

MINUTES OF
BUDGET AND CONTROL BOARD
MEETING

September 5, 1989

61848

STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF THE EXECUTIVE DIRECTOR

CARROLL A. CAMPBELL, JR., CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

P.O. BOX 12444
COLUMBIA, SOUTH CAROLINA 29211
(803) 734-2320

JAMES M. WADDELL, JR.
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

September 5, 1989

MEMORANDUM

TO: Budget and Control Board Division Directors
FROM: William A. McInnis, Deputy Executive Director *WAM*
SUBJECT: Summary of Board Actions at September 5, 1989, Meeting

This listing of actions is not the minutes of the referenced meeting. It is an unofficial (meaning it has not been approved by the Board) summary of the Board actions taken at that meeting. The minutes of the meeting are presented in a separate, much more detailed document which becomes official when approved by the Board at a subsequent meeting.

1. Adopted the agenda as proposed;
2. Adopted a resolution approving the Spartanburg County proposal to issue \$6,500,000 revenue bonds on behalf of the Siemens Energy & Automation, Inc., project, on the condition that the required reviews are completed with satisfactory results;
3. Approved the following foreign travel involving \$2,000 or more of State-appropriated funds:
 - a. JEDA: Elliott E. Franks, III, to Japan and Korea during the October 2-14, 1989, period at an estimated cost of \$6,500 State funds.
 - b. State Board for Technical and Comprehensive Education:
 - (1) Dr. James R. Morris to Japan and Korea during the September 29 - October 13, 1989, period at an estimated cost of \$7,500 State funds.
 - (2) Wallace F. Starnes and Charles D. Maury to England during the September 14-24, 1989 period at an estimated cost of \$8,365 State funds.

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- c. Development Board:
 - (1) Wayne L. Sterling; Frank S. Newman, Jr.; Victor M. Robertson, Jr.; and Doug McKay to London, Taiwan, Japan and Korea during the September 16 - October 13, 1989, period at an estimated cost of \$8,000 per person (State funds); and
 - (2) Earle E. Morris, Jr.; Richard E. Greer; Deborah R. Bass; Mark Elam; Ginny Wolfe; Hunter Howard; William Sigmon; and April Marchant to Japan and Korea during the September 29 - October 14, 1989, period at an estimated cost of \$6,500 per person (State funds).
- d. State Law Enforcement Division Capt. Joseph A. Holley and Lt. Carl Alston to the Far East during the September 29 - October 10, 1989, period at an estimated cost of \$9,865 per person (State funds).
- e. Highways and Public Transportation Cpl. Michael Gardner to the Far East during the September 29 - October 10, 1989, period at an estimated cost of \$6,950 (State funds);
- 4. Received as information a report that the Ethics Commission, in response to the allegations relating to the fishing trip in which three Board staff members and a local developer were involved, has determined "...that there was not probable cause demonstrated supporting the allegations..." and that the Ethics Commission "...has therefore dismissed the complaint and the matter shall now be stricken from public record...";
- 5. After noting a possible defect in the Ethics Commission law which provides that Ethics Commission conclusions are made public if it finds complaint allegations are supported but are not made public when it dismisses complaints unless all parties to a complaint action agree, agreed that it would be appropriate for the Board to formally request appropriate committees of the House and Senate to review the law relating to what information can be released in publicized Ethics Commission complaint cases; and
- 6. Approved the Wildlife and Marine Resources Department's proposed Settlement Agreement and General Release in Full in the Into case involving the payment of \$37,500 to Mr. Into and his attorney and agreed to encumber \$25,000 from the Civil Contingent Fund to be made available to the Department at the end of the fiscal year if determined then that other funds for this purpose are not available to the Department.

MINUTES OF STATE BUDGET AND CONTROL BOARD MEETING

SEPTEMBER 5, 1989

12 P. M.

The Budget and Control Board met at 12 p.m. on Tuesday, September 5, 1989, in Room 105 of the Gressette Building, with the following members in attendance:

Governor Carroll A. Campbell, Jr., Chairman;
Mr. Grady L. Patterson, Jr., State Treasurer;
Mr. Earle E. Morris, Jr., Comptroller General;
Senator James M. Waddell, Jr., Chairman, Senate Finance Committee;
Representative Robert N. McLellan, Chairman, House Ways & Means Committee.

Also attending were:

Jesse A. Coles, Jr., Ph.D.	Executive Director
William A. McInnis	Secretary
J. Samuel Griswold, Ph.D.	Deputy Executive Director
Alan L. Pollack, Ph.D.	Assistant Executive Director
Charles H. Smith	Assistant Executive Director
Donna K. Williams	Assistant to Board Secretary
Other Board staff	
Joseph D. Shine	Chief Deputy Attorney General
Q. Whitfield Ayres, Ph.D.	Governor's Senior Executive Assistant for Budget and Policy
George M. Lusk	Senior Assistant Comptroller General
J. Michael Ey	Finance Committee Director of Research
Scott R. Inkley, Jr.	Ways & Means Committee Dir. of Research

Adoption of Agenda

Upon a motion by Mr. Morris, seconded by Senator Waddell, the Board adopted the agenda as proposed.

Executive Director: Refunding Revenue Bond Issue (Regular #1)

Deputy Executive Director William A. McInnis appeared before the Board on this matter.

He advised that he has not yet heard formally from the Attorney General's Office on the status of the required review, and asked that the Board grant conditional approval to the resolution.

He advised that an allocation of a portion of the Ceiling is not requested.

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Issuing Authority:	Spartanburg County
Amount of Issue:	\$6,500,000 Industrial Development Revenue Bonds
(REFUNDING)	
Allocation Amount:	-0-
Name of Project:	Siemens Energy & Automation, Inc.
Project Description:	manufacture electrical busway systems, electrical panelboards and switchboards

The Atlanta bond counsel advised that the Siemens firm is most anxious to conclude this financing not later than September 29.

Upon a motion by Mr. Patterson, seconded by Senator Waddell, the Board adopted a resolution approving the Spartanburg County proposal to issue \$6,500,000 revenue bonds on behalf of the Siemens Energy & Automation, Inc., project, on the condition that the required reviews are completed with satisfactory results.

Information relating to this matter has been retained in these files and is identified as Exhibit 1.

Executive Director: Foreign Travel (Regular #2)

Budget and Control Board approval was requested for the following foreign travel involving \$2,000 or more of State-appropriated funds:

- A. Jobs-Economic Development Authority: Elliott E. Franks, III, to Japan and Korea during the October 2-14, 1989, period at an estimated cost of \$6,500 State funds to participate in the Fourteenth Annual Joint Meeting of the Southeast United States - Japan and Japan - United States Southeast Associations and the Fourth Annual Joint Meeting of the Southeast United States - Korea Economic Committee and Korea - United States Economic Council, Incorporated.
- B. State Board for Technical and Comprehensive Education:
 - 1. Dr. James R. Morris to Japan and Korea during the September 29 - October 13, 1989, period at an estimated cost of \$7,500 State funds to participate in the Fourteenth Annual Joint Meeting of the Southeast United States - Japan and Japan - United States Southeast Associations and the Fourth Annual Joint Meeting of the Southeast United States - Korea Economic Committee and Korea - United States Economic Council, Incorporated; and

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Regular Session -- September 5, 1989 -- Page 3

2. Wallace F. Starnes and Charles D. Maury, Economic Development Special Schools engineers, to England during the September 14-24, 1989 period at an estimated cost of \$4,182.50 each to visit Holset Engineering, Ltd., to develop skills training to complete the program for turbo charger manufacturing plant, and to make a presentation on South Carolina Special Schools to the Engineering Technology Training Board at a technical college in Leeds.
- C. Development Board:
1. Wayne L. Sterling; Frank S. Newman, Jr.; Victor M. Robertson, Jr.; and Doug McKay to London, Taiwan, Japan and Korea during the September 16 - October 13, 1989, period at an estimated cost of \$8,000 per person (State funds) to attend the Southeast-US/Japan Association meeting, the Southeast-US/Korea Association meeting, and to make contact with foreign dignitaries and international companies.
 2. Earle E. Morris, Jr.; Richard E. Greer; Deborah R. Bass; Mark Elam; Ginny Wolfe; Hunter Howard; William Sigmon; and April Marchant to Japan and Korea during the September 29 - October 14, 1989, period at an estimated cost of \$6,500 per person (State funds) to participate in the Southeast-US/Japan Association meeting and the Southeast-US/Korea Association meeting.
- D. State Law Enforcement Division: Capt. Joseph A. Holley and Lt. Carl Alston to the Far East during the September 29 - October 10, 1989, period at an estimated cost of \$9,865 per person (State funds) to accompany the Governor and the First Lady on a trade mission.
- E. Highway Department: Cpl. Michael Gardner to the Far East during the September 29 - October 10, 1989, period at an estimated cost of \$6,950 (State funds) to accompany the Governor and the First Lady on a trade mission.

Upon a motion by Mr. Patterson, seconded by Senator Waddell, the Board approved the referenced foreign foreign travel involving \$2,000 or more of State-appropriated funds.

Information relating to this matter has been retained in these files and is identified as Exhibit 2.

61853

Executive Director: Ethics Commission Release of Disposition of
Complaints Filed Against Board Staff (Regular #3)

The Board received as information a report that the Ethics Commission, in response to the allegations relating to the fishing trip in which three Board staff members (State Auditor Edgar A. Vaughn, Jr.; Deputy Executive Director Samuel Griswold; and Assistant Executive Director Charles Smith) and a local developer were involved, has determined "...that there was not probable cause demonstrated supporting the allegations..." and that the Ethics Commission "...has therefore dismissed the complaint and the matter shall now be stricken from public record...".

Governor Campbell said that he feels the Ethics Commission has reached the proper conclusion and that he is delighted with the decision. He added that while this matter was being reviewed was a rough period for the staff involved and he hoped they will now be able to put this behind them forever. He said the Board understood all along that the complaint had no basis.

Mr. Patterson observed that there may be a defect in the law which provides that Ethics Commission conclusions are made public if it finds complaint allegations are supported but are not made public when it dismisses complaints unless all parties to a complaint action agree. He said that is not fair and equitable. Both Mr. Morris and Mr. McLellan concurred with Mr. Patterson's statement.

Mr. McLellan said he will work with Senator Waddell to amend the law.

Governor Campbell thanked Mr. McLellan for his part in working out this matter.

Following further discussion and after noting a possible defect in the Ethics Commission law which provides that Ethics Commission conclusions are made public if it finds complaint allegations are supported but are not made public when it dismisses complaints unless all parties to a complaint action agree, the Board agreed that it would be appropriate for the Board to formally request appropriate committees of the House and Senate to review the law relating to what information can be released in publicized Ethics Commission complaint cases.

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Mr. Morris expressed the view that the three staff members against whom the complaint was lodged are due and entitled to a lot of apologies, but he doubted the three will get any.

Information relating to this matter has been retained in these files and is identified as Exhibit 3.

Executive Session

Dr. Coles advised that the following item had been proposed for consideration during executive session:

Wildlife and Marine Resources: Receipt of Legal Advice (Settlement of Age Discrimination Suit)

Upon a motion by Mr. Patterson, seconded by Mr. McLellan, the Board agreed to consider this item in executive session whereupon Governor Campbell declared the meeting to be in executive session.

Vote on Matters Discussed in Executive Session

Following the executive session, the meeting was opened, and the Board voted on the following item which had been discussed during executive session:

Wildlife & Marine Resources Department: Receipt of Legal Advice
(Settlement of Age Discrimination Suit) (Executive #1)

Upon a motion by Mr. Morris, seconded by Mr. McLellan, the Board approved the Wildlife and Marine Resources Department's proposed Settlement Agreement and General Release in Full in the Into case involving the payment of \$37,500 to Mr. Into and his attorney and agreed to encumber \$25,000 from the Civil Contingent Fund to be made available to the Department at the end of the fiscal year if determined then that other funds for this purpose are not available to the Department.

Adjournment

The meeting was adjourned at 12:45 p.m.

[Secretary's Note: In compliance with Code §30-4-80, public notice of and the agenda for this meeting were posted on bulletin boards in the office of the Governor's Press Secretary and in the Press Room in the State House, near the Board Secretary's office in the Wade Hampton Building, and in the lobby of the Wade Hampton Office Building at 11:30 a.m. on Friday, September 1, 1989.]

C1855

EXHIBIT

SEP 5 1989

NO. 1

STATE BUDGET AND CONTROL BOARD
MEETING OF September 5, 1989

REGULAR SESSION

ITEM NUMBER

1

AGENCY: Executive Director

SUBJECT: Refunding Revenue Bond Issue

The required reviews on the following proposal to issue revenue bonds has not yet been completed. Staff will advise the Board on the results of these reviews at the meeting.

The project requires approval under State law. An allocation of a portion of the Ceiling is not requested.

Issuing Authority:	Spartanburg County
Amount of Issue:	\$6,500,000 Industrial Development Revenue Bonds (REFUNDING)
Allocation Amount:	-0-
Name of Project:	Siemens Energy & Automation, Inc.
Project Description:	manufacture electrical busway systems, electrical panelboards and switchboards

The Atlanta bond counsel advises that the Siemens firm is most anxious to conclude this financing not later than September 29. That accounts for the presence of this item on the agenda.

