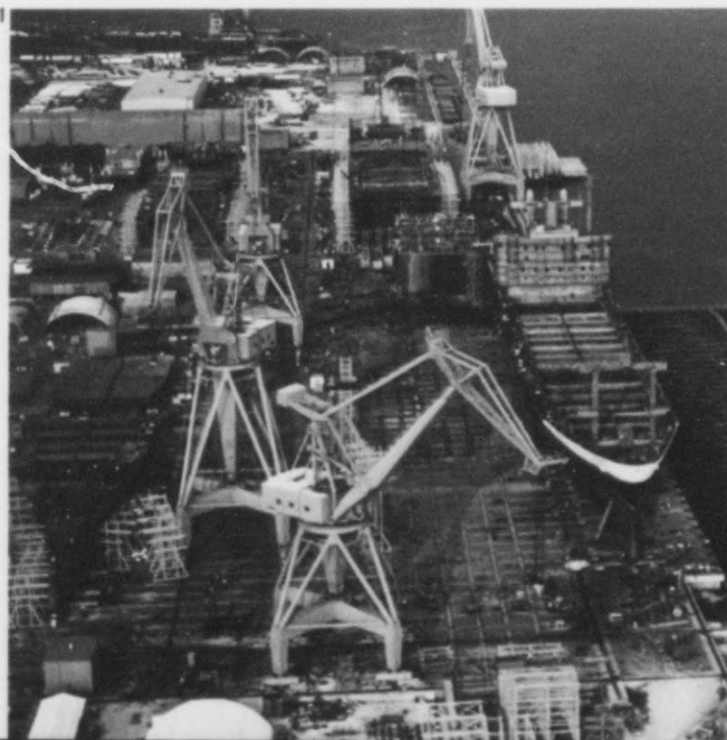
Product-Market Developments Continue

During the year, there has been continuing close attention to costs at Litton. This, however, has not resulted in any limitation on expenditures for those new plants and products and market development programs which we believe to be necessary to the future of Litton.

In the past fiscal year, more than \$90 million was charged against earnings in order to continue developing the kind of strong product-market base that will be necessary for the continued growth of the company. The series of photographs accompanying this report reflects the results of some of these investments.

Progress in Ships

Today, Litton employs 18,000 people at the combined Ingalls Shipbuilding division in Pascagoula, Miss. In addition to 168 acres of conventional and nuclear submarine construction and overhaul facilities, the Ingalls shipyard includes 1 a 611-acre site specializing in modular assembly techniques in series production of surface ships. In little more than a year, Litton has delivered eight ships and launched five others, among them 2 the nuclear submarine USS TUNNY and 3 the container ship SS AUSTRAL ENVOY. Current contracts cover eight commercial container ships and 39 ships for the U.S. Navy. Current delivery schedules extend through 1978.

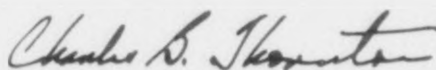


Business Mainstream Being Redefined

The sale of the Rust Engineering division during the year reflects our decision to redefine the business activities that Litton intends to emphasize in the coming years.

A second major step in this direction is the planned separation of Litton's three Stouffer Food Products and Services divisions, which we expect to be accomplished within the next few months. These divisions accounted for approximately \$125 million in sales in fiscal year 1972 and have been consistently profitable through the years. In addition to its network of 52 restaurants and 10 motor inns, Stouffer operations include a Management Food Service division and a Frozen Prepared Food division.

In entering the present fiscal year, Litton's plan includes not only improving operating profitability but also the alignment of operations so as to concentrate the company's full resources in the fields of its greatest expertise. We intend to pursue business growth by both internal development and by selected acquisitions which fit our plan.



Charles B. Thornton,
Chairman of the Board of Directors



Roy L. Ash, President

New Plants and Facilities

Successful competition in the world marketplace requires continuing programs of modernization and efficiency improvement. In the past five years, Litton has spent more than \$550 million on new and improved plants, facilities and equipment. Among the facilities brought on-line this year are: **1** a 40,000 sq. ft. addition to the Lexington, S. C., plant where Monroe electronic calculators such as the miniature Model 20 are manufactured; **2** a new 84,000 sq. ft. plant in Plymouth, Minn., designed to double Litton's capacity in consumer microwave ovens; **3** a new plant in Blythesville, Ark., for the production of additional color convergence yokes for the television market.

2319



| | 1972 | | 1971 | | 1970 | |
|--|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| Sales and Service Revenues by Product Group | Amount | Per Cent | Amount | Per Cent | Amount | Per Cent |
| Continuing operations: | | | | | | |
| Business systems and equipment | \$ 838,316 | 33% | \$ 748,907 | 32% | \$ 701,488 | 30% |
| Defense and marine systems | 697,090 | 28 | 692,993 | 29 | 618,486 | 27 |
| Industrial systems and equipment | 507,077 | 20 | 499,764 | 21 | 606,621 | 26 |
| Professional services and equipment | 466,413 | 19 | 425,056 | 18 | 397,187 | 17 |
| Subtotal | 2,508,896 | 100% | 2,366,720 | 100% | 2,323,782 | 100% |
| Intergroup eliminations | (32,273) | | (24,783) | | (26,637) | |
| Total sales and service revenues | <u>\$2,476,623</u> | | <u>\$2,341,937</u> | | <u>\$2,297,145</u> | |

Operating Profit by Product Group

| | | | | | | |
|---|---------------|------|------------------|------|------------------|------|
| Continuing operations: | | | | | | |
| Business systems and equipment | \$ 17,957 | 25% | \$ 49,763 | 32% | \$ 46,104 | 24% |
| Defense and marine systems | 20,339 | 28 | 52,800 | 34 | 54,047 | 29 |
| Industrial systems and equipment | 5,139 | 7 | 20,855 | 13 | 50,150 | 26 |
| Professional services and equipment | 28,849 | 40 | 33,170 | 21 | 39,056 | 21 |
| Subtotal | 72,284 | 100% | 156,588 | 100% | 189,357 | 100% |
| Interest and other unallocated expenses | (70,516) | | (73,872) | | (73,050) | |
| Income taxes | (841) | | (33,785) | | (48,936) | |
| Net earnings | <u>\$ 927</u> | | <u>\$ 48,931</u> | | <u>\$ 67,371</u> | |

Other Highlights

| | | | |
|-----------------------------|-----------|-----------|-----------|
| Earnings (loss) per share — | | | |
| Continuing operations | \$ (.15) | \$ 1.24 | \$ 1.76 |
| Depreciation expense | 71,756 | 69,665 | 61,058 |
| Capital expenditures | 81,968 | 85,032 | 155,072 |
| Net working capital | 711,774 | 712,174 | 653,029 |
| Current ratio | 2.2 | 2.4 | 2.2 |
| Total assets | 2,056,523 | 1,976,038 | 1,934,012 |
| Shareholders' investment | 809,117 | 814,032 | 770,079 |

Note: Earnings (loss) per share are after cash dividends on Series A and B preferred stock.