BOARD ACTION REQUESTED:

Adopt a resolution approving the Spartanburg County proposal to issue \$6,500,000 revenue bonds on behalf of the Siemens Energy & Automation, Inc., project, on the condition that the required reviews are completed with satisfactory results.

ATTACHMENTS:

Resolution

C1856

EXHIBIT

SEP 5 1989 NO. 1

RESOLUTION

STATE BUDGET & CONTROL BOARD

STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

WHEREAS, the County Council of Spartanburg County (the "County Council") has, pursuant to Title 4, Chapter 29, Code of Laws of South Carolina, 1976 (the "Act"), sought the approval of the State Budget and Control Board of South Carolina (the "State Board") of an undertaking by the County Council pursuant to the Act; and

WHEREAS, the proposed undertaking consists of the refinancing of the acquisition, expansion and equipping by Siemens Energy & Automation, Inc., a Delaware corporation formerly known as Siemens-Allis, Inc. (the "Company"), of an existing facility in Spartanburg County, South Carolina (the "County") for the manufacture of electrical busway systems, electrical panelboards and switchboards (the "Project") by refunding the County's Industrial Development Revenue Bonds (Siemens-Allis, Inc. Project), Series 1983 (the "Series 1983 Bonds") in the aggregate principal amount of \$6,500,000; and

WHEREAS, in order to refinance the Project by refunding the Series 1983 Bonds, the County Council proposed to provide for the issuance of \$6,500,000 in principal amount of its Spartanburg County, South Carolina Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989 (the "Bonds"), pursuant to the Act, payable from the payments received from or on behalf of the Company pursuant to a Loan Agreement, dated as of August 1, 1989 (the "Loan Agreement"), between the County and the Company and an Indenture of Trust, dated as of August 1, 1989 (the "Indenture"), between the County and Trust Company Bank, Atlanta, Georgia, as trustee (the "Trustee"); and

WHEREAS, the payments to be received from or on behalf of the Company pursuant to the Loan Agreement will be sufficient to provide for the payment of the principal of and interest on the Bonds; and

WHEREAS, as security for the payment of the Bonds, the County will assign the payment to be received pursuant to the Loan Agreement to the Trustee, pursuant to the Indenture; and

WHEREAS, the Bonds will also be secured by an unconditional direct-pay letter of credit (the "Letter of Credit") to be issued by Trust Company Bank, Atlanta, Georgia, in favor of the Trustee for the benefit of the holders of the Bonds; and

WHEREAS, the form of the Loan Agreement and the Indenture have been considered by this State Board;

C1857

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 Council has filed a proper petition to the State Board establishing a reasonable estimate of the cost of the refinancing of the Project and containing a general summary of the terms and conditions of the Loan Agreement and the Indenture.

(c) That the Project and the refinancing thereof is necessary, suitable and useful to the Company's manufacturing operations in Spartanburg County and therefore will be of benefit to Spartanburg County and adjoining areas.

(d) That the Project and the refinancing thereof 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 Council to finance the cost of the refinancing of the Project through the issuance of \$6,500,000 in principal amount of its Spartanburg County, South Carolina Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989, for the purpose of refunding the hereinabove mentioned Series 1983 Bonds, and payable from the revenues to be received from or on behalf of the Company pursuant to the Loan Agreement and additionally secured by the Letter of Credit and by the Indenture, all pursuant to the Act (including changes in any details of said financing as finally consummated which do not materially affect 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 by Spartanburg County above described shall be published in a newspaper having general circulation in Spartanburg County, said notice to be in form substantially as set forth as EXHIBIT "A" to this Resolution.

4. Approval of this undertaking is granted on the condition that a copy of Internal Revenue Service Form 8038 relating to any Bonds issued pursuant to this approval be filed with the State Board's Secretary at the same time such form is submitted to the Internal Revenue Service.

5. This Resolution shall take effect immediately.

EXHIBIT

01858

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SEP 12 1989

NO. 1

STATE BUDGET & CONTROL BOARD

EXHIBIT "A"

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

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

The refinancing of the acquisition, expansion and equipping by Siemens Energy & Automation, Inc., a Delaware corporation formerly known as Siemens-Allis, Inc. (the "Company"), of an existing facility in Spartanburg, South Carolina (the "County") for the manufacturing of electrical busway systems, electrical panelboards and switchboards (the "Project") by refunding the County's Industrial Development Revenue Bonds (Siemens-Allis, Inc. Project), Series 1983 (the "Series 1983 Bonds"); in order to refinance the Project by refunding the Series 1983 Bonds, the issuance by the County Council of its \$6,500,000 in principal amount Spartanburg County, South Carolina Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project) Series 1989 (the "Bonds"), pursuant to Title 4, Chapter 29, Code of Laws of South Carolina, 1976; the execution and delivery by the County Council of a Loan Agreement, dated as of August 1, 1989, between the County Council and the Company, and an Indenture of Trust, dated as of August 1, 1989, between the County Council and Trust Company Bank, Atlanta, Georgia, as trustee (the "Trustee"), under the terms of which the Company has agreed to make, or cause to be made, payments sufficient to pay when due, all sums required for the principal of and interest on the Bonds.

Drafts of the aforesaid Loan Agreement and Indenture of Trust are on file at the office of the Clerk of the County Council.

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 by action de novo instituted in the Court of Common Pleas for Spartanburg County.

SOUTH CAROLINA STATE BUDGET
AND CONTROL BOARD

By: _____

PUBLICATION DATE:

September __, 1989

EXHIBIT

C1859

SEP 12 1989

NO. 1

Exhibit "A"

STATE BUDGET & CONTROL BOARD

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

TRANSMITTAL FORM, REVENUE BONDS

Date: August 23, 1989

Submitted for BCB Meeting on:
September 5 or 6, 1989

FROM:

King & Spalding

Name of Law Firm

Atlanta, Georgia 30303

City, State, Zip Code

RE: \$6,500,000

Amount of Issue

Spartanburg County, S. C.

Issuing Authority Name

TO: William A. McInnis, Secretary
State Budget and Control Board
600 Wade Hampton Office Building
Columbia, SC 29201
OR P. O. Box 12444, Columbia, SC 29211

2500 Trust Company Tower

Street Address/Box Number

(404) 572-4600

Telephone Area Code and Number

Refunding Industrial Development
Revenue Bonds

Type of Bonds or Notes

September 29, 1989

Projected Issue Date

Project Name: Siemens Energy & Automation, Inc.

Project Description:

See Attached Sheet

Employment as result of project: approximately 350 jobs were maintained, and an additional 50 jobs were added

CEILING ALLOCATION REQUIRED

Yes (\$) x No
Amount

REFUNDING INVOLVED

x Yes (\$6,500,000) No
Amount

PROJECT APPROVED PREVIOUSLY

x Yes (10/25/83) No
Date

DOCUMENTS ENCLOSED:

(ALL required for State law approval; A and C only for ceiling allocation only.)

- A. ☒ Petition (executed original and two copies)
- B. ☒ Resolution or ordinance (executed copy)
- C. ☒ Inducement Resolution or comparable preliminary approval (executed copy)
- D. ☒ Standard Form Investment Letter from bonds purchaser (executed original)
Credit Provider: Trust Company Bank, Atlanta, Georgia
(Purchaser:)

OR Audited financial statements for three most recent years

E. Department of Health and Environmental Control certificate IF REQUIRED

F. ☒ Budget and Control Board Resolution and Public Notice (original)

[Plus 5 copies for certification and return to counsel]

G. Processing fee

Amount \$ 3,000 (to be provided)

Check No.

Payor Siemens Energy & Automation, Inc.

Bond Counsel: William A. Holby, King & Spalding

Typed Name

By:

William A. Holby

Signature

01860

PROJECT DESCRIPTION

Bond proceeds will be used to refund \$6,500,000 Industrial Development Revenue Bonds (Siemens-Allis, Inc. Project), Series 1983, issued by Spartanburg County to finance acquisition and expansion of a facility for the manufacture of electrical busway systems, electrical panel boards and switchboards.

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

61861

EXHIBIT

SEP 5 1989

NO. 1

STATE OF SOUTH CAROLINA)
COUNTY OF RICHLAND)

STATE BUDGET & CONTROL BOARD
Siemens Energy & Automation, Inc.

I, WILLIAM A. McINNIS, SECRETARY to the South Carolina State Budget and Control Board, DO HEREBY CERTIFY:

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

His Excellency, Carroll A. Campbell, Jr., Governor and
Chairman of the Board;

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

The Honorable Earle E. Morris, Jr., Comptroller General;

The Honorable James M. Waddell, Jr., Chairman of the
Senate Finance Committee; and

The Honorable Robert N. McLellan, Chairman of the House
Ways and Means Committee.

That due notice of a meeting of the Board, called to be held in Columbia, South Carolina, at 12:00 noon on Tuesday, September 5, 1989, was given to all members in writing at least four days prior to the meeting and that, in compliance with the Freedom of Information Act, public notice of and the agenda index for this meeting were posted on bulletin boards in the office of the Governor's Press Secretary and in the Press Room in the State House, in the lobby of the Wade Hampton Office Building, and near the Board Secretary's Office on the Sixth Floor of the Wade Hampton Office Building at 11:30 a.m. on Friday, September 1, 1989.

That all members of the Board were present at the meeting.

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

FOR MOTION

5

AGAINST MOTION

0

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

September 12, 1989

William A. McInnis

C1852

RESOLUTION

STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

WHEREAS, the County Council of Spartanburg County (the "County Council") has, pursuant to Title 4, Chapter 29, Code of Laws of South Carolina, 1976 (the "Act"), sought the approval of the State Budget and Control Board of South Carolina (the "State Board") of an undertaking by the County Council pursuant to the Act; and

WHEREAS, the proposed undertaking consists of the refinancing of the acquisition, expansion and equipping by Siemens Energy & Automation, Inc., a Delaware corporation formerly known as Siemens-Allis, Inc. (the "Company"), of an existing facility in Spartanburg County, South Carolina (the "County") for the manufacture of electrical busway systems, electrical panelboards and switchboards (the "Project") by refunding the County's Industrial Development Revenue Bonds (Siemens-Allis, Inc. Project), Series 1983 (the "Series 1983 Bonds") in the aggregate principal amount of \$6,500,000; and

WHEREAS, in order to refinance the Project by refunding the Series 1983 Bonds, the County Council proposed to provide for the issuance of \$6,500,000 in principal amount of its Spartanburg County, South Carolina Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989 (the "Bonds"), pursuant to the Act, payable from the payments received from or on behalf of the Company pursuant to a Loan Agreement, dated as of August 1, 1989 (the "Loan Agreement"), between the County and the Company and an Indenture of Trust, dated as of August 1, 1989 (the "Indenture"), between the County and Trust Company Bank, Atlanta, Georgia, as trustee (the "Trustee"); and

WHEREAS, the payments to be received from or on behalf of the Company pursuant to the Loan Agreement will be sufficient to provide for the payment of the principal of and interest on the Bonds; and

WHEREAS, as security for the payment of the Bonds, the County will assign the payment to be received pursuant to the Loan Agreement to the Trustee, pursuant to the Indenture; and

WHEREAS, the Bonds will also be secured by an unconditional direct-pay letter of credit (the "Letter of Credit") to be issued by Trust Company Bank, Atlanta, Georgia, in favor of the Trustee for the benefit of the holders of the Bonds; and

WHEREAS, the form of the Loan Agreement and the Indenture have been considered by this State Board;

EXHIBIT

C1863

SEP 5 1989

NO. 1

STATE BUDGET & CONTROL 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 Council has filed a proper petition to the State Board establishing a reasonable estimate of the cost of the refinancing of the Project and containing a general summary of the terms and conditions of the Loan Agreement and the Indenture.

(c) That the Project and the refinancing thereof is necessary, suitable and useful to the Company's manufacturing operations in Spartanburg County and therefore will be of benefit to Spartanburg County and adjoining areas.

(d) That the Project and the refinancing thereof 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 Council to finance the cost of the refinancing of the Project through the issuance of \$6,500,000 in principal amount of its Spartanburg County, South Carolina Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989, for the purpose of refunding the hereinabove mentioned Series 1983 Bonds, and payable from the revenues to be received from or on behalf of the Company pursuant to the Loan Agreement and additionally secured by the Letter of Credit and by the Indenture, all pursuant to the Act (including changes in any details of said financing as finally consummated which do not materially affect 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 by Spartanburg County above described shall be published in a newspaper having general circulation in Spartanburg County, said notice to be in form substantially as set forth as EXHIBIT "A" to this Resolution.

4. Approval of this undertaking is granted on the condition that a copy of Internal Revenue Service Form 8038 relating to any Bonds issued pursuant to this approval be filed with the State Board's Secretary at the same time such form is submitted to the Internal Revenue Service.