Not included in continuing operations is Rust Engineering sold in 1972 and previously reported under Engineering and Construction in the Industrial Systems and Equipment group.

Litton Product-Market Area Profile

10

Business Systems and Equipment

| | Sales (in thousands) * | | Litton World Markets (in millions) ** | | Major Customer Groups *** |
|--|------------------------|-----------|---|---------|---|
| Business Machines and Systems | 1972 | \$206,112 | Calculators | \$600 | Manufacturers 44% |
| | 1971 | 180,495 | Electronic Accounting Machines | \$1,000 | Accounting, Engineering, and Other Services 32% |
| | 1970 | 176,761 | | | Financial Institutions 14% |
| | | | | | Government Agencies 10% |
| Retail and Revenue Systems | 1972 | \$138,897 | Sales Registers | \$450 | Retailers and Retail Services 81% |
| | 1971 | 128,431 | Revenue Control Systems | \$20 | Manufacturers 10% |
| | 1970 | 103,900 | Identification Tags, Labels and Cards | \$600 | Toll Collecting Agencies 6% |
| | | | | | Other 3% |
| Typewriters and Office Copiers | 1972 | \$272,180 | Office Typewriters | \$900 | Schools 13% |
| | 1971 | 236,918 | Portable Typewriters | \$300 | Government Agencies 15% |
| | 1970 | 211,957 | Electrofax Copiers | \$700 | Consumers 24% |
| | | | Plain Paper Copiers | \$1,400 | Commercial Offices 48% |
| Specialty Paper, Printing and Forms | 1972 | \$141,293 | Specialty Printing | \$3,300 | Retailers and Retail Services 36% |
| | 1971 | 127,381 | Bank Checks, Stationery and Forms | \$1,200 | Manufacturers 31% |
| | 1970 | 123,793 | Specialty Paper | \$2,000 | Home and Office Builders 20% |
| | | | | | Banks 13% |
| Business Furnishings and Fixtures | 1972 | \$ 92,983 | Office Furniture, Space Planning and Design | \$1,250 | Retailers and Retail Services 57% |
| | 1971 | 82,142 | Retail Fixtures and Services | \$1,500 | Financial Institutions 25% |
| | 1970 | 88,960 | | | Manufacturers 7% |
| | | | | | Schools 6% |
| | | | | | Other 5% |

Defense and Marine Systems

| | Sales (in thousands) * | | Litton World Markets (in millions) ** | | Major Customer Groups *** |
|---|------------------------|-----------|---|---------|---------------------------------------|
| Navigation and Control Systems | 1972 | \$146,829 | Defense Aircraft Inertial Navigation | \$250 | Government Defense Agencies 83% |
| | 1971 | 151,441 | Commercial Aircraft Inertial Navigation | \$50 | Commercial & Private Air Carriers 17% |
| | 1970 | 221,493 | | | |
| Communications and Electronic Data Systems | 1972 | \$198,642 | Information Systems | \$2,000 | Government Defense Agencies 97% |
| | 1971 | 216,314 | Electronic Reconnaissance | \$500 | Other 3% |
| | 1970 | 202,031 | Computer Software | \$1,000 | |
| Marine Engineering and Production | 1972 | \$364,255 | U.S. Navy | \$2,000 | U.S. Navy 79% |
| | 1971 | 333,222 | Commercial (U.S.) | \$1,000 | Commercial Ship Operators 21% |
| | 1970 | 200,242 | | | |

* Includes intragroup sales of \$27,311, \$16,054 and \$13,315 in 1972, 1971 and 1970, respectively, which must be eliminated to obtain total sales by product group.

** Estimated size of those product-market areas in which Litton competes, based on 1970 data.

*** Estimated for fiscal year 1972.

Industrial Systems and Equipment

| | Sales (in thousands)* | | Litton World Markets (in millions)** | | Major Customer Groups*** |
|---|-----------------------|-----------|--------------------------------------|---------|--------------------------------------|
| Machine Tools | 1972 | \$167,822 | Machine Tools | \$1,100 | Manufacturers: |
| | 1971 | 163,995 | Metal Cutting Tools | \$700 | Auto, Aircraft 37% |
| | 1970 | 197,917 | Other Tools | \$500 | Agricultural, Steel, Electronics 22% |
| | | | | | Metalworking Shops 15% |
| | | | | | Other 26% |
| Material Handling† | 1972 | \$ 94,887 | Bulk Handling | \$1,100 | Manufacturers 41% |
| | 1971 | 96,162 | Unit Handling | \$300 | Wholesale & Retail Distributors 36% |
| | 1970 | 121,534 | | | Engineering, Mining Industries 13% |
| | | | | | Other 10% |
| Electronic Components | 1972 | \$163,024 | Microwave Components | \$300 | Government Agencies 29% |
| | 1971 | 142,957 | Computer Industry | \$500 | Manufacturers 32% |
| | 1970 | 174,597 | Servo Mechanisms | \$275 | Industrial Distributors 15% |
| | | | Magnetics | \$400 | Consumer Electronics 11% |
| | | | Other | \$145 | Other 13% |
| Electric Motors, Power Drives and Controls | 1972 | \$ 82,870 | Power Transmission Equipment | \$775 | Manufacturers 57% |
| | 1971 | 98,260 | Electric Motors | \$300 | Industrial Distributors 25% |
| | 1970 | 116,725 | Precision Gearing | \$130 | Utilities 14% |
| | | | Variable Speed Drives | \$100 | Government Agencies 4% |

Professional Services and Equipment

| | Sales (in thousands)* | | Litton World Markets (in millions)** | | Major Customer Groups*** |
|--|-----------------------|-----------|--|------------------|--------------------------|
| Medical Products | 1972 | \$164,434 | Electronic Medical Equipment | \$320 | Doctors, Hospitals 72% |
| | 1971 | 156,292 | Radiological Equipment | \$675 | Dentists 23% |
| | 1970 | 120,975 | Dental Equipment | \$320 | Other 5% |
| | | | Medical Supplies | \$100 | |
| Educational and Professional Publishing | 1972 | \$ 59,346 | Elementary and High Schools | \$450 | Professionals 57% |
| | 1971 | 68,362 | Colleges and Universities | \$350 | Schools 43% |
| | 1970 | 69,204 | Professional References | \$135 | |
| | | | Professional Journals | \$130 | |
| Resource Exploration | 1972 | \$ 96,039 | Geophysical Research (includes magnetic, seismic and photo services) | \$700 | Oil Producers 87% |
| | 1971 | 71,179 | | | Cartographers 8% |
| | 1970 | 73,992 | | | Government Agencies 3% |
| | | | | | Mining Industry 2% |
| Food Products and Services | 1972 | \$146,594 | Specialty Frozen Foods | \$800 | Consumers 86% |
| | 1971 | 129,223 | Restaurants and Inns | over \$5 billion | Institutions 13% |
| | 1970 | 133,016 | Electronic Cooking Units | \$30 | Other 1% |

†Sales of Material Handling have been restated to include the sales of Doyle & Russell, previously reported with Rust Engineering (sold in 1972) under the former Engineering and Construction product-market area.