5. This Resolution shall take effect immediately.

EXHIBIT

01864

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SEP 5 1989

NO. 1

STATE BUDGET & CONTROL BOARD

EXHIBIT "A"

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

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

The refinancing of the acquisition, expansion and equipping by Siemens Energy & Automation, Inc., a Delaware corporation formerly known as Siemens-Allis, Inc. (the "Company"), of an existing facility in Spartanburg County, South Carolina (the "County") for the manufacturing of electrical busway systems, electrical panelboards and switchboards (the "Project") by refunding the County's Industrial Development Revenue Bonds (Siemens-Allis, Inc. Project), Series 1983 (the "Series 1983 Bonds"); in order to refinance the Project by refunding the Series 1983 Bonds, the issuance by the County Council of its \$6,500,000 in principal amount Spartanburg County, South Carolina Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project) Series 1989 (the "Bonds"), pursuant to Title 4, Chapter 29, Code of Laws of South Carolina, 1976; the execution and delivery by the County Council of a Loan Agreement, dated as of August 1, 1989, between the County Council and the Company, and an Indenture of Trust, dated as of August 1, 1989, between the County Council and Trust Company Bank, Atlanta, Georgia, as trustee (the "Trustee"), under the terms of which the Company has agreed to make, or cause to be made, payments sufficient to pay when due, all sums required for the principal of and interest on the Bonds.

Drafts of the aforesaid Loan Agreement and Indenture of Trust are on file at the office of the Clerk of the County Council.

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 by action de novo instituted in the Court of Common Pleas for Spartanburg County.

SOUTH CAROLINA STATE BUDGET
AND CONTROL BOARD

By: _____

PUBLICATION DATE:

September __, 1989

01865

EXHIBIT

SEP 5 1989 NO. 1

Exhibit "A"

STATE BUDGET & CONTROL BOARD

The State of South Carolina



Office of the Attorney General

EXHIBIT

SEP 5 1989

NO. 1

STATE BUDGET & CONTROL BOARD

T. TRAVIS MEDLOCK
ATTORNEY GENERAL

REMBERT C. DENNIS BUILDING
POST OFFICE BOX 11549
COLUMBIA, S.C. 29211
TELEPHONE 803 734 3680
FACSIMILE 803 253 6283

September 5, 1989

Mr. William A. McInnis
Deputy Executive Director
State Budget and Control Board
612 Wade Hampton Office Building
Post Office Box 12444
Columbia, South Carolina 29211

RE: \$6,500,000 Spartanburg County, South Carolina
Refunding Revenue Bonds (Siemens Energy &
Automation, Inc. Project), Series 1989

Dear Mr. McInnis:

Regarding the above-referenced obligation, we have reviewed the Petition and other documents forwarded to us by the State Budget and Control Board. These represent a portion of the documents that have been submitted to the Board for its approval pursuant to Section 4-29-140, et seq., Code of Laws of South Carolina, 1976, as amended. The documents, with two exceptions, appear to comply with the requirements of the referenced Code sections that certain specific information be addressed in these documents.

Section 4-29-140 (b) requires a reasonable estimate of the cost of the project. This information would be found in the findings that the governing body must make pursuant to Section 4-29-60, regarding not only the amount of bonds necessary to finance the project, but the amount necessary each year to pay the principal of and interest on the bonds proposed to be issued to finance the project be stated. This office has been repeatedly advised by various bond counsel that information regarding the amount necessary in each year to pay the principal of and interest on bonds cannot be supplied until the final

01866

Mr. William A. McInnis
September 5, 1989
Page Two

documents are signed. It should be noted, therefore, that this specific information required by the code is not included in the information submitted to this office. There is also no statement obligating the industry to effect the completion of the project, but as these specific bonds are refunding bonds it would not appear that this statement would be applicable and, therefore, would most probably not be required. I recommend you contact bond counsel to confirm that this statement would not be required.

This opinion addresses only the fact that the documents, other than the exceptions noted above, appear to meet the conditions imposed by State law that certain specific matters be included in the documentation. No opinion is expressed as to any other matters, including whether the Petition should be approved as a matter of policy.

Office of the Attorney General

By: 

TGA/bvc

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

C18S7

EXHIBIT

SEP 5 1989 NO. 1

STATE OF SOUTH CAROLINA
STATE BUDGET AND CONTROL BOARD STATE BUDGET & CONTROL BOARD
Standard Form Credit Enhancement Letter

TO: Secretary, State Budget and Control Board
P. O. Box 12444
Columbia, SC 29211

RE: Sale by Spartanburg County, South Carolina (the "Issuer")
Of its \$6,500,000 Refunding Revenue Bonds (the "Bonds")
On behalf of Siemens Energy & Automation, Inc. (the "Company")
To refund \$6,500,000 Industrial Revenue
Bonds, Series 1983 (the "Project")
Credit Enhancement Provided by Trust Company Bank
Atlanta, Georgia (the "Bank")

The Bank has agreed to issue a non-revocable Letter of Credit in favor of a Trustee to be named with respect to the issuance of the bonds on behalf of the Company. In connection with the referenced sale of Bonds by the Issuer, the Bank makes the following representations and certifications:

1. The Bank has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its prospective investment in the Bonds;
2. The Bank is financially able to bear the economic risk of its proposed investment in the Bonds for an indefinite period;
3. The Bank is familiar with the business affairs of the Company and has obtained and examined all financial and other information with respect to the Bonds, the Company and the officers and shareholders of the Company which it deems necessary in order to enable it to evaluate the merits and risks of its investment in the Bonds and to make an informed investment judgment in connection with the credit enhancement with respect to the Bonds;
4. The Bank has had the opportunity to ask questions of, and receive answers from, the Issuer and the Company concerning the terms and conditions of the offering and any other information which it has deemed relevant to the Bonds and its investment in the Bonds; and

SWORN to and subscribed
before me this 16 day
of August, 1989.

Judy J. Roland
Notary Public

My Commission expires
Judy J. Roland
Notary Public, ~~Winnet County~~, Georgia
My Commission Expires January 11, 1991

Bank: Trust Company Bank
Auth. Official: Henry B. Harris III
Title: Vice President
Address: 25 Park Place, 5th Floor
Atlanta, Georgia 30303
BY: Henry B. Harris III
Signature of Authorized Official

DATE: August 16, 1989

C1888

KING & SPALDING

2500 TRUST COMPANY TOWER
ATLANTA, GEORGIA 30303

404/572-4600

TELEX: 54-2917 KINGSPALD ATL
TELECOPIER: 404 572-5100
CABLE: TERMINUS

September 11, 1989

1730 PENNSYLVANIA AVENUE, N. W.
SUITE 1200
WASHINGTON, D. C. 20006
202/737-0500
TELECOPIER: 202 737-5714

SEP 12 1989
10:00 A.M.
H. L. Lipe

VIA FEDERAL EXPRESS

Mr. William A. McInnis
State Budget and Control Board
Office of Executive Director
600 Wade Hampton Office Building
Columbia, South Carolina 29201

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

Re: \$6,500,000 Spartanburg County, South Carolina
Refunding Revenue Bonds (Siemens Energy &
Automation, Inc. Project), Series 1989

Dear Mr. McInnis:

Thank you for your telephone call on Tuesday, September 5, during which you indicated that the State Budget and Control Board has given conditional approval of the issuance of the captioned Bonds. I understand that the only conditions precedent to the release of your approval are as follows:

- (a) You requested that we submit to you a copy of the certification of publication from the Spartanburg Herald Journal as to the publication of the State Board Notice of Approval. A copy of this certification is enclosed.
- (b) I understand that South Carolina law requires that the expected annual principal and interest payments on the Bonds be documented. Based upon information that has been provided to me by Trust Company Bank, who will be privately placing these Bonds based upon a Letter of Credit to be issued by the Bank, the estimated annual interest expense on the Bonds will be \$410,000, based upon the interest rate in effect today. By way of reminder, I would point out that the interest rate on these Bonds will fluctuate on a weekly basis, and that any estimate of annual interest expense is based on historical information and on projections of future short term interest rates. In addition, please note that the full principal amount of the Bonds (\$6,500,000) will mature on the final maturity date, which is November 10, 2003; there is no scheduled principal reduction prior to final maturity.

C1889

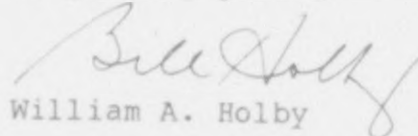
Mr. William A. McInnis
September 11, 1989
Page 2

- (c) I understand that there customarily is included in the financial agreement an obligation on the part of the Company to complete the Project, in the event the Bond proceeds are insufficient for such purpose. This letter serves to confirm that the captioned Bonds will be refunding the bonds originally issued on November 30, 1983, to finance the Project. The Project financed with the proceeds of those prior bonds has been completed and has been in operation for a number of years. Therefore, the obligation of the Company to complete the Project should not be relevant to this transaction.

Please call me should you have any additional questions, comments or concerns with respect to this transaction. Otherwise, I would ask that you forward to me, in the enclosed prepaid Federal Express envelope, the certified Resolutions indicating the approval of the State Budget and Control Board, as soon as possible.

Thank you again for your cooperation on this matter.

Very truly yours,


William A. Holby

WAH:gl
Enclosure
cc: Distribution List (attached)

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

C1870

DISTRIBUTION LIST

Re: \$6,500,000 Spartanburg County, South Carolina
Refunding Revenue Bonds (Siemens Energy
& Automation, Inc. Project), Series 1989

GUARANTOR REPRESENTATIVES

Mr. Krister Willgren
Deputy Treasurer
Siemens Corporation
767 Fifth Avenue
New York, New York 10153

Ms. Ursula Markovich
Siemens Corporation
767 Fifth Avenue
New York, New York 10153

(212) 832-6601

GUARANTOR COUNSEL

Mr. Martin Schwartz
Siemens Corporation
767 Fifth Avenue
New York, New York 10153

(212) 305-9358

COMPANY REPRESENTATIVE

Mr. K. H. Diekroeger
Vice President - Administration
and Treasurer
Siemens Energy & Automation, Inc.
3333 State Bridge Road
Alpharetta, Georgia 30201

COMPANY COUNSEL

Mr. Michael S. Williamson
Assistant General Counsel and
Assistant Secretary
Siemens Energy & Automation, Inc.
3333 State Bridge Road
Alpharetta, Georgia 30201

(404) 751-2000

PLACEMENT AGENT

Mr. Henry B. Harris, III
Vice President
Trust Company Bank
Investment Banking Division
25 Park Place, 5th Floor
Atlanta, Georgia 30303

(404) 588-7554

CREDIT BANK REPRESENTATIVES

Mr. Joseph A. Arnold
Group Vice President
Trust Company Bank
711 Fifth Avenue
5th Floor
New York, New York 10022

(212) 371-9485

Mr. Randall W. Havens
Vice President
Trust Company Bank
711 Fifth Avenue
5th Floor
New York, New York 10022

(212) 371-9455

Mr. Michael E. Sullivan
Vice President & Manager
International Banking Division
Trust Company Bank
25 Park Place, 10th Floor
Atlanta, Georgia 30303

(404) 588-8125

01871

COUNTY ATTORNEY

Roy McBee Smith, Esq.
Spartanburg County Attorney
Suite 410, Montgomery Building
184 North Church Street
Spartanburg, South Carolina 29301

(803) 582-6727

RATING AGENCY

Ms. Margaret Dillon
Moody's Investors Service, Inc.
Corporate Department
Structured Finance Group
99 Church Street, 4th Fl.
New York, New York 10007

(212) 553-7139

(212) 553-4600 Fax

BANK COUNSEL

King & Spalding
2500 Trust Company Tower
Atlanta, Georgia 30303
(404) 572-5100 - Telecopier

William A. Holby, Esq.
(404) 572-4663

Mark W. Bernstein, Esq.
(404) 572-3494

Ms. Constance D. Wright
(404) 572-4682

01872

SPARTANBURG
Herald-Journal

189 West Main St., Spartanburg, S.C. 29301

STATE OF SOUTH CAROLINA
COUNTY OF SPARTANBURG

Personally appeared before me, a notary public in and for the State and
County aforesaid, Bill Cranford, who
having been duly sworn according to law, deposes and says that he is the
Legal Advertising Clerk of The Spartanburg Herald-
Journal, a newspaper published at Spartanburg, South Carolina, and that the
attached advertisement was published in the Spartanburg Herald-Journal one
time a week for one times in the following issues.

September 6, 1989

Bill Cranford

Sworn to and subscribed before me this

7th day of September 89

Linda P. Deaton
Notary Public for South Carolina

MY COMMISSION EXPIRES 3-17-1999

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

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

The refinancing of the acquisition, expansion and equipping by Siemens Energy & Automation, Inc., a Delaware corporation formerly known as Siemens-Allis, Inc. (the "Company"), of an existing facility in Spartanburg County, South Carolina (the "County") for the manufacturing of electrical busway systems, electrical panelboards and switchboards (the "Project") by refunding the County's Industrial Development Revenue Bonds (Siemens-Allis, Inc. Project), Series 1983 (the "Series 1983 Bonds"); in order to refinance the Project by refunding the Series 1984 Bonds, the issuance by the County Council of its \$6,500,000 in principal amount Spartanburg County, South Carolina Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project) Series 1989 (the "Bonds"), pursuant to Title 4, Chapter 29, Code of Laws of South Carolina, 1976; the execution and delivery by the County Council of a Loan Agreement, dated as of August 1, 1989, between the County Council and the Company, and an Indenture of Trust, dated as of August 1, 1989, between the County Council and Trust Company Bank, Atlanta, Georgia, as trustee (the "Trustee"), under the terms of which the Company has agreed to make, or cause to be made, payments sufficient to pay when due, all sums required for the principle of and interest on the Bonds.