Business Machines and Systems

Litton ABS, Monroe

Retail and Revenue Systems

Advanced Retail Systems, Kimball, Litton RCS, Sweda

Typewriters and Office Copiers

Imperial, Royal, Roytype, Triumph-Adler

Specialty Paper, Printing and Forms

Decotone, Decotone-Permaco, Eureka-Carlisle, Fitchburg, Fitchburg Coated Products, Litton Financial Printing, Office Product Centers, Papeterie De Versoix, Sturgis Newport, Valentine

Business Furnishings and Fixtures

ATAL, Cole, Lehigh-Leopold, SLS Environetics, Standard Desk, Streater

Navigation and Control Systems

Aero Products, Guidance and Control Systems, LITEF, Litton Italia, Litton Systems (Canada), C. Plath

Communications and Electronic Data Systems

Amecom, Data Systems, Litcom, Mellonics, Westrex

Marine Engineering and Production

Ingalls Shipbuilding

Machine Tools

Amtec, Butterfield, Contromatics, Eldorado, Gardner

Machine, Landis Gendron, Landis Lund, Landis Tool, Lucas Machine, Merriman, New Britain Hand Tools, New Britain Machine, Plastics Machine, Reed, UTD

Material Handling

Hewitt-Robins Bulk Handling, Litton UHS

Electronic Components

Advanced Circuitry, Airtron, Clifton, Dumont Aviation, Electron Tube, Jefferson Electric, Kester Solder, Liberty Wire, Litton Memory Products, Litton Precision Products International, Poly-Scientific, Potentiometer, Triad-Utrad, USECO, Veam, Winchester

Electric Motors, Power Drives and Controls

Louis Allis, Power Transmission

Medical Products

Dental, Eureka, Hellige, Henke, Litton Bionetics, Medical Supply, Mijnhardt, Profexray, Sass-Wolf, Sterimed

Educational and Professional Publishing

Litton Educational Publishing, Litton Publications

Resource Exploration

Aero Service, Western Geophysical

Food Products and Services

Atherton, Stouffer Food, Stouffer Food Systems, Stouffer Restaurant & Inn

Financial Comments

For the years ended July 31, 1972 and July 31, 1971

The following accounting policies and financial information of Litton Industries, Inc. and subsidiary companies are set forth to facilitate the understanding of data presented in the financial statements. These financial comments should be read in conjunction with the notes to financial statements.

Principles of Consolidation The accounts of the Company and its wholly-owned subsidiaries (other than its finance subsidiaries) are included in the accompanying financial statements. All material intercompany transactions are eliminated.

The investments in finance subsidiaries are accounted for on the equity basis and earnings of such subsidiaries are included in the consolidated statements of earnings.

Translation of non-U.S. Currencies Assets and liabilities of operations located outside the United States have been translated to U.S. dollars at year-end central bank exchange rates except that property, plant and equipment and intangibles have been translated at approximate rates prevailing when acquired. Income and expense items have been translated at average rates during the year, except depreciation which has been calculated at the approximate rates prevailing when the properties were acquired.

Inventories and Long-Term Contracts Inventories, other than Defense and Marine, are generally stated at the lower of cost (first-in, first-out method) or market. Defense and Marine inventories are stated at the lower of average cost or market. Revenues on defense contracts other than long-term contracts are generally recognized as products are delivered based on estimates of ultimate contract price. Profits on these contracts are recognized on delivery using the average profit expected based on current estimates of final contract values and costs. Revenues and profits on long-term contracts are recognized under the percentage of completion method of accounting. Revenues and costs, as well as work-in-process, are included in the financial statements based on current estimates of final values.

Any anticipated losses on contracts (estimated final contract cost in excess of estimated final contract revenues) are charged to current operations as soon as they are determined.

Marine Contracts Major defense contracts for complex weapons systems performed over extended periods of time are subject to changes in specifications and changes in delivery schedules. Pricing negotiations on changes and settlement of claims often extend over prolonged periods of time. As a result, at any given time in performance of such a contract an estimate of its profitability depends not only upon the forecast of additional costs to be incurred but also upon a prediction of total revenues which will result from future negotiations and possible claims. The accompanying financial statements have been prepared on the basis of management's current estimates of final contract revenues and costs.

Litton's ship facilities operate under long-term design and production contracts, principally for the U.S. Government. At July 31, 1972 the total estimated contract values at completion were \$4,355,100,000 of which \$1,992,400,000 has been funded and of which \$3,454,800,000 is to be performed between now and 1978.

Amendments to the LHA (Landing Helicopter Assault) ship contract are presently being negotiated with the U.S. Navy. These negotiations are based on a repricing proposal submitted on March 31, 1972 in accordance with contractual requirements and agreements. The proposal deals with delivery schedules, escalation costs, selling price adjustments due to changes in quantity from nine to five ships, and the Company's request for compensation for approximately 100 engineering, design and production changes, arising from actions of the Government, and other factors affecting the program. The repricing proposal contemplates obtaining contractual coverage for substantial costs of unnegotiated changes. The ultimate profitability of this program is dependent upon performing to current cost estimates and successful negotiation of the contract amendments. At this time, while these complex issues are being negotiated, no profits are being recorded for this contract.

The Company will continue to be reimbursed for substantially all costs incurred on the LHA contract through February 28, 1973. The method of reimbursement subsequent to that date is to be determined as part of the present negotiations, which will consider alternative methods of estimating percentage of physical completion. The original contract negotiations contemplated that the Company would not

invest substantial working capital in the performance of this contract, and the Company intends to adhere to this original contract intent.

In the course of these negotiations, the Navy may take the position that it will have made interim payments under the present reimbursement provisions of an amount significantly more than an alternative computation, and may therefore request a temporary refund. The Company believes no refund will be required, and that these negotiations will result in satisfactory program funding.

Initial production is underway on the DD-963 (Destroyer) ship contract scheduled for completion in 1978. Profits are recorded on this program as work proceeds.

Total cost estimates used to determine ultimate profitability on these two programs include approximately \$128 million of nonrecurring manufacturing process development costs incurred for and necessary to successfully complete the existing contracts in the new ship facility. At July 31, 1972 \$16 million has been charged to cost of sales, \$81 million is included in inventory and an estimated \$31 million is yet to be incurred. These costs will be charged to cost of sales proportionately with all other costs as work is performed and sales are recorded.

The Company has a number of shipbuilding related claims against the U.S. Navy filed with the Armed Services Board of Contract Appeals. Two claims filed during the past year cover three Nuclear Attack Submarines scheduled for delivery in 1973 and 1974 and four Ammunition Supply Ships of which three are delivered and one is in the last stages of construction. These claims are for costs related to Government requested extensions of delivery dates, delays, unprocessed change orders and other costs related to Government actions. In addition, the Company has filed a third claim with the ASBCA covering disruption costs resulting primarily from U.S. Navy imposed "Sub Safe" requirements on Nuclear Submarine contracts completed in prior years. The Company's claims on these three matters amount to approximately \$164 million. At July 31, 1972, \$41 million of net costs relating to such claims has been recorded in receivables and inventory. An additional \$8 million related to the current Ammunition Ships and Submarine contract claims is to be incurred to complete these contracts and will be included in work in process as costs are incurred.