Drafts of the aforesaid Loan Agreement and Indenture of Trust are on file at the office of the Clerk of the County Council.

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 by action de novo instituted in the

Court of Common Pleas for Spartanburg County.
South Carolina State Budget
And Control Board
September 6, 1989

(1874)9/6

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

C1873

KING & SPALDING

2500 TRUST COMPANY TOWER

ATLANTA, GEORGIA 30303

404/572-4600

TELEX: 54-2917 KINGSPALD ATL

TELECOPIER: 404 572-5100

CABLE: TERMINUS

AUG 24 1989

10:21 a.m.

Kary Blye

1730 PENNSYLVANIA AVENUE, N. W.

SUITE 1200

WASHINGTON, D. C. 20006

202/737-0500

TELECOPIER: 202 737-5714

August 23, 1989

EXHIBIT

SEP 5 1989

NO. 1

VIA FEDERAL EXPRESS

STATE BUDGET & CONTROL BOARD

Mr. William A. McInnis
State Budget and Control Board
Office of Executive Director
600 Wade Hampton Office Building
Columbia, South Carolina 29201

Re: \$6,500,000 Spartanburg County, South Carolina
Refunding Revenue Bonds (Siemens Energy
& Automation, Inc. Project), Series 1989

Dear Mr. McInnis:

The County Council of Spartanburg County requests the State Budget and Control Board consider the captioned financing at the next available meeting to be conducted by the Board; we understand that this matter presently is scheduled for consideration on Tuesday or Wednesday, September 5 or 6. In that connection, I am enclosing the following documents for your consideration and review:

1. The Transmittal Form required by the State Board in connection with revenue bond financings.
2. A certified copy of the Resolution of the Spartanburg County Council authorizing a Petition to the State Budget and Control Board, attached to which is an executed copy of the Petition of the Spartanburg County Council.
3. A bluebacked original, together with five additional copies, of the Resolution of the State Budget and Control Board.
4. A photocopy of the Inducement Resolution adopted in connection with the initial approval of bond financings for this Project.
5. An executed and notarized Credit Enhancement Letter of Trust Company Bank, Atlanta, Georgia.

01874

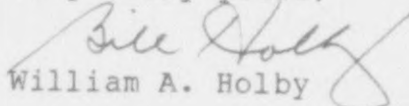
Mr. William A. McInnis
August 23, 1989
Page 2

You should have received, or soon will receive, a check in the amount of \$3,000, from Siemens Energy & Automation, Inc., in payment of your administrative fee.

We would like to receive five certified copies of the Resolution of the State Budget and Control Board when all action has been completed on this matter.

If there is anything else that we can provide in connection with this matter, please call the undersigned.

Very truly yours,


William A. Holby

WAH:gl
Enclosures
cc: Distribution List (attached)

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

01875

DISTRIBUTION LIST

Re: \$6,500,000 Spartanburg County, South Carolina
Refunding Revenue Bonds (Siemens Energy
& Automation, Inc. Project), Series 1989

GUARANTOR REPRESENTATIVES

Mr. Krister Willgren
Deputy Treasurer
Siemens Corporation
767 Fifth Avenue
New York, New York 10153

Ms. Ursula Markovich
Siemens Corporation
767 Fifth Avenue
New York, New York 10153

(212) 832-6601

GUARANTOR COUNSEL

Mr. Martin Schwartz
Siemens Corporation
767 Fifth Avenue
New York, New York 10153

(212) 305-9358

COMPANY REPRESENTATIVE

Mr. K. H. Diekroeger
Vice President - Administration
and Treasurer
Siemens Energy & Automation, Inc.
3333 State Bridge Road
Alpharetta, Georgia 30201

COMPANY COUNSEL

Mr. Michael S. Williamson
Assistant General Counsel and
Assistant Secretary
Siemens Energy & Automation, Inc.
3333 State Bridge Road
Alpharetta, Georgia 30201

(404) 751-2000

PLACEMENT AGENT

Mr. Henry B. Harris, III
Vice President
Trust Company Bank
Investment Banking Division
25 Park Place, 5th Floor
Atlanta, Georgia 30303

(404) 588-7554

CREDIT BANK REPRESENTATIVES

Mr. Joseph A. Arnold
Group Vice President
Trust Company Bank
711 Fifth Avenue
5th Floor
New York, New York 10022

(212) 371-9485

Mr. Randall W. Havens
Vice President
Trust Company Bank
711 Fifth Avenue
5th Floor
New York, New York 10022

(212) 371-9455

61876

COUNTY ATTORNEY

Roy McBee Smith, Esq.
Spartanburg County Attorney
Suite 410, Montgomery Building
184 North Church Street
Spartanburg, South Carolina 29301

(803) 582-6727

RATING AGENCY

Ms. Margaret Dillon
Moody's Investors Service, Inc.
Corporate Department
Structured Finance Group
99 Church Street, 4th Fl.
New York, New York 10007

(212) 553-7139

(212) 553-4600 Fax

BANK COUNSEL

King & Spalding
2500 Trust Company Tower
Atlanta, Georgia 30303
(404) 572-5100 - Telecopier

William A. Holby, Esq.
(404) 572-4663

Mark W. Bernstein, Esq.
(404) 572-3494

Ms. Constance D. Wright
(404) 572-4682

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

C1877

AUG 22 1989

SIEMENS

K. H. DIEKROEGER
Vice President Administration
& Treasurer

August 21, 1989

Mr. William A. McInnis
Executive Director
State Budget and Control Board
600 Wade Hampton Office Building
Columbia, SC 29201

RE: \$6,500,000 SPARTANBURG COUNTY, SOUTH CAROLINA
REFUNDING REVENUE BONDS
(SIEMENS ENERGY & AUTOMATION, INC. PROJECT),
SERIES 1989

Dear Mr. McInnis:

Per instructions provided to William A. Holby of King & Spalding by your office, I am enclosing a check in the amount of \$3,000 for the administrative fee in connection with the above subject financing.

We appreciate your assistance in this matter.

Sincerely,



KHD:rmf

Enclosure

CK #006546

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

FAXED
8/18/99 DW

TRANSMITTAL FORM, REVENUE BONDS

Date: _____
Submitted for ECB Meeting on: _____

TO: William A. McInnis, Secretary
State Budget and Control Board
600 Wade Hampton Office Building
Columbia, SC 29201
OR P. O. Box 12444, Columbia, SC 29211

FROM:

Name of Law Firm

Street Address/Box Number

City, State, Zip Code

Telephone Area Code and Number

RE: _____
Amount of Issue

Type of Bonds or Notes

Issuing Authority Name

Projected Issue Date

Project Name: _____
Project Description: _____

Employment as result of project: _____

CEILING ALLOCATION REQUIRED

Yes (\$ _____) No _____
Amount

REFUNDING INVOLVED

Yes (\$ _____) No _____
Amount

PROJECT APPROVED PREVIOUSLY

Yes (_____) No _____
Date

DOCUMENTS ENCLOSED:

(ALL required for State law approval; A and C only for ceiling allocation only.)

- A. _____ Petition (executed original and two copies)
B. _____ Resolution or ordinance (executed copy)
C. _____ Inducement Resolution or comparable preliminary approval (executed copy)
D. _____ Standard Form Investment Letter from bonds purchaser (executed original)
(Purchaser: _____)

OR _____ Audited financial statements for three most recent years

- E. _____ Department of Health and Environmental Control certificate IF REQUIRED
F. _____ Budget and Control Board Resolution and Public Notice (original)
[Plus _____ copies for certification and return to counsel]
G. _____ Processing fee

Amount \$ _____ Check No. _____
Payor _____

Bond Counsel: _____
Typed Name

By: _____
Signature

01879

KING & SPALDING

2500 TRUST COMPANY TOWER

ATLANTA, GEORGIA 30303

404/572-4600

TELEX: 54-2917 KINGSPALD ATL

TELECOPIER: 404 572-5100

CABLE: TERMINUS

1730 PENNSYLVANIA AVENUE, N. W.

SUITE 1200

WASHINGTON, D. C. 20006

202/737-0500

TELECOPIER: 202 737-5714

AUG 17 1989

9:15 A.M.

K. L. Lyle

August 16, 1989

EXHIBIT

BY FEDERAL EXPRESS

SEP 5 1989 NO. 1

Mr. William A. McInnis
State Budget and Control Board
Office of Executive Director
600 Wade Hampton Office Building
Columbia, South Carolina 29201

STATE BUDGET & CONTROL BOARD

Re: \$6,500,000 Spartanburg County, South Carolina
Refunding Revenue Bonds (Siemens Energy &
Automation, Inc. Project), Series 1989

Dear Mr. McInnis:

This law firm is serving as Bond Counsel with respect to the issuance of the captioned Bonds. You and I recently discussed this financing by telephone, during which time I indicated to you that the Company is most anxious to conclude the financing not later than September 29, 1989.

We understand that the Spartanburg County Council will be able to accommodate this schedule by meeting on Wednesday, August 23, for the purpose of adopting a Resolution authorizing the submission of the Petition to the State Board and conducting the first reading of the Bond Ordinance. The second and third readings of the Bond Ordinance would then be conducted on September 13 and 27.

However, with respect to the State Budget and Control Board, it is my understanding that a meeting was conducted on August 17, 1989, and that the next regular business meeting is scheduled for September 12, 1989. In view of the 20-day "appeal period," approval at this September 12 meeting would not enable us to conclude the financing on September 29.

During our telephone conversation, you indicated to me that the State Board is presently scheduled to conduct hearings on September 5, 6, 7, 8 and 11, and that it might be possible to include consideration of the captioned matter at one of such hearings. This letter serves as our formal request that you consider accommodating us in this fashion. I understand that the initial hearing on September 5 may not be the best time; however,

C1880

Mr. William A. McInnis
August 16, 1989
Page 2

if we could be included on the schedule for consideration on Wednesday, September 6, I believe that we may be able to arrange for the publication of the notice of the State Board's action on Friday or Saturday, September 8 or 9, thus permitting the lapse of the 20-day appeal period. We would appreciate your letting us know as soon as possible whether this request can be granted.

In connection with this transaction, I am enclosing the following documents for your consideration and review:

- (1) A form of the Resolution of the Spartanburg County Council authorizing a Petition to the State Budget and Control Board, attached to which is a form of such Petition.
- (2) A form of the Resolution proposed to be adopted by the State Budget and Control Board approving this transaction, attached to which is a form of the proposed Notice.
- (3) A form of the Bond Ordinance to be considered by the Spartanburg County Council at its meetings scheduled for August 23, September 13 and September 27.
- (4) Drafts of the Indenture of Trust, Loan Agreement, Limited Offering Memorandum, Letter of Credit Agreement (with attached forms of the Letter of Credit and the Pledge and Security Agreement), Remarketing Agreement, Tender Agent Agreement and Placement Contract proposed for use in connection with the issuance of the Bonds, in substantially final form.
- (5) An executed "Credit Enhancement Letter" of Trust Company Bank, Atlanta, Georgia, as provider of a Letter of Credit securing the captioned Bonds.

Subject to your review and comments on these documents, we will plan to forward to you, subsequent to the meeting of the Spartanburg County Council on August 23, a certified copy of the Resolution of the Spartanburg County Council authorizing the Petition, together with an executed copy of the Petition; current drafts of the foregoing financing documents; final forms of the Resolution proposed to be adopted by the State Budget and Control Board; and a check in the amount of \$6,000, which I understand is the administrative fee charged by the State Budget and Control Board in this connection.

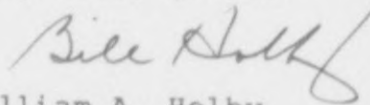
Please call me at your earliest convenience with any questions, comments or input you may have with respect to any of

01831

Mr. William A. McInnis
August 16, 1989
Page 3

the foregoing matters. Once again, we appreciate your accommodating us so that we may conclude this transaction on September 29.