Property, Plant and Equipment Expenditures for maintenance and repairs are charged against earnings. Additions, major improvements and renewals are capitalized and depreciated.

Depreciation is provided generally on a straight-line basis over the estimated useful lives of the various classes of assets from the respective dates of acquisition.

Costs and the related allowances for depreciation of properties sold or otherwise retired are eliminated from the asset and depreciation accounts. Gains or losses on disposition are recorded at the time of disposition.

Cost of Businesses Purchased over Corresponding Net Assets All present amounts are believed to have continuing value to the Company and are not being amortized. Any future amounts will be amortized.

Income Taxes The Company provides deferred taxes for the income tax effects of differences in the time of recording material items of income and expense on the books and the inclusion of such items in taxable income.

United States investment tax credits are deferred and amortized over the useful lives of the related assets.

Pension Plans The Company has pension plans for most of its employees. Employees are eligible to participate in the plans after varying employment periods and are generally eligible for benefits at age 65. Pension expenses are accrued and funded based on the actuarially determined costs of the plans. Based on actuarial determinations, the pension plans are fully funded with respect to vested benefits. Past service costs are charged to operations over ten year periods and are funded as required.

Earnings per Share Earnings per share are based on outstanding common and preference stock, and are after provision for cash dividends on Series A and B preferred stock.

Litton Industries, Inc. and Subsidiary Companies
Consolidated Statements of Earnings

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| | Year Ended July 31, 1972 | Year Ended July 31, 1971 |
|---|-----------------------------|-----------------------------|
| (thousands of dollars) | | |
| Sales and service revenues | \$2,558,456 | \$2,466,120 |
| Less discontinued operation | 81,833 | 124,183 |
| Sales and service revenues — continuing operations | <u>2,476,623</u> | <u>2,341,937</u> |
| Costs and expenses — continuing operations: | | |
| Cost of sales | 1,891,107 | 1,701,002 |
| Selling, general and administrative | 464,902 | 440,237 |
| Depreciation | 71,756 | 69,665 |
| Interest | 47,090 | 48,317 |
| National taxes on income | 841 | 33,785 |
| | <u>2,475,696</u> | <u>2,293,006</u> |
| Earnings — continuing operations | 927 | 48,931 |
| Discontinued operation: | | |
| Earnings (loss) — discontinued operation | (3,221) | 1,072 |
| Extraordinary item — gain on sale of subsidiary | 3,412 | |
| Net earnings | <u>\$ 1,118</u> | <u>\$ 50,003</u> |
| Earnings (loss) per share (after dividends on preferred stock of \$6,070 and \$6,068): | | |
| Continuing operations | \$(.15) | \$1.24 |
| Discontinued operation | (.09) | .03 |
| Extraordinary item | .10 | |
| Earnings (loss) per share | <u>\$(.14)</u> | <u>\$1.27</u> |

See accompanying financial comments and notes to financial statements.

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Litton Industries, Inc. and Subsidiary Companies
Consolidated Balance Sheets

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| | July 31, 1972 | July 31, 1971 |
|--|-------------------------------|-----------------|
| | <i>(thousands of dollars)</i> | |
| Assets | | |
| Current Assets: | | |
| Cash | \$ 92,683 | \$ 90,026 |
| Accounts receivable | 559,216 | 598,948 |
| Inventories, at lower of cost or market, less progress billings of \$73,191 and in 1971 of \$86,175 | 645,118 | 531,208 |
| Prepaid expenses | 20,267 | 18,085 |
| Total Current Assets | 1,317,284 | 1,238,267 |
| Equity in Unconsolidated Finance Subsidiaries | 34,831 | 33,413 |
| Long-term Investments—at cost | 18,321 | 17,988 |
| Property, Plant and Equipment—at cost: | | |
| Land | 25,467 | 24,947 |
| Buildings | 311,034 | 305,328 |
| Machinery and equipment | 548,702 | 523,439 |
| | 885,203 | 853,714 |
| Less accumulated depreciation | 337,949 | 306,258 |
| Net Property, Plant and Equipment | 547,254 | 547,456 |
| Cost of Businesses Purchased over Corresponding Net Assets | 126,772 | 125,587 |
| Other Assets, including Patents | 12,061 | 13,327 |
| Total Assets | \$2,056,523 | \$1,976,038 |

See accompanying financial comments and notes to financial statements.

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| | July 31, 1972 | July 31, 1971 |
|---|------------------------|--------------------|
| | (thousands of dollars) | |
| Liabilities and Shareholders' Investment | | |
| Current Liabilities: | | |
| Notes payable | \$ 219,913 | \$ 110,410 |
| Accounts payable | 227,734 | 221,406 |
| Payrolls and related expenses | 81,900 | 79,594 |
| National taxes on income | 10,741 | 13,014 |
| Current portion of long-term liabilities and debentures | 65,222 | 101,669 |
| Total Current Liabilities | <u>605,510</u> | <u>526,093</u> |
| Long-term Liabilities | <u>418,336</u> | <u>415,080</u> |
| Future Principal Payments for Leased Facility | <u>127,365</u> | <u>126,907</u> |
| Deferred National Taxes on Income | <u>40,412</u> | <u>37,163</u> |
| Deferred Service Contract and Other Income | <u>27,365</u> | <u>28,049</u> |
| Convertible Subordinated Debentures | <u>28,418</u> | <u>28,714</u> |
| Shareholders' Investment: | | |
| Preferred stock: | | |
| Series A | 516 | 517 |
| Series B | 14,403 | 14,403 |
| Preference stock | 6,440 | 8,028 |
| Common stock | 31,593 | 29,927 |
| Additional paid-in capital | 427,677 | 406,010 |
| Earnings retained in the business | 328,488 | 355,147 |
| Total Shareholders' Investment | <u>809,117</u> | <u>814,032</u> |
| Total Liabilities and Shareholders' Investment | <u>\$2,056,523</u> | <u>\$1,976,038</u> |

Consolidated Statements of Shareholders' Investment

For the Years Ended July 31, 1971 and July 31, 1972

| | |
|--|--|
| Balance, July 31, 1970 | |
| Net earnings for the year | |
| Cash dividends on preferred stock: | |
| Series A — \$3 a share | |
| Series B — \$2 a share | |
| Transfer among accounts to record the 2½ % common stock dividend | |
| Transfer among accounts to record the conversion of preference and preferred stocks | |
| Exercise of employee stock options under the 1970 Qualified Stock Option Plan | |
| Value ascribed to shares issued for businesses acquired | |
| Balance, July 31, 1971 | |
| Net earnings for the year | |
| Cash dividends on preferred stock: | |
| Series A — \$3 a share | |
| Series B — \$2 a share | |
| Transfer among accounts to record the 2½ % common stock dividend | |
| Transfer among accounts to record the conversion of preference and preferred stocks and debentures | |
| Exercise of employee stock options under the 1970 Qualified Stock Option Plan | |
| Value ascribed to shares issued for businesses acquired | |
| Balance, July 31, 1972 | |

Share Information:

| | |
|---|--|
| Shares outstanding, July 31, 1970 | |
| Shares issued for 2½ % common stock dividend | |
| Shares exchanged for conversion of preference and preferred stocks | |
| Shares issued under the 1970 Qualified Stock Option Plan | |
| Shares issued for businesses acquired | |
| Shares outstanding, July 31, 1971 | |
| Shares issued for 2½ % common stock dividend | |
| Shares exchanged for conversion of preference and preferred stocks and debentures | |
| Shares issued under the 1970 Qualified Stock Option Plan | |
| Shares issued for businesses acquired | |
| Shares outstanding, July 31, 1972 | |

Shares Authorized:

| | |
|--|--|
| Voting preferred, convertible, cumulative, par value \$5, issuable in series | |
| Voting preference, convertible participating series, par value \$2.50 | |
| Common, par value \$1 | |

(dollar amounts expressed in thousands)

| Capital Stock | | | | Additional Paid-in Capital | Earnings Retained in the Business |
|----------------|-----------------------|------------------|-------------------|----------------------------------|--|
| Series A | Preferred Series B | Preference | Common | | |
| \$ 517 | \$ 14,385 | \$ 9,368 | \$ 28,552 | \$394,356 | \$322,901 50,003 |
| | | | | | (310) |
| | | | 715 | 10,974 | (5,758) |
| | | (1,347) | 624 | 723 | (11,689) |
| | | | 1 | 17 | |
| | 18 | 7 | 35 | (60) | |
| 517 | 14,403 | 8,028 | 29,927 | 406,010 | 355,147 1,118 |
| | | | | | (309) |
| | | | 751 | 20,956 | (5,761) |
| (1) | | (1,588) | 756 | 834 | (21,707) |
| | | | 2 | 34 | |
| | | | 157 | (157) | |
| <u>\$ 516</u> | <u>\$ 14,403</u> | <u>\$ 6,440</u> | <u>\$ 31,593</u> | <u>\$427,677</u> | <u>\$328,488</u> |
| 103,311 | 2,877,062 | 3,747,297 | 28,552,382 | | |
| | | | 715,317 | | |
| (11) | (3) | (539,117) | 623,358 | | |
| | | | 970 | | |
| | 3,541 | 3,000 | 35,276 | | |
| 103,300 | 2,880,600 | 3,211,180 | 29,927,303 | | |
| | | | 751,046 | | |
| (8) | | (635,236) | 756,166 | | |
| | | | 2,041 | | |
| | | | 156,286 | | |
| <u>103,292</u> | <u>2,880,600</u> | <u>2,575,944</u> | <u>31,592,842</u> | | |
| 22,000,000 | | | | | |
| | | 8,000,000 | | | |
| | | | 120,000,000 | | |

Consolidated Statements of Changes in Financial Position

| | Year Ended July 31, 1972 | Year Ended July 31, 1971 |
|--|-----------------------------|-----------------------------|
| <i>(thousands of dollars)</i> | | |
| Working capital was provided by: | | |
| Net earnings from continuing operations | \$ 927 | \$ 48,931 |
| Depreciation, principally straight-line | 71,756 | 69,665 |
| | <u>72,683</u> | <u>118,596</u> |
| Net earnings (loss in 1972) from discontinued operation and extraordinary gain in 1972 | 191 | 1,072 |
| Proceeds from sale of 8¾ % notes due December 1, 1976 | | 60,000 |
| Increase in future principal payments for leased facility | 458 | 10,675 |
| Other term borrowings | 81,980 | 48,049 |
| Decrease in investment in finance subsidiaries | | 15,968 |
| Other transactions | 4,515 | 5,500 |
| | <u>159,827</u> | <u>259,860</u> |
| Working capital was applied to: | | |
| Payments made or due within one year on long-term liabilities | 78,724 | 103,712 |
| Additions to property, plant and equipment of \$81,968 and \$85,032 less dispositions of \$10,414 and \$7,698 | 71,554 | 77,334 |
| Cash dividends on preferred stock | 6,070 | 6,068 |
| Increase in investment in finance subsidiaries | 1,418 | |
| Investments over net assets acquired in business combinations | 1,185 | 3,981 |
| Other transactions | 1,276 | 9,620 |
| | <u>160,227</u> | <u>200,715</u> |
| Increase (decrease) in working capital | <u>\$ (400)</u> | <u>\$ 59,145</u> |

Changes in Working Capital

| | Year Ended July 31, 1972 | | Year Ended July 31, 1971 | |
|--|--------------------------|------------------|--------------------------|-----------------|
| | Increase | Decrease | Increase | Decrease |
| <i>(thousands of dollars)</i> | | | | |
| Cash | \$ 2,657 | | \$ 598 | |
| Accounts receivable | | \$ 39,732 | 24,761 | |
| Inventories, less progress billings | 113,910 | | 7,684 | |
| Prepaid expenses | 2,182 | | 1,490 | |
| Notes payable | | 109,503 | 26,890 | |
| Accounts payable | | 6,328 | | \$19,355 |
| Payrolls and related expenses | | 2,306 | | 2,469 |
| National taxes on income | 2,273 | | | 312 |
| Current portion, long-term liabilities and debentures | 36,447 | | 19,858 | |
| | <u>\$157,469</u> | <u>\$157,869</u> | <u>\$81,281</u> | <u>\$22,136</u> |
| Increase (decrease) in working capital | <u>\$ (400)</u> | | <u>\$59,145</u> | |

See accompanying financial comments and notes to financial statements.

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Notes to Financial Statements

For the Years Ended July 31, 1972 and July 31, 1971

Note A — Equity in Unconsolidated Finance Subsidiaries

Undistributed earnings of wholly-owned finance subsidiaries are \$17,975,000 and \$15,008,000 at July 31, 1972 and 1971, respectively. These subsidiaries had total assets of \$138,830,000 and \$118,094,000 and liabilities to banks and others of \$103,999,000 and \$84,681,000 at July 31, 1972 and 1971, respectively.