Very truly yours,



William A. Holby

WAH/bk
Enclosures
cc: Distribution List (attached)

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

C1882

DISTRIBUTION LIST

Re: \$6,500,000 Spartanburg County, South Carolina
Refunding Revenue Bonds (Siemens Energy
& Automation, Inc. Project), Series 1989

GUARANTOR REPRESENTATIVES

Krister Willgren
Deputy Treasurer
Siemens Corporation
767 Fifth Avenue
New York, New York 10153

Ursula Markovich
Siemens Corporation
767 Fifth Avenue
New York, New York 10153

(212) 832-6601

GUARANTOR COUNSEL

Martin Schwartz
Siemens Corporation
767 Fifth Avenue
New York, New York 10153

(212) 305-9358

COMPANY REPRESENTATIVE

K. H. DieKroeger
Vice President - Administration
and Treasurer
Siemens Energy & Automation, Inc.
3333 State Bridge Road
Alpharetta, Georgia 30201

COMPANY COUNSEL

Michael S. Williamson
Assistant General Counsel and
Assistant Secretary
Siemens Energy & Automation, Inc.
3333 State Bridge Road
Alpharetta, Georgia 30201

(404) 751-2000

PLACEMENT AGENT

Henry B. Harris, III
Vice President
Trust Company Bank
Investment Banking Division
25 Park Place, 5th Floor
Atlanta, Georgia 30303

(404) 588-7554

CREDIT BANK REPRESENTATIVES

Joseph A. Arnold
Group Vice President
Trust Company Bank
711 Fifth Avenue
5th Floor
New York, New York 10022

(212) 371-9485

Randall W. Havens
Vice President
Trust Company Bank
711 Fifth Avenue
5th Floor
New York, New York 10022

(212) 371-9455

C1883

COUNTY ATTORNEY

Roy McBee Smith
Spartanburg County Attorney
Suite 410, Montgomery Building
184 North Church Street
Spartanburg, South Carolina 29301

(803) 582-6727

RATING AGENCY

Margaret Dillon
Moody's Investors Service, Inc.
Corporate Department
Structured Finance group
99 Church Street, 4th Fl.
New York, New York 10007

(212) 553-7139

(212) 553-4600 Fax

BANK COUNSEL

King & Spalding
2500 Trust Company Tower
Atlanta, Georgia 30303
(404) 572-5100 - Telecopier

William A. Holby
(404) 572-4663

Mark W. Bernstein
(404) 572-3494

Constance D. Wright
(404) 572-4682

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

C1884

EXHIBIT

SEP 5 1989

NO. 1

A RESOLUTION

STATE BUDGET & CONTROL BOARD

APPROVING THE REFUNDING FOR THE BENEFIT OF SIEMENS ENERGY & AUTOMATION, INC. OF SPARTANBURG COUNTY INDUSTRIAL DEVELOPMENT REVENUE BONDS (SIEMENS-ALLIS, INC. PROJECT), SERIES 1983, IN THE AGGREGATE PRINCIPAL AMOUNT OF \$6,500,000 THROUGH THE ISSUANCE OF SPARTANBURG COUNTY REFUNDING REVENUE BONDS (SIEMENS ENERGY & AUTOMATION, INC. PROJECT), SERIES 1989; AUTHORIZING A PETITION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA FOR ITS APPROVAL OF SUCH UNDERTAKING PURSUANT TO TITLE 4, CHAPTER 29, CODE OF LAWS OF SOUTH CAROLINA, 1976; AND OTHER MATTERS RELATING THERETO.

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

ARTICLE I.

FINDINGS OF FACT

Section 1.1. As an incident to the adoption of this Resolution, the County Council of Spartanburg County, as governing body of the County (the "County Council"), has made the following findings:

1. Siemens Energy & Automation, Inc., a corporation organized and existing under the laws of the State of Delaware and formerly known as Siemens-Allis, Inc. (the "Company"), has proposed that the County Council assist in refunding the Spartanburg County Industrial Development Revenue Bonds (Siemens-Allis, Inc. Project), Series 1983 (the "Series 1983 Bonds"), the proceeds of which were used to finance the acquisition, expansion and equipping by the Company of an existing facility in Spartanburg County, South Carolina (the "County") for the manufacture of electrical busway systems, electrical panelboards and switchboards consisting of certain buildings, machinery, equipment and related real and personal property (the "Project"), through the issuance of its Refunding Revenue Bonds pursuant to the authorization of Title 4, Chapter 29, Code of Laws of South Carolina, 1976 (the "Act"). The Company has advised the County Council that the continued use and operation of the Project would be aided by the assistance which the County might render through the sale of not in excess of \$6,500,000 of its Refunding Revenue Bonds pursuant to the Act. The County Council has previously agreed to finance the acquisition, construction and installation of the Project, and now has agreed to refinance the Project, and adopts this Resolution to evidence its approval of the issuance of not in

C1885

excess of \$6,500,000 of its Spartanburg County, South Carolina Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989 (the "Bonds"), as aforesaid, and to authorize a petition (the "Petition") to the State Budget and Control Board (the "State Board"), setting forth the facts required by the Act.

2. The County Council has determined that the refunding of the Series 1983 Bonds will subserve the purposes of the Act, and that neither the Project nor the Bonds has given nor will give rise to any pecuniary liability of Spartanburg County or a charge against its general credit or taxing power.

3. The amount necessary to refund the Series 1983 Bonds is \$6,500,000.

4. The Company has submitted to the County Council a draft of the proposed Indenture of Trust and Loan Agreement (together with certain related financing documents) under which the Company will agree to make, or cause to be made, payments equal to the amount necessary to provide for the payments of principal of and interest on the Bonds.

5. The principal of the Bonds shall be payable on November 10, 2003. Interest on the Bonds shall be payable in accordance with the provisions of Article II of the proposed Indenture of Trust. The proposed Loan Agreement obligates the Company unconditionally to pay, or to cause to be paid, the amount necessary to provide for the payments of principal and interest to become due on the Bonds and to pay all costs of insuring the Project and maintaining the Project in good repair and to pay all other costs in connection with the Project. As additional security for the repayment of the Bonds, Trust Company Bank, Atlanta, Georgia (the "Bank") will issue its irrevocable direct-pay letter of credit in favor of the Trustee for the benefit of the holders of the Bonds.

6. In view of the well-established credit of the Company and the Bank and the successful arrangements to effect a sale of the Bonds without the establishment of reserve funds for the payment of the principal of and interest on the Bonds, no such reserve funds will be established.

7. The Bonds will be issued as tax-exempt bonds pursuant to the provisions of Section 144(a)(4) of the Internal Revenue Code of 1986, as amended.

8. The Company has arranged for the private placement of the Bonds through a limited offering by Trust Company Bank, Atlanta, Georgia, as Placement Agent.

C1886

ARTICLE II.

SUBMISSION OF PETITION

Section 2.1. The Petition, in form substantially as attached hereto as Exhibit "A", shall be presented to the State Board to seek the approval required by the Act; the Petition shall be duly executed by the County Administrator and Clerk of the County Council.

ARTICLE III.

EXECUTION OF DOCUMENTS

Section 3.1. The County Administrator is hereby authorized to execute such agreements, instruments, ordinances, resolutions and other documents as shall be required in connection with the issuance of the Bonds. When necessary, the signature of the said County Administrator shall be attested by the Clerk of the County Council.

This 23rd day of August, 1989.

R. L. Westmoreland
County Administrator,
Spartanburg County

Attest:

C. B. G.
Clerk, County Council of
Spartanburg County

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

01887

EXHIBIT "A"

EXHIBIT

STATE OF SOUTH CAROLINA

SEP 5 1989 NO. 1

COUNTY OF SPARTANBURG

STATE BUDGET & CONTROL BOARD

TO THE STATE BUDGET
AND CONTROL BOARD
OF SOUTH CAROLINA

PETITION

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

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

2. The Act authorizes and empowers the County Council, if it shall comply with the provisions set forth in the Act, to refund industrial development revenue bonds previously issued to finance the acquisition, construction and installation of facilities for the manufacturing, processing or assembling of any agricultural or manufactured products, through the issuance of refunding revenue bonds payable from and secured by a pledge of the revenues to be derived pursuant to the financing agreement entered into between the County and the user of the project which the bonds are issued to refinance.

3. The County Council has agreed with Siemens Energy & Automation, Inc., a Delaware corporation formerly known as Siemens-Allis, Inc. (the "Company") that the County Council will undertake to refund the \$6,500,000 in aggregate principal amount Spartanburg County Industrial Development Revenue Bonds (Siemens-Allis, Inc. Project), Series 1983 (the "Series 1983 Bonds"), the proceeds of which were used to finance the acquisition, expansion and equipping of an existing manufacturing facility in Spartanburg County (the "Project") through the issuance of its Refunding Revenue Bonds pursuant to the Act.

4. The County Council is advised by the Company that the amount needed to refund the Series 1983 Bonds is \$6,500,000 and that, therefore, in order to refinance the Project and refund the Series 1983 Bonds, it will be necessary that the County Council issue \$6,500,000 of its Spartanburg, South Carolina Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989 (the "Bonds").

01888

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

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

(b) By reason of undertaking the refinancing of the Project through the refunding of the Series 1983 Bonds, no pecuniary liability will result to the County and there will be no charge against its general credit or taxing power.

(c) The principal of the Bonds shall be payable on November 10, 2003. Interest on the Bonds shall be payable in accordance with the provisions of Article II of the proposed Indenture of Trust. The proposed Loan Agreement by and between the County and the Company will unconditionally obligate the Company to make, or to cause to be made, payments in an amount adequate to provide for the payment of the principal of and the interest on the Bonds. The proposed Letter of Credit to be issued by Trust Company Bank, Atlanta, Georgia, provides further security for the payment obligations.

(d) The Bonds will be dated, will bear interest and will mature in the amounts and at the times substantially as set forth in Articles II, III and IV of the draft of the Indenture of Trust attached hereto.

(e) The terms of the Loan Agreement will require the Company to carry proper insurance and to pay all costs of maintaining the Project in good repair and to pay all other costs in connection with the Project.

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

(a) The Project to be refinanced consisted of the acquisition, expansion and equipping of an existing facility located in Spartanburg County, for the manufacturing of electrical busway systems, electrical panelboards and switchboards.

(b) The Company has indicated that the Project was and is necessary, suitable and useful to the Company's manufacturing operations in Spartanburg County. In addition, the Company has indicated that the refinancing of the Project through the refunding of the Series 1983 Bonds will reduce interest costs to the Company and will otherwise benefit the business of the Company in Spartanburg County. It is, therefore, believed that the Project and the refinancing thereof will have a beneficial effect upon the economy of the County and areas adjacent thereto.

(c) The cost of refinancing the Project by refunding the Series s 1983 Bon will amount to \$6,500,000.

61889

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

(a) To finance the cost of the refinancing of the Project by refunding the Series 1983 Bonds, the County will issue \$6,500,000 of its Spartanburg County, South Carolina Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989. The Bonds will be secured by a pledge of the payments to be paid by or on behalf of the Company pursuant to the Loan Agreement, which payments, together with a security interest in the Loan Agreement, will be assigned to Trust Company Bank, Atlanta, Georgia, as Trustee, pursuant to the Indenture of Trust, a draft of which is presented herewith. As further security for the Bonds, Trust Company Bank, Atlanta, Georgia, will issue its irrevocable direct-pay letter of credit in favor of the Trustee for the benefit of the holders of the Bonds.

(b) The Loan Agreement and the Indenture of Trust provide for the payment and redemption of the Bonds, the establishment of a Bond Fund and the appointment of Trust Company Bank as Trustee. It imposes upon the Company the obligation to pay, in addition to the moneys required for the payment of the principal of and the interest on the Bonds, all other costs and expenses resulting from the execution and delivery of the Loan Agreement and the Indenture of Trust and the issuance of the Bonds.

(c) The proceeds derived from the sale of the Bonds will be paid immediately to The First National Bank of Atlanta, Atlanta, Georgia, as sole holder of the Series 1983 Bonds and will be promptly applied, together with certain additional moneys to be provided by the Company, to the payment in full of the Series 1983 Bonds.

(d) The Loan Agreement and the Indenture of Trust contain no provision imposing any pecuniary liability upon the County or any liability which would create a charge upon its general credit or taxing power.

9. The proposed Loan Agreement and Indenture of Trust (draft copies of each of which are attached hereto) will be substantially in the form traditionally used in the issuance of industrial revenue bonds. While changes may be made in the enclosed forms, it is not expected that there will be any changes which will substantially affect the undertaking as now outlined therein.

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

EXHIBIT

01890

SEP 5 1989

NO. 1

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 refunding program associated with the refinancing of the Project and the terms and provisions of the Loan Agreement and the Indenture of Trust, as it deems advisable, if it finds that the proposed refinancing of the Project through the refunding of the Series 1983 Bonds will promote the purposes of the Act and that it is reasonably anticipated to affect such result, that it approve the refinancing of the Project through the refunding of the Series 1983 Bonds, including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking, and give published notice of its approval in the manner set forth in the Act.

August 23, 1989

Respectfully submitted,

COUNTY COUNCIL OF
SPARTANBURG COUNTY

By: P. L. Westmoreland
County Administrator

Attest:

C. P. Pinner
Clerk of County Council

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

C1891

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

I, the undersigned, Clerk of the County Council of Spartanburg County do hereby certify that the foregoing is a true, correct and verbatim copy of a Resolution duly adopted by the County Council of Spartanburg County at the meeting of said County Council on August 23, 1989.

Witness my hand this 23 day of August, 1989.

C. P. P.
Clerk, County Council of
Spartanburg County

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

01892

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD 10

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF AN ASSISTANCE AGREEMENT BY AND BETWEEN SPARTANBURG COUNTY, SOUTH CAROLINA AND SIEMENS CAPITAL CORPORATION, WHEREBY, UNDER CERTAIN CONDITIONS, SPARTANBURG COUNTY WILL ISSUE NOT EXCEEDING SEVEN MILLION DOLLARS (\$7,000,000) INDUSTRIAL DEVELOPMENT REVENUE BONDS OR NOTES.