Note B — Long-term Liabilities Long-term liabilities at July 31, 1972 and 1971 consisted of the following:

| | 1972 | 1971 |
|--|------------------------|------------------|
| | (thousands of dollars) | |
| Notes payable to insurance companies: | | |
| Due to 1984 with interest from 3½ % to 4⅞ % . . . | \$ 60,895 | \$ 65,835 |
| Due to 1993 with interest from 5.35% to 7.0% . . . | 11,778 | 12,303 |
| Notes payable to banks: | | |
| Due to 1977 with interest at ¼ % to ¾ % above published bank borrowing rates | 125,000 | 175,000 |
| Due 1973 with interest at 8¼ % (86,500,000 Swiss francs). | | 21,201 |
| Due 1977 to 1980 with interest at 6⅞ % to 6⅝ % (258,000,000 Swiss francs). | 67,188 | |
| Due 1975 to 1982 with interest at 7⅞ % to 8% (48,000,000 Dutch guilders). | 14,792 | |
| Bonds payable to 1984 with interest at 6¼ % (60,000,000 Swiss francs). . | 15,625 | 14,706 |
| Notes due December 1, 1976 with interest at 8¾ % . . . | 60,000 | 60,000 |
| Miscellaneous debt due to 1994 with average interest at 5% | 63,058 | 66,035 |
| | <u>\$418,336</u> | <u>\$415,080</u> |

The long-term liabilities at July 31, 1972 mature as follows:

| | |
|---|-----------|
| Year ended July 31, 1974 | \$ 62,369 |
| Year ended July 31, 1975 | 50,296 |
| Year ended July 31, 1976 | 12,478 |
| Year ended July 31, 1977 | 117,820 |
| Years subsequent to July 31, 1977 . . . | 175,373 |

The Company has complied with its agreements to maintain specified ratios of assets to debt.

Note C — Future Principal Payments for Leased Facility

The facilities being leased may be acquired by the Company under certain conditions. Annual payments of approximately \$9,000,000 from December 1972 through 1997 will amortize the principal and provide for interest costs.

Note D — Convertible Subordinated Debentures

At July 31, 1972 and 1971 there were outstanding \$27,218,000 and \$27,219,000, respectively, of 3½ % debentures due April 1, 1987 and \$1,495,000 of 5¼ % debentures due December 1, 1974 (includes \$295,000 currently due at July 31, 1972).

The 3½ % debentures are convertible into common stock of the Company at \$42.50 a share until April 1, 1982 and \$45.00 a share thereafter. The sinking fund requirement on these debentures has been satisfied to April 1, 1986.

The 5¼ % debentures are convertible into common stock at \$20.00 a share. The sinking fund provisions on these debentures will require redemptions of \$295,000 on December 1, 1972 and \$600,000 each on December 1, 1973 and 1974.

The debentures are subordinated to all existing debt and future debt of the Company with limited exceptions. The Company has complied with the terms of the debentures.

Note E — Shareholders' Investment The Series A preferred stock receives a \$3 annual dividend. Each share is convertible into two shares of common stock and is redeemable at the option of the Company at \$100.00 per share plus accrued dividends. In the event of liquidation, each Series A preferred share is entitled to receive \$50.00 a share plus accrued dividends.

The Series B preferred stock receives a \$2 annual dividend. At July 31, 1972 each share was convertible into .53701 of a share of common stock. As a result of the 2½ % stock dividend on the common stock payable November 15, 1972, the conversion rate of the Series B stock is .37652 as of September 19, 1972. Each share of Series B preferred stock is redeemable at the option of the Company on or after January 15, 1978 at \$80.00 a share plus accrued dividends and, in the event of liquidation, is entitled to receive \$25.00 a share plus accrued dividends.

Each share of preference stock is currently convertible into 1.2005 shares of common stock. If a cash dividend is paid on common stock, each share of preference stock is entitled to receive a cash dividend in an amount equal to the dividend per common share times the then applicable preference stock conversion rate. Each share of preference stock is redeemable at the option of the Company at any time after January 31, 1976 at prices ranging from \$67.75 in 1976 to \$100.95 in 1989 and thereafter. In the event of liquidation, each preference share is entitled to receive \$25.00 a share plus accrued dividends.

At July 31, 1972 and 1971, common shares of 4,845,916 and 5,644,618, respectively, were reserved for the exchange of all the preferred and preference stocks described above. In addition, 715,172 and 755,218 shares of common stock were reserved at July 31, 1972 and 1971, respectively, for exchange of the convertible debentures described in Note D.

Under certain acquisition agreements capital stock may be issued as additional consideration for businesses acquired. The number of shares to be issued is dependent, among other things, upon future earnings of acquired businesses and future market value of Litton stock. Based upon current estimates, the maximum number of additional shares which could be issued as additional consideration is approximately 161,000 common shares.

In December 1970, the shareholders of the Company approved a Qualified Stock Option Plan under which shares of common stock were made available for sale to key employees under option contracts at prices not less than the market value on the date the option is granted. Options are cumulatively exercisable and expire five years after the date of grant. During the year ended July 31, 1972 options were granted to purchase 19,900 shares at prices ranging from \$14.50 to \$25.80, options for 2,041 shares were exercised at prices ranging from \$14.94 to \$19.81 and options for 21,271 shares were cancelled. At July 31, 1972 options to purchase 161,231 shares at prices ranging from \$14.50 to \$29.21 were outstanding, options to purchase 38,632 shares at prices ranging from \$14.94 to \$29.21 were exercisable and 98,378 shares were available for future option contracts. In addition, under plans assumed by the Company in connection with certain acquisitions, there were outstanding options to purchase 30,571 shares of Series B preferred and 1,134 shares of common stock.

Subsequent to July 31, 1972, the Board of Directors declared a common stock dividend of 2½ % payable November 15, 1972 to holders of record of such common stock at the close of business September 18, 1972. This transaction has not been reflected in the financial statements.

Under the terms of the Company's borrowing agreements, consolidated earnings retained in the business of approximately \$58,983,000 were available for cash dividends at July 31, 1972. Earnings retained in the business are not restricted by the excess of the liquidation preferences (\$120,219,000) of the preference and preferred stocks over their par value.

Note F — Lease Obligations Current annual rentals under long-term leases other than the lease referred to in Note C are approximately \$11,700,000 at July 31, 1972 for leases expiring between 1975 and 2000. In some instances leases also provide for the payment of property taxes and insurance.

Note G — National Taxes on Income The provision for national taxes on income includes current charges to income of \$4,700,000 and \$3,800,000 in 1972 and 1971, respectively, to provide for temporary reductions in income taxes arising from timing differences, principally contract profits and depreciation. The provision also reflects credits to income of \$2,000,000 and \$2,100,000 in 1972 and 1971, respectively, representing amortization of deferred investment tax credits. At July 31, 1972, the balance of deferred investment tax credits is \$7,600,000.

Touche Ross & Co.
3700 Wilshire Boulevard
Los Angeles, California

September 27, 1972

Board of Directors and Shareholders
Litton Industries, Inc.
Beverly Hills, California

We have examined the consolidated balance sheets of Litton Industries, Inc. and subsidiary companies as of July 31, 1972 and 1971, and the related statements of earnings, shareholders' investment and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to successful resolution of the unsettled matters related to the LHA Program and recovery of recorded contract claims described in Financial Comments—Marine Contracts, the aforementioned consolidated financial statements present fairly the financial position of Litton Industries, Inc. and subsidiary companies at July 31, 1972 and 1971, and the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.

Certified Public Accountants

Ten Year Financial Review**Sales and Earnings** (sales and net earnings expressed in thousands of dollars)

| Year Ended July 31 | Sales | Net Earnings | Earnings (Loss) Per Share |
|------------------------|-------------|-----------------|------------------------------|
| 1972 | | | |
| Continuing Operations | \$2,476,623 | \$ 927 | \$ (.15) |
| Discontinued Operation | 81,833 | 191 | .01 |
| 1971 | | | |
| Continuing Operations | 2,341,937 | 48,931 | 1.24 |
| Discontinued Operation | 124,183 | 1,072 | .03 |
| 1970 | | | |
| Continuing Operations | 2,297,145 | 67,371 | 1.76 |
| Discontinued Operation | 107,182 | 1,380 | .04 |
| 1969 | 2,176,598 | 82,258 | 2.22 |
| 1968 | 1,855,007 | 58,456 | 1.61 |
| 1967 | 1,561,510 | 70,070 | 2.26 |
| 1966 | 1,172,233 | 55,614 | 1.91 |
| 1965 | 915,574 | 39,752 | 1.43 |
| 1964 | 686,135 | 29,767 | 1.14 |
| 1963 | 553,146 | 23,296 | .92 |

Other Data (dollar amounts expressed in thousands)

| Year Ended July 31 | Shareholders' Investment | Depreciation Expense | Capital Expenditures | Common Stock Dividends | Number of Employees |
|-----------------------|-----------------------------|-------------------------|-------------------------|---------------------------|------------------------|
| 1972 | \$809,117 | \$71,756 | \$ 81,968 | 2½ % | 113,600 |
| 1971 | 814,032 | 69,665 | 85,032 | 2½ | 115,900 |
| 1970 | 770,079 | 61,058 | 155,072 | 2½ | 118,300 |
| 1969 | 704,308 | 54,662 | 168,996 | 2½ | 116,400 |
| 1968 | 596,516 | 44,927 | 95,751 | 2½ | 106,600 |
| 1967 | 426,987 | 33,778 | 60,480 | 2½ | 95,500 |
| 1966 | 308,879 | 26,577 | 43,978 | 2½ | 75,900 |
| 1965 | 231,998 | 22,998 | 34,220 | 2½ | 65,500 |
| 1964 | 154,750 | 16,780 | 28,954 | 2½ | 46,900 |
| 1963 | 121,968 | 11,467 | 25,950 | 2½ | 43,000 |

Earnings per share are based on outstanding common and preference stock, and are after provision for cash dividends on Series A and B preferred stock.

There were no significant poolings of interests in 1970, 1971 and 1972. The above tabulations summarize the Company's financial statements as contained in its annual reports for each of the years 1963 through 1971 which include the operations of businesses acquired under the pooling of interests concept from the

beginning of the year in which the acquisition occurred, except that the sales and earnings for 1970 and 1971 have been restated to reflect the operation discontinued in 1972. Sales, net earnings, and earnings per share restated for poolings of interests are \$1,930,426, \$60,937 and \$1.61, respectively, for 1968.

Litton Industries, Inc.

Board of Directors

Charles B. Thornton*
Chairman of the Board
Litton Industries, Inc.

Roy L. Ash*
President
Litton Industries, Inc.

Glen McDaniel*
Chairman, Executive Committee
Litton Industries, Inc.

Ransom M. Cook*
Director and Member
Executive Committee
Pacific Gas & Electric Company

M. A. Hollengreen
Chairman, Landis Tool Group
Litton Industries, Inc.

Fred W. O'Green
Executive Vice President
Litton Industries, Inc.

Henry Salvatori*
President
Grant Oil Tool Company

Jayne B. Spain
Vice Chairman
U. S. Civil Service Commission

Vernon Stouffer
Chairman, Food Services Group
Litton Industries, Inc.

Joseph A. Thomas*
Senior Managing Director
Lehman Brothers, Inc.

Norman H. Topping
Chancellor
University of Southern California

*Executive Committee Members

Officers

Charles B. Thornton
Chairman of the Board

Roy L. Ash
President

Glen McDaniel
Chairman, Executive Committee

Joseph S. Imirie
Executive Vice President

Ralph H. O'Brien
Executive Vice President

Fred W. O'Green
Executive Vice President

Joseph T. Casey
Senior Vice President

Orion L. Hoch
Senior Vice President

Arnold R. Kaufman
Senior Vice President

James R. Mellor
Senior Vice President

John H. Rubel
Senior Vice President

Ludwig T. Smith
Senior Vice President

Charles S. Adams
Vice President

Nicholas A. Begovich
Vice President

William M. Berry
Vice President

James M. Biggar
Vice President

Charles S. Bridge
Vice President

Robert I. Bruder
Vice President

G. A. Douglas
Vice President

Alain C. Enthoven
Vice President

John Grado, Jr.
Vice President

Burnell A. Gustafson
Vice President

Robert H. Lentz
Vice President

Ned J. Marandino
Vice President

John H. Martin
Vice President

Justin S. Oppenheim
Vice President

Robert L. Roderick
Vice President

James Sheridan
Vice President

Booth B. Strange
Vice President

Gerd E. Weers
Vice President

Charles H. Black
Treasurer

George W. Fenimore
Secretary

Wayne L. Grosvenor
Controller

Corporate Offices

360 North Crescent Drive
Beverly Hills, California 90210

Transfer Agent

Litton Industries, P. O. Box 5555
Beverly Hills, California 90210

Registrar

Wells Fargo Bank, N. A.
415 West 5th Street
Los Angeles, California 90054

STATE OF SOUTH CAROLINA
COUNTY OF LEXINGTON

EXHIBIT IX
JUNE 19, 1973

TO THE STATE BUDGET AND CONTROL
BOARD OF SOUTH CAROLINA

P E T I T I O N

The Petition of the County Council of Lexington County
(the County Board) respectfully shows:

1. The County Board is the governing body of Lexington County as established by law, and as such is the County Board referred to in Act No. 103 of the South Carolina General Assembly enacted at its 1967 Session, as amended (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, equipment, machinery and other improvements deemed necessary, suitable and useful by any manufacturing or processing enterprise; to lease the same; and to finance the acquisition, construction and equipping 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, equipment and machinery and other improvements.

3. In 1968 the County Board agreed with Litton Business Systems, Inc., a New York corporation (the Lessee), that the County Board would undertake to finance the acquisition, construction and equipping of industrial facilities in Lexington County through the issuance of Industrial Revenue Bonds pursuant to the Act, which facilities will be for the assembly of electronic calculators. The County Board has agreed to issue One Million Three Hundred Twenty Five Thousand Dollars (\$1,325,000) Lexington County First Mortgage Industrial Revenue Bonds, Series 1973 (Litton Business Systems, Inc. - Lessee), pursuant to the Act in order to finance the

acquisition, construction and equipping of the facilities which include a parcel of land containing 14.2 acres in Lexington County, the 60,000 square foot building thereon and the equipment and machinery therein (said facilities being hereinafter referred to herein as the Project).