WHEREAS, Spartanburg County, South Carolina (the "County") acting by and through its County Council (the "County Council"), is authorized and empowered under and pursuant to the provisions of Title 4, Chapter 29, Code of Laws of South Carolina, 1976, as amended, (the "Act"), to acquire, or cause to be acquired, and, in connection with such acquisition, to expand, properties (which such properties constitute "projects" as defined in the Act) and to enter into agreements with any industry to construct, operate, maintain and improve such projects; to enter into financing agreements with respect to such projects; to issue revenue bonds to defray the costs of such projects; and to accept any grants for such projects through which powers the industrial development of the State of South Carolina will be promoted and trade developed by inducing manufacturing and commercial enterprises to locate and remain in the State of South Carolina and thus utilize and employ the manpower, agricultural products and natural resources of the State; and

WHEREAS, the County is authorized by the Act to issue revenue bonds, as defined in the Act to include notes, payable solely out of the revenues derived from a financing agreement with respect to such project and may further be secured by a pledge of said revenues, a trust indenture or indenture covering all or any part of such project, and a pledge of any financing agreement with respect to such project; and

WHEREAS, Siemens Capital Corporation, a Delaware corporation (the "Corporation"), has requested the County to issue not exceeding \$7,000,000 of its Industrial Development Revenue Bonds or Notes (Siemens Capital Corporation Project) pursuant to the Act for the purpose of defraying the cost of acquiring and expanding certain land, a building or buildings or other improvements thereon, and all machinery, apparatus, equipment, office facilities and furnishings to be installed therein for the purpose of manufacturing electrical busway systems, electrical panelboards and switchboards, constituting an industrial facility (the "Project"), all as more fully set forth in the Assistance Agreement attached hereto; and

C1893

WHEREAS, the County has determined on the basis of the information supplied to it by the Corporation that the Project would be a "project" as that term is defined in the Act and that the Project would subserve the purposes of the Act.

NOW, THEREFORE, BE IT RESOLVED, by the County Council as follows:

Section 1. Pursuant to the authority of the Act and subject to the approval by the State Budget and Control Board, and for the purpose of defraying a portion of the cost (as defined in the Act) of acquiring and expanding the Project there is hereby authorized to be issued revenue bonds or notes of the County in the principal amount of not exceeding Seven Million Dollars (\$7,000,000) to be designated "Spartanburg County, South Carolina, Industrial Development Revenue Bonds or Notes (Siemens Capital Corporation Project)" (the "Bonds").

Section 2. The provisions, terms and conditions of the financing agreement by and between the County and the Corporation, the provisions, terms and conditions of the trust indenture or indenture by and between the County and the Trustee or Bondholder, yet to be named, and the form, details, rate or rates of interest, maturity and redemption provisions, if any, of the Bonds shall be prescribed by subsequent resolution or ordinance of the County Council.

Section 3. The County Administrator of the County Council is hereby authorized and directed to execute the Assistance Agreement attached hereto in the name and on behalf of the County, and the Clerk of the County Council is hereby authorized and directed to affix thereto the seal of the County and to attest the same; and the County Administrator of the County Council is hereby further authorized and directed to deliver said executed Assistance Agreement to the Corporation.

Section 4. Prior to the issuance of any Bonds, the County Council will comply with the provisions of the Home Rule Act regarding the procedural requirements for adopting ordinances and resolutions.

Section 5. All orders, resolutions, ordinances and parts thereof in conflict herewith are to the extent of such conflict hereby repealed. This resolution shall take effect and be in full force from and after its passage by the County Council.

Section 6. It is the intention of the County Council that this resolution shall constitute an official

C1894

action on the part of the County within the meaning of the applicable regulations of the United States Treasury Department relating to the issuance of industrial revenue bonds.

Done in meeting duly assembled this 26th day of January, 1983.

SPARTANBURG COUNTY, SOUTH
CAROLINA

By: K. L. Westmoreland
K. L. Westmoreland, County
Administrator, County
Council of Spartanburg
County, South Carolina

(SEAL)

ATTEST:

By: C. P. Parris
C. P. Parris, Clerk
County Council of Spartanburg
County, South Carolina

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

01895

EXHIBIT

SEP 5 1989 NO. 1

ASSISTANCE AGREEMENT

STATE BUDGET & CONTROL BOARD

THIS AGREEMENT made and entered into by and between Spartanburg County, South Carolina, a body politic and corporate and a political subdivision of the State of South Carolina (the "County"), and Siemens Capital Corporation, a Delaware corporation (the "Corporation").

W I T N E S S E T H:

ARTICLE I

RECITATION OF FACTS

As a means of setting forth the matters of mutual inducement which have resulted in the making and entering into of this Agreement, the following statements of fact are herewith recited:

Section 1.01. 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 Title 4, Chapter 29, Code of Laws of South Carolina, 1976, as amended, (the "Act"), to acquire, or cause to be acquired, and to enlarge, improve, expand, equip, furnish, own, lease and dispose of properties through which the industrial development of the State will be promoted and trade developed by inducing new industries to locate in South Carolina and by encouraging industries now located in South Carolina to expand their investments and thus utilize and employ manpower and other resources of South Carolina.

Section 1.02. The Corporation desires to acquire and expand certain land located within the jurisdiction of the County, and a building or buildings and other improvements thereon and all machinery, apparatus, equipment, office facilities and furnishings to be used as an industrial facility for the purpose of manufacturing electrical busway systems, electrical panelboards and switchboards (the "Project"). Acquisition of the Project by the Corporation will maintain the employment of approximately 350 people whose jobs would be terminated but for the acquisition. When completed and in operation the expansion of the Project will provide additional permanent employment in the County for approximately 50 people.

Section 1.03. The Corporation has requested the County to assist it with its contemplated program through the sale of Industrial Development Revenue Bonds (or Notes) pursuant to the Act, whereby the County would defray a portion of the cost of the Project.

01896

Section 1.04. The County has given due consideration to all the proposals and requests of the Corporation and has agreed to endeavor to effect the issuance of the bonds at the time and on the terms and conditions hereafter set forth.

ARTICLE II

UNDERTAKINGS ON THE PART OF THE COUNTY

The County agrees as follows:

Section 2.01. The County will, subject to the approval by the State Budget and Control Board required by the Act, authorize the issuance of not exceeding Seven Million Dollars (\$7,000,000) Spartanburg County, South Carolina, Industrial Development Revenue Bonds (or Notes) (Siemens Capital Corporation Project) (the "Bonds"), at such time as the Corporation may request the County to do so.

Section 2.02. The County will permit the Corporation to arrange for the sale of the Bonds to defray the cost of the Project as aforesaid and if successful marketing arrangements can be made, it will adopt such proceedings and enter into such agreements as are necessary for the issuance and securing of the Bonds.

Section 2.03. The proceeds of any sale of the Bonds shall be applied to the payment of the costs of the Project as determined under the Act including, without limitation, the expenses incurred in connection with the issuance and sale of the Bonds, the acquisition and expansion of the Project including land, buildings, necessary machinery and equipment and other items permitted by the Act, and the repayment of any funds advanced or loans incurred by the Corporation for such purposes.

Section 2.04. Prior to issuing any Bonds, the County may enter into a trust indenture with a trustee bank to be selected by the Corporation or an indenture with the purchasers of the Bonds pursuant to which the Bonds will be issued. Such trust indenture or indenture shall be substantially in the form used in connection with the issuance of other South Carolina industrial revenue bonds and may constitute a lien on the Project and the revenues derived from the financing agreement with respect to the Project to secure the payment of the Bonds.

Section 2.05. If requested by the Corporation and in order to provide interim financing pending the issuance of the Bonds, the County will adopt the necessary proceedings and provide for the issuance of bond anticipation notes

01897

pursuant to Title 11, Chapter 17, Code of Laws of South Carolina, 1976, in anticipation of the issuance of the Bonds.

Section 2.06. The County will perform such other acts and adopt such further proceedings as may be required to faithfully implement its undertakings and to consummate the proposed financing.

ARTICLE III

UNDERTAKINGS ON THE PART OF THE CORPORATION

Section 3.01. The Corporation agrees that the County will have no obligation to find a purchaser of the Bonds.

Section 3.02. The Corporation further agrees, if the plan proceeds as contemplated:

(a) to acquire and expand the land, buildings, equipment and machinery constituting the Project;

(b) to enter into a financing agreement with the County under the terms of which the Corporation will obligate itself to pay to the County sums sufficient to pay the principal, interest and premium, if any, on the Bonds, as and when the same become due and payable, said financing agreement shall be in such form and contain such provisions as shall be satisfactory to the County and to the Corporation;

(c) to obligate itself to make the additional payments required by the Act, including, but not limited to, payments in lieu of taxes if necessary;

(d) to hold the County harmless from all pecuniary liability and to reimburse it for all expenses to which it might be put in the fulfillment of its obligations under this Agreement in the implementation of its terms and provisions;

(e) to perform such further acts and adopt such further proceedings as may be required to faithfully implement its undertakings and consummate the proposed financing; and

(f) to covenant and agree in the financing agreement referred to hereinbefore to install in the buildings which are to become a part of the Project all necessary equipment and machinery and thereafter to operate the Project as a facility for the purpose of manufacturing

61898

electrical busway systems, electrical panelboards and switchboards or for such other purposes as may hereafter be deemed appropriate.

ARTICLE IV

GENERAL PROVISIONS

Section 4.01. All commitments of the County under Article II hereof are subject to all of the provisions of the Act and the condition that nothing contained in this Agreement shall constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing power.

Section 4.02. The parties hereto agree that the Corporation may proceed with the Project including the construction of a building or buildings and acquisition and installation of the equipment and machinery prior to the issuance of the Bonds.

Section 4.03. All commitments of the County and the Corporation hereunder are subject to the condition that the County and the Corporation do agree on acceptable terms and conditions of all documents the execution and delivery of which are contemplated by provisions hereof.

Section 4.04. It is agreed that the Corporation may assign all of its rights and obligations hereunder to Siemens - Allis Inc., a Delaware corporation, an 85% subsidiary of the Corporation, or to any other entity so controlled or a subsidiary of the Corporation or any of its subsidiaries.

Section 4.05. The parties understand that the Corporation may choose not to finance the Project as herein provided, in which event this Agreement shall become void.

Section 4.06. It is the intention of the parties hereto that this Agreement shall constitute an official action on the part of the County within the meaning of the applicable regulations of the United States Treasury Department relating to the issuance of industrial revenue bonds.

EXHIBIT

C1899

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

IN WITNESS WHEREOF, the parties hereto, each after due authorization, have executed this Agreement on the respective dates indicated below.

SPARTANBURG COUNTY, SOUTH
CAROLINA

By: K. L. Westmoreland
K. L. Westmoreland, County
Administrator, County
Council of Spartanburg
County, South Carolina

(SEAL)

ATTEST:

By: C. P. Parris
C. P. Parris, Clerk
County Council of Spartanburg
County, South Carolina

Dated: January 26, 1983.

SIEMENS CAPITAL CORPORATION

By: Joachim Hesse
Vice President - Treasurer

(SEAL)

ATTEST:

Frank S. Swift
Its Secretary

Dated: January 31, 1983.

By: Martin Rahm
Assistant Treasurer

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

01900

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

A RESOLUTION AUTHORIZING THE TRANSFER AND ASSIGNMENT OF AN ASSISTANCE AGREEMENT BY AND BETWEEN SIEMENS CAPITAL CORPORATION, AND SPARTANBURG COUNTY, SOUTH CAROLINA TO SIEMENS-ALLIS, INC.

WHEREAS, on January 26, 1983 the County Council of Spartanburg County (the "County Council") passed a resolution entitled "A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF AN ASSISTANCE AGREEMENT BY AND BETWEEN SPARTANBURG COUNTY, SOUTH CAROLINA AND SIEMENS CAPITAL CORPORATION, WHEREBY UNDER CERTAIN CONDITIONS, SPARTANBURG COUNTY WILL ISSUE NOT EXCEEDING SEVEN MILLION DOLLARS (\$7,000,000) INDUSTRIAL DEVELOPMENT REVENUE BONDS OR NOTES" (the "Resolution"); and

WHEREAS, the County Council and Siemens Capital Corporation ("Siemens Capital"), did execute the Assistance Agreement (the "Assistance Agreement"); and

WHEREAS, Siemens Capital has requested the County Council to consent to the transfer and assignment of the Assistance Agreement to Siemens-Allis, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"); and

WHEREAS, Siemens Capital is the majority stockholder of the Corporation; and

WHEREAS, the Corporation and Siemens Capital have determined that it is in the best interest of each to allow the Corporation to acquire the Project, as defined in the Resolution; and

WHEREAS, The First National Bank of Atlanta has consented to the assignment of the Assistance Agreement, therefore, such assignment does not appear to adversely impact the ability to obtain financing for the Project.

NOW, THEREFORE, BE IT RESOLVED by the County Council as follows:

Section 1. The provisions, terms and conditions of the Assistance Agreement and all rights and interests of Siemens Capital in the Assistance Agreement are hereby assigned to the Corporation.

Section 2. The County will, subject to the provisions of the Assistance Agreement, authorize the issuance of not exceeding Seven Million Dollars (\$7,000,000) Spartanburg County, South Carolina, Industrial Development Revenue Bonds or Notes (Siemens-Allis, Inc. Project) (the "Bonds") at such time as the Corporation may request the County to do so.

Section 3. All provisions, terms and conditions of the Assistance Agreement regarding Siemens Capital shall be deemed to apply to the Corporation and shall be effective as of the date of execution of the Assistance Agreement.

Done in meeting duly assembled this 28th day of September, 1983.

61901

SPARTANBURG COUNTY, SOUTH CAROLINA

By: K. L. Westmoreland
K.L. Westmoreland, County
Administrator, Spartanburg
County, South Carolina

(SEAL)

ATTEST:

By: C. P. Parris
C.P. Parris, Clerk,
County Council of Spartanburg
County, South Carolina

WE CONSENT TO THE WITHIN ASSIGNMENT OF THE ASSISTANCE AGREEMENT.

SIEMENS CAPITAL CORPORATION

By: _____
Its: Vice President & Treasurer

(SEAL)

ATTEST:

By: Frank J. Hewitt
Its: Secretary

Dated: October 12, 1983

SIEMENS-ALLIS, INC.

By: Karl W. York
Its: Exec VP

(SEAL)

ATTEST:

By: Rudolf C. Zimmerman
Its: Assistant Secretary

Dated: 10-17-83

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

EXHIBIT

SEP 5 1989 NO. 1

AN ORDINANCE

STATE BUDGET & CONTROL BOARD

APPROVING THE REFINANCING BY SIEMENS ENERGY & AUTOMATION, INC. OF ITS EXISTING MANUFACTURING FACILITY IN SPARTANBURG COUNTY BY REFUNDING \$6,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SPARTANBURG COUNTY, SOUTH CAROLINA INDUSTRIAL DEVELOPMENT BONDS (SIEMENS-ALLIS, INC. PROJECT), SERIES 1983, THROUGH THE ISSUANCE OF SPARTANBURG COUNTY, SOUTH CAROLINA REFUNDING REVENUE BONDS (SIEMENS ENERGY & AUTOMATION, INC. PROJECT), SERIES 1989, IN THE AGGREGATE PRINCIPAL AMOUNT OF SIX MILLION FIVE HUNDRED THOUSAND DOLLARS (\$6,500,000); PROVIDING FOR THE ISSUANCE OF SAID BONDS, THE EXECUTION DELIVERY AND PERFORMANCE OF A LOAN AGREEMENT BY AND BETWEEN SPARTANBURG COUNTY AND SIEMENS ENERGY & AUTOMATION, INC., THE EXECUTION, DELIVERY AND PERFORMANCE OF AN INDENTURE OF TRUST, FROM SPARTANBURG COUNTY TO TRUST COMPANY BANK, AS TRUSTEE, THE EXECUTION, DELIVERY AND PERFORMANCE OF A PLACEMENT CONTRACT AMONG SPARTANBURG COUNTY, SIEMENS ENERGY & AUTOMATION, INC. AND TRUST COMPANY BANK, AS PLACEMENT AGENT, AND OTHER MATTERS RELATING THERETO.

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

ARTICLE I

FINDINGS OF FACT

Section 1.1 As an incident to the adoption of this Ordinance, the County Council of Spartanburg County, as governing body of the County (the "County Council"), has made the following findings:

1. Siemens Energy & Automation, Inc., a corporation organized and existing under the laws of the State of Delaware and formerly known as Siemens-Allis, Inc. (the "Company"), has proposed that the County Council assist in refinancing the existing manufacturing facility of the Company (the "Project") located in Spartanburg County, South Carolina (the "County") by refunding \$6,500,000 in aggregate principal amount of Spartanburg County, South Carolina Industrial Development Revenue Bonds (Siemens-Allis, Inc. Project), Series 1983 (the "Series 1983 Bonds"), through the issuance of its Refunding Revenue Bonds pursuant to the authorization of Title 4, Chapter 29, Code of Laws of South Carolina, 1976 (the "Act"). The Company has advised the County Council that the continued operation of the Project would be aided by the assistance which the County might render through the sale of its \$6,500,000 Refunding Revenue Bonds pursuant to the Act. The County Council has agreed to refinance the Project by refunding the Series 1983 Bonds, and adopts this Ordinance to evidence its approval of and to authorize the issuance and sale of the \$6,500,000 Spartanburg County, South Carolina Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series

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1989 (the "Bonds"), and to authorize the execution, delivery and performance of a Loan Agreement, dated as of August 1, 1989 (the "Loan Agreement"), by and between the County and the Company, an Indenture of Trust dated as of August 1, 1989 (the "Indenture"), from the County to Trust Company Bank, Atlanta, Georgia, as Trustee, and a Placement Contract, dated as of August 1, 1989 (the "Placement Contract"), among the County, the Company and Trust Company Bank, as Placement Agent.

2. The County Council has determined that the refinancing of the Project by refunding the Series 1983 Bonds will subserve the purposes of the Act and that neither the Project nor the Bonds has given or will give rise to any pecuniary liability of Spartanburg County or a charge against its general credit or taxing power.

3. The amount necessary to refinance the Project by refunding the Series 1983 Bonds is \$6,500,000.

4. The Company has submitted to the County Council a draft of the proposed Loan Agreement, Indenture and Placement Contract (together with certain ancillary financing documents) under which the Company will agree to make, or cause to be made, payments equal to the amount necessary to provide for the payments of principal of and interest on the Bonds.

5. The principal of the Bonds shall be payable on November 10, 2003. Interest on the Bonds shall be payable in accordance with the provisions of Article II of the proposed Indenture. The proposed Loan Agreement obligates the Company unconditionally to pay, or cause to be paid, the amount necessary to provide for the payments of principal and interest to become due on the Bonds and to pay all costs of insuring the Project and maintaining the Project in good repair and to pay all other costs in connection with the Project.

6. Trust Company Bank, Atlanta, Georgia (the "Bank"), has agreed to issue its irrevocable direct-pay letter of credit (the "Letter of Credit") in favor of the Trustee for the benefit of the holders of the Bonds. Pursuant to the terms of the Letter of Credit, the Trustee is entitled to draw amounts up to the principal amount of the Bonds and up to 55 days accrued interest on the Bonds (at a maximum rate of 13% per annum).

7. In view of the well-established credit of the Company and the Bank and the successful arrangements to effect a sale of the Bonds without the establishment of reserve funds for the payment of the principal of and interest on the Bonds, to such reserve funds will be established.

8. The Bonds will be issued as tax-exempt bonds pursuant to the provisions of Section 144(a)(4) of the Internal Revenue Code of 1986, as amended (the "Code").

9. The Company has arranged for the private placement of the Bonds through a limited offering by Trust Company Bank, Atlanta, Georgia, as Placement Agent.

10. The County Council has heretofore adopted a Resolution approving the Project after a public hearing as required by Section 103(k) of the Internal Revenue Code of 1954, as amended (the "1954 Code"), in connection with the issuance of the Series 1983 Bonds; on August 23, 1989, the County Council adopted a Resolution authorizing the filing of a Petition for approval of the Project with the South Carolina State Budget and Control Board (the "State Board").

ARTICLE II

EXECUTION OF INDENTURE, LOAN AGREEMENT AND PLACEMENT CONTRACT

Section 2.1. In order to secure the payment of the principal of and the interest on the Bonds herein authorized, and in order to secure the performance and observance of all the agreements and conditions in the Bonds, the execution, delivery and performance of the Indenture be and the same are hereby authorized. The Indenture shall be in substantially the form attached hereto as Exhibit "A", subject to such minor changes, insertions or omissions as may be approved by the Chairman or Vice Chairman of the County Council and the execution of the Indenture by the Chairman or Vice Chairman and Clerk of the County Council as hereby authorized shall be conclusive evidence of any such approval.

Section 2.2. The execution, delivery and performance of the Loan Agreement be and the same are hereby authorized. The Loan Agreement shall be in substantially the form attached hereto as Exhibit "B", subject to such minor changes, insertions or omissions as may be approved by the Chairman or Vice Chairman of the County Council and the execution of the Loan Agreement by the Chairman or Vice Chairman and Clerk of the County Council as hereby authorized shall be conclusive evidence of any such approval.

Section 2.3. The execution, delivery and performance of the Placement Contract be and the same are hereby authorized. The Placement Contract shall be in substantially the form attached hereto as Exhibit "C", subject to such minor changes, insertions or omissions as may be approved by the Chairman or Vice Chairman of the County Council and the execution of the Placement Contract by the Chairman or Vice Chairman and Clerk of the County Council as hereby authorized shall be conclusive evidence of any such approval.

Section 2.4. Trust Company Bank, Atlanta, Georgia, is hereby designed Trustee under the Indenture, Paying Agent and Bond Registrar for the Bonds.

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

ARTICLE III

ISSUANCE AND SALE OF THE BONDS

Section 3.1. For the purpose of refinancing the cost of the Project by refunding the Series 1983 Bonds, the issuance of revenue bonds of the County known as "Spartanburg County, South Carolina Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989", is hereby authorized. The Bonds shall be dated the date of issuance and delivery thereof, shall be in the aggregate principal amount of \$6,500,000, shall be payable as to principal and interest at the times, in the place and in the manner set forth in the Indenture, and shall bear interest from date as provided in Article II of the Indenture. Notwithstanding anything to the contrary herein, in the event that the interest rate computed in the manner set forth in Article II of the Indenture would be at any time or from time to time in excess of the highest amount permitted by law, the interest rate shall be the highest rate permitted by law. Interest is payable as provided in Article II of the Indenture. The Bonds shall mature on November 10, 2003.

The Bonds shall be issued in the denomination of \$100,000 or any integral multiple of \$5,000 in excess thereof, and shall be subject to exchange and transfer, as provided in the Indenture.

The forms of the Bonds and the provisions for signatures, authentication, payment, registration, exchange and redemption prior to maturity shall be as set forth in the Indenture.

Section 3.2. Any bonds hereafter issued in exchange for the Bonds initially issued and delivered pursuant to the Indenture shall be executed in accordance with the provisions of the Indenture.

Section 3.3. The payments to be received by the County Council under the terms of the Loan Agreement are determined to be sufficient to pay the principal of and interest on the Bonds as the same become due and payable, and all of said payments (except for certain indemnification payments), together with the Loan Agreement, are hereby pledged for that purpose and in addition for such other purposes as are more fully set forth and provided for in the Indenture. The County Council shall have no ownership interest in the Project, and the Bonds shall not be secured by any security interest in or lien upon the Project by virtue of the execution and delivery by the County Council of the Loan Agreement and the Indenture.

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Section 3.4. The Bonds shall be executed in the manner provided in the Indenture and the same shall be delivered to the Trustee for proper authentication and delivery to the purchaser thereof with instructions to that effect as provided in the Indenture. Anything herein or in the Indenture to the contrary notwithstanding, the Vice Chairman of the County Council is authorized to execute the Bonds in the event of the absence or incapacity of the Chairman of the County Council.

ARTICLE IV

APPROVAL OF ANCILLARY FINANCING DOCUMENTS

Section 4.1. In order to secure the payment of the principal of and interest on the Bonds, and in order to secure the performance and observance of all the agreements and conditions in the Bonds, the Letter of Credit to be issued by the Bank in favor of the Trustee is hereby approved in substantially the form attached as Exhibit "D" and presented to the County Council at this meeting, subject to such minor changes, insertions or omissions as may be approved by the Bank and the Trustee prior to the execution and delivery thereof.

Section 4.2. In order to facilitate the remarketing of the Bonds, the Remarketing Agreement between the Company and Trust Company Bank, as Remarketing Agent, is hereby approved in substantially the form attached as Exhibit "E" and presented to the County Council at this meeting, subject to such minor changes, insertions or omissions as may be approved by the Bank and Company prior to the execution and delivery thereof.

Section 4.3. In order to facilitate the tender of the Bonds, the Tender Agent Agreement among the Company, Trust Company Bank, as Trustee, and Trust Company Bank, as Tender Agent, is hereby approved in substantially the form attached as Exhibit "F" and presented to the County Council at this meeting, subject to such minor changes, insertions or omissions as may be approved by the Bank, the Trustee and the Tender Agent prior to the execution and delivery thereof.

Section 4.4. The use and distribution of the Limited Offering Memorandum with respect to the Bonds be, and the same hereby are, approved, and said Limited Offering Memorandum shall be in substantially the form attached hereto as Exhibit "G".

EXHIBIT

SEP 5 1989 NO. 1

ARTICLE V

MISCELLANEOUS

STATE BUDGET & CONTROL BOARD

Section 5.1. The adoption by the County Council of the Resolution of August 23, 1989, authorizing the filing of the Petition with the State Board, is hereby ratified and confirmed.

Section 5.2. The Chairman or Vice Chairman of the County Council is hereby appointed and designated as Issuer Representative, as defined in Article I of the Indenture, and he/she is hereby authorized to take all actions and do all things as Issuer Representative required or permitted under the terms of the Loan Agreement and the Trust Indenture.

Section 5.3. The Chairman or Vice Chairman of the County Council is hereby authorized to execute in the name and on behalf of the County a Non-Arbitrage Certificate required to be executed pursuant to the provisions of the Code.

Section 5.4. Any officer of the County Council is hereby authorized to sign and file or cause to be filed a completed IRS Form 8038 relating to Private Activity Bond Issues as required by Section 149(e) of the Code.

Section 5.5. The County Council hereby elects to issue the Bonds pursuant to Section 144(a)(4)(A) and (E) of the Code and to sign and file or cause to be filed any and all documents necessary to accomplish and perfect such election.