4. The County Board is advised by the Lessee that the cost of acquiring the said land, the cost of constructing the building thereon, and the cost of acquiring and installing the necessary machinery and equipment amounted to approximately One Million Three Hundred Twenty Five Thousand Dollars (\$1,325,000) and that, therefore, in order to finance the acquisition, construction and equipping of the Project, including the costs and charges incident to the issuance and sale of the bonds hereinafter described, it will be necessary that the County Board issue One Million Three Hundred Twenty Five Thousand Dollars (\$1,325,000) Lexington County First Mortgage Industrial Revenue Bonds, Series 1973 (Litton Business Systems, Inc. - Lessee) (the Bonds).

5. The Project provides for the employment by the Lessee in Lexington County of 570 persons.

6. For the reasons above set forth and hereinafter 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.

(d) The Series 1973 Bonds will be dated June 1, 1973, will mature on June 1, 1998 and will bear interest at a rate to be agreed upon by the Lessee and Lehman Brothers Incorporated, the prospective purchaser of the bonds. It is contemplated that Lehman Brothers Incorporated will sell the proposed bonds, together with a proposed issue of Cherokee County Industrial Revenue Bonds financing another project of the Lessee in conjunction with each other and using a single prospectus.

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

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

(a) The Project consists of the acquisition of a parcel of land in Lexington County, South Carolina, the construction of appropriate buildings thereon and the acquisition and installation of machinery and equipment which constitute facilities for the assembly of electronic calculators.

(b) The Project provides for employment of 570 persons in Lexington County. It is, therefore, believed that the Project has a beneficial effect upon the economy of the County and areas adjacent thereto.

(c) The cost of the entire Project amounts to approximately \$1,325,000, including the cost of acquiring the said land, the construction of the necessary buildings thereon, and the acquisition of the equipment installed and to be installed thereon, and all other expenses to be incurred in connection therewith.

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

(a) To finance the cost of the acquisition, construction and equipping of the Project the County will issue \$1,325,000 Lexington County First Mortgage Industrial Revenue Bonds, Series 1973 (Litton Business Systems, Inc. - Lessee). All Bonds will be secured by a pledge of the rents to be paid by the Lessee and will be further secured by a Trust Indenture, as authorized by Section 5 of the Act.

(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 the costs 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 payments to Lexington County, to any School District in Lexington 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 Lexington 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.

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, equipment and machinery and interests therein, acquired or to be acquired for the Project.

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

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

The Indenture makes provision for the issuance of the One Million Three Hundred Twenty Five Thousand Dollars (\$1,325,000) of Bonds referred to above. 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 will be forwarded to the State Budget and Control Board when they have been prepared) 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 forms, it is not expected that there will be any changes which will substantially affect the undertaking as now outlined therein.

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

That the State Budget and Control Board accept the filing of the Petition presented herewith and that it do, thereafter, and as soon as practicable, make its independent investigation of the Project and the terms and provisions of the Lease and the Trust Indenture, as it deems advisable, and that thereafter, the said

6.

State Board make a finding that the 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 13 of the Act.

May 31, 1973.

(SEAL)

Respectfully submitted,

COUNTY COUNCIL OF LEXINGTON COUNTY

By

J. Clyde Roush
Chairman

Attest:

Annie P. Hendrix
Secretary

RESOLUTION

STATE OF SOUTH CAROLINA BUDGET AND CONTROL BOARD

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

WHEREAS, the proposed undertaking consists of the acquisition by the County Board of a parcel of land containing approximately 14.2 acres, in Lexington County, and the improvements thereon; and the County Board proposes to finance the acquisition, construction and improvement of the said facilities to be used for the assembly of electronic calculators (said tract of land, and the buildings and equipment located thereon constituting the said facilities being hereinafter referred to as the Project) by the issuance of Bonds pursuant to the Act, and to lease the same to Litton Business Systems, Inc., a New York corporation (Lessee); and

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

WHEREAS, in order to finance the Project the County Board proposes to provide for an issue of \$1,325,000 Lexington County First Mortgage Industrial Revenue Bonds pursuant to the Act payable from the rentals derived from the Lessee and additionally secured by a Trust Indenture between Lexington County and a bank to be chosen by Lessee, as Trustee; and

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

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

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

(a) That the statement of facts set forth in the recitals to 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 sum prescribed by Section 6 of the Act.

(c) That the Project provides employment for approximately 570 persons, and will be of benefit to Lexington County and adjoining areas.

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

2. On the basis of the foregoing findings the proposed undertaking of the County Board to acquire the land included in the Project, and to finance the construction of the building thereon and the acquisition of the necessary machinery and equipment, to lease the Project to the Lessee and to finance the cost of acquiring and improving the Project through the issuance of \$1,325,000 Lexington County First Mortgage Industrial Revenue Bonds, payable from the revenues to be derived from the leasing of the Project, and additionally secured by the said Trust Indenture, 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 by the Senate Board in giving approval to the undertaking of Lexington County above described in paragraph 2, supra, shall be published in THE STATE, a newspaper having general circulation in Lexington County.

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

EXHIBIT "A"

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

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

The acquisition by the County Board of a parcel of land in Lexington County, the buildings thereon, and the necessary machinery and equipment (the said tract of land, buildings, equipment and machinery constituting the said facilities being hereinafter referred to as the Project), all of which constitute facilities for the assembly of electronic calculators. To finance the acquisition and improvement of the Project, the County Board will issue \$1,325,000 Lexington County First Mortgage Industrial Revenue Bonds (the Bonds) pursuant to Act No. 103 of the Acts of the South Carolina General Assembly for the year 1967, as amended. The County Board will lease the Project to Litton Business Systems, Inc., a New York corporation (Lessee), under a Lease Agreement and the Bonds of Lexington 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 additionally secured by a Trust Indenture which will constitute a forecloseable lien upon the Project.

In addition, the Lessee has agreed to pay as additional rentals to Lexington County, the School District, and all other political units wherein the Project is located in lieu of taxes such amounts as would result from taxes levied on the Project by Lexington County, the said School District, and the said other political units wherein the Project is 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 Lexington County will lease the Project to the Lessee provides that the Lessee may purchase the Project for One Dollar (\$1.00) upon the payment in full of the bonds.

The Project employs approximately 570 persons.

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

THE STATE BUDGET AND CONTROL BOARD

By: P. C. Smith, Secretary

PUBLICATION DATE:

_____, 1973.

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 Rembert C. Dennis, 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 11 P. M.,
JUNE 19, 1973, 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:

MR. PATTERSON

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

FOR MOTION

4

AGAINST MOTION

0

-2-

The Chairman thereupon declared 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

_____, 1973.

Antitrust

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

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

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

June 4, 1973

T. H. Rawl, Jr., Esq.
204 East Main Street
Lexington, South Carolina

Re: \$1,325,000 Lexington County First
Mortgage Industrial Revenue Bonds,
Series 1973 (Litton Business Systems,
Inc., - Lessee)

Dear Tuck:

Enclosed herewith is the original Petition to
the Budget and Control Board in connection with the above
bonds. Please have this signed and sealed by the Chairman
and Secretary of the Lexington County Council and forward it
to Pat Smith.

Yours very truly,

207M, S

TAH/shk
cc: Ludwig T. Smith, Esq.

*Assembly of
Mortgage Calculators*

E N D