Section 5.6. Notwithstanding anything to the contrary herein contained, the County Council shall not issue the Bonds for the purposes herein described unless and until the County Council shall have received (i) notice of the approval of the issuance of the Bonds by the State Board as required by the Act, and (ii) a certificate of the Clerk of the Court of Common Pleas and General Sessions of Spartanburg County that more than twenty (20) days have elapsed since the publication in a newspaper having general circulation in Spartanburg County, South Carolina of the notice of approval of the issuance of the Bonds to finance the Project by the State Board and that no proceedings have been taken in said Court to challenge, set aside or otherwise disturb such approval.

Section 5.7. From and after the execution and delivery of the documents hereinabove authorized, the proper officers, agents and employees of the County Council are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the documents as executed and are further authorized to take any and all further action and execute and deliver any and all other documents as may be necessary in the issuance and sale of the Bonds and the execution, delivery and performance of the Indenture, the Loan Agreement and the Placement Contract.

Section 5.8. All acts and doings of the officers of the County Council which are in conformity with the purposes and intents of this Ordinance and in furtherance of the issuance of the Bonds and the execution, delivery and performance of the Indenture, the Loan Agreement and the Placement Contract shall be, and the same hereby are, in all respects approved and confirmed.

Section 5.0. This Ordinance shall become effective upon receiving third reading by County Council.

(SEAL)

Chairman
Spartanburg County Council

Attest:

Clerk

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

I, the undersigned, Clerk of the County Council of Spartanburg County do hereby certify that the foregoing is a true, correct and verbatim copy of an Ordinance duly adopted by the County Council of Spartanburg County having been read at three duly called meetings of said County Council on August 23, 1989, September 23, 1989 and September 27, 1989.

Witness my hand this ____ day of September, 1989.

Clerk, County Council of
Spartanburg County

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

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EXHIBIT

SEP 5 1989 NO. 1

REMARKETING AGREEMENT

STATE BUDGET & CONTROL BOARD

This REMARKETING AGREEMENT dated as of August 1, 1989 between SIEMENS ENERGY & AUTOMATION, INC. (formerly known as Siemens-Allis, Inc.) (the "Company") and TRUST COMPANY BANK, as remarketing agent (in such capacity, the "Remarketing Agent");

W I T N E S S E T H:

WHEREAS, Spartanburg County, South Carolina (the "Issuer") pursuant to the provisions of the Act (as defined in the Indenture hereinafter referred to) intends to issue and sell its Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989 in the aggregate principal amount of \$6,500,000 (the "Bonds") pursuant to an Indenture of Trust dated as of August 1, 1989 (the "Indenture") from the Issuer to Trust Company Bank, as trustee (the "Trustee") and to loan the proceeds thereof to the Company, pursuant to the provisions of a Loan Agreement dated as of August 1, 1989 between the Issuer and the Company, in order to refund the \$6,500,000 in original principal amount Spartanburg County, South Carolina Industrial Development Revenue Bonds (Siemens-Allis, Inc. Project), Series 1983, dated November 30, 1983; and

WHEREAS, the Bonds are subject to purchase under certain circumstances, as described in the Bonds and in Articles II and IV of the Indenture; and

WHEREAS, the Company desires that the Remarketing Agent provide a mechanism for remarketing the Bonds according to the terms and subject to the conditions described herein;

NOW, THEREFORE, for and in consideration of the covenants herein made, the parties hereto hereby agree as follows:

Section 1. Definitions. Unless a different meaning clearly appears from the context, all words and terms used herein shall have the respective meanings assigned to such terms in the Indenture.

Section 2. Remarketing of the Bonds -- Prior to Conversion Date.

(a) Except as provided in Section 2(b) hereof, at any time prior to the Conversion Date, so long as no Default under the Indenture has occurred and is continuing, upon delivery of notice to the Remarketing Agent in accordance with Section 4.06 of the Indenture, the Remarketing Agent shall offer for sale and shall

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use its best efforts to remarket the Bonds referred to in such notice, any such sale to be made at a price equal to the principal amount thereof plus accrued interest thereon to the date of sale; provided, however, that the Remarketing Agent shall not offer for sale or remarket any Bonds pursuant to this Section 2(a) to the Company or the Issuer or any affiliate of either. It is understood that any such remarketing shall be made as agent for the Company (and not as principal) and that any Bonds so remarketed shall be privately placed with one or more "accredited investors" (as defined in the Limited Offering Memorandum of the Issuer, dated September __, 1989).

(b) Notwithstanding anything contained herein to the contrary, to the extent that any Available Moneys described in Section 4.07(i) of the Indenture in an integral multiple of \$5,000 shall be on deposit with the Trustee, a principal amount of Bonds equal to the amount of such moneys shall not be offered for sale by the Remarketing Agent but shall, in accordance with the Indenture, be purchased with such moneys on the designated purchase date and shall thereafter be cancelled by the Trustee.

(c) At or prior to 12:00 Noon, New York City time, two Business Days preceding the date any Bonds are to be purchased pursuant to Section 4.06 of the Indenture, the Remarketing Agent shall give notice by telephone or telex, promptly confirmed in writing, to the Company, the Trustee and the Tender Agent, specifying the principal amount of such Bonds, if any, remarketed by it pursuant to Section 2(a) hereof, and shall provide the proceeds of the sale of such Bonds to the Trustee.

(d) At the request of the Company, notice of such request having been received by the Remarketing Agent at least thirty days prior to an adjustment of the duration of the Interest Period in accordance with Section 2.02(c)(ii) of the Indenture, and so long as no default under the Indenture has occurred and is continuing, upon delivery of notice to the Remarketing Agent in accordance with Section 2.02(c)(ii) of the Indenture, the Remarketing Agent agrees to offer for sale and use its best efforts to remarket the Bonds referred to in such notice, any such sale to be made at a price at least equal to the principal amount thereof, subject to the following conditions:

(i) satisfactory compensation and other terms and conditions shall have been agreed upon by the Company and the Remarketing Agent;

(ii) the Remarketing Agent shall have received an opinion of nationally recognized bond counsel to the effect that the interest on such Bonds will not be includable in

gross income for Federal income tax purposes after such adjustment in the duration of the Interest Period; and

(iii) the Remarketing Agent shall have received such additional documents, certificates and legal opinions as it may reasonably request;

provided, however, that the Remarketing Agent shall not offer for sale or remarket any Bonds pursuant to this Section 2(d) to the Company or to the Issuer or to any affiliate of either.

Section 3. Remarketing of the Bonds -- Conversion Date.

At the request of the Company, notice of such request having been received by the Remarketing Agent at least 30 days prior to the Conversion Date, and so long as no default under the Indenture has occurred and is continuing, the Remarketing Agent agrees to offer for sale and use its best efforts to remarket the Bonds which are delivered to the Tender Agent on the Conversion Date, pursuant to Section 4.01 or 4.02 of the Indenture, as the case may be, at a price at least equal to the principal amount thereof subject to the following conditions:

(a) satisfactory compensation and other terms and conditions shall have been agreed upon by the Company and the Remarketing Agent;

(b) the Remarketing Agent shall have received an opinion of nationally recognized bond counsel to the effect that the interest on such Bonds will not be includable in gross income for Federal income tax purposes after the Conversion Date;

(c) the Remarketing Agent shall have received an official statement, or other appropriate disclosure document satisfactory in form and substance to the Remarketing Agent, to be used in connection with its efforts to remarket the Bonds; and

(d) the Remarketing Agent shall have received such additional documents, certificates and legal opinions as it may reasonably request;

provided, however, that the Remarketing Agent shall not offer for sale or remarket any Bonds pursuant to this Section 3 to the Company or the Issuer or any affiliate of either.

Further details regarding such remarketing shall be negotiated between the Company and the Remarketing Agent prior to the Conversion Date.

Section 4. Remarketing Agent Compensation.

(a) The Company hereby agrees to pay to the Remarketing Agent a continuing remarketing and administration fee computed at the rate of 1/8th of 1% per annum of the average daily aggregate principal amount of Bonds Outstanding from time to time, excluding Pledged Bonds, for the period from and including the date of issuance and delivery of the Bonds to and including the earlier of the Conversion Date or the date on which the Bonds mature, are fully redeemed, are accelerated or otherwise cease to be Outstanding, payable on January 1, 1990, and annually thereafter in arrears, calculated on the basis of a 360-day year, actual number of days elapsed, on the 1st day of each January, and on the earlier of the Conversion Date or the date on which the Bonds mature, are fully redeemed, are accelerated or otherwise cease to be Outstanding.

(b) If pursuant to Section 2(d) or 3 hereof the Remarketing Agent is requested by the Company to use its best efforts to remarket the Bonds upon the adjustment of the duration of the Interest Period or upon conversion of the interest rate thereon to the Fixed Rate, the Remarketing Agent shall be paid such remarketing fee as may then be mutually agreed upon by the Company and the Remarketing Agent.

(c) In addition to the fees set forth above, the Company hereby agrees to reimburse the Remarketing Agent for its actual out-of-pocket expenses reasonably incurred in connection herewith. The Company also agrees to indemnify the Remarketing Agent for, and to hold it harmless against, any loss, liability or expense (including reasonable counsel fees and disbursements) incurred without negligence or willful misconduct on its part arising out of or in connection with its performance of its obligations hereunder.

Section 5. Announcement of the Adjustable Rate. The Remarketing Agent agrees to use its best efforts to announce the Adjustable Rate on the date of issuance and delivery of the Bonds and, so long as the Interest Period is one week in duration, weekly thereafter not later than 2:00 P.M., New York City time, on each Wednesday until payment in full of the Bonds or, if such date shall not be a Business Day, on the next succeeding Business Day. In the event the Interest Period is one month, three months or six months in duration, the Remarketing Agent agrees to use its best efforts to announce the Adjustable Rate on the first day of each such Interest Period or, if such date shall not be a Business Day, on the next succeeding Business Day. The Remarketing Agent shall communicate the Adjustable Rate to the Trustee on the same day the Adjustable Rate is announced.

Section 6. Proceeds of Sale of the Bonds. The proceeds of the sale of any Bonds as a result of the remarketing thereof by the Remarketing Agent, to the extent not used to pay the Purchase Price of such Bonds in accordance with Section 4.07 of the Indenture, shall be paid in accordance with the provisions of Section 4.09 of the Indenture.

Section 7. Duties of the Remarketing Agent. By entering into this Agreement, Trust Company Bank agrees to serve as the Remarketing Agent for the Bonds, on the terms and conditions set forth herein. The Remarketing Agent hereby designates as its Principal Office the address specified in Section 9 hereof. The Remarketing Agent hereby agrees:

(a) to use its best efforts to remarket any Bond delivered to the Tender Agent for purchase pursuant to Section 4.06 of the Indenture in accordance with Section 2(a) hereof, except as otherwise provided in Section 2 hereof;

(b) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Issuer, the Tender Agent, the Company or the Trustee at all reasonable times; and

(c) to compute or establish the Adjustable Rate and the Fixed Rate on the Bonds, and to provide notice thereof, in the manner provided in the Indenture.

Section 8. Successor Remarketing Agent. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Agreement by giving at least sixty (60) days' notice to the Company, the Tender Agent, the Issuer and the Trustee. The Remarketing Agent may be removed at any time, at the direction of the Company, by an instrument signed by the Company and filed with the Remarketing Agent, the Tender Agent, the Issuer and the Trustee, subject to the provisions of Section 10.12 of the Indenture.

In the event that the Remarketing Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under the control of any state or Federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Company shall appoint a successor Remarketing Agent meeting the requirements set forth herein and in the Indenture.

Any successor Remarketing Agent shall be an institution authorized by law to perform all the duties imposed upon it under this Agreement.

If a successor Remarketing Agent shall be appointed pursuant to this Section, all references herein to the "Remarketing Agent" shall thereafter refer to such successor Remarketing Agent.

Section 9. Notices. Unless otherwise provided herein, all notices, requests, certificates or other communications hereunder shall be sufficiently given if the same shall be duly mailed by registered or certified mail, return receipt requested, postage prepaid, or sent by any electronic method capable of creating a written document, in either case addressed as follows:

(a) if to the Issuer: Spartanburg County, South Carolina
Spartanburg County Courthouse
Spartanburg, South Carolina 29301

Attention: Administrator

(b) if to the Trustee: Trust Company Bank
58 Edgewood Avenue, Room 235A
Atlanta, Georgia 30303

Attention: Corporate Trust
Department

(c) if to the Company: Siemens Energy & Automation, Inc.
3333 State Bridge Road
Alpharetta, Georgia 30201

Attention: Treasurer's Department

(d) if to the Tender Agent: Trust Company Bank
58 Edgewood Avenue, Room 235A
Atlanta, Georgia 30303

Attention: Corporate Trust
Department

(e) if to the Remarketing Agent: Trust Company Bank
25 Park Place
5th Floor
Atlanta, Georgia 30303

Attention: Investment Banking
Division

A duplicate copy of each notice, certificate, request or other communication given hereunder by any of the parties mentioned above to any one of the others shall also be given to each of the others. Any party mentioned above may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

Section 10. Amendments. This Agreement may be amended by an instrument in writing signed by the Company and the Remarketing Agent, except that Section 5 hereof may not be amended without the consent of the issuer of the Letter of Credit.

Section 11. Governing Law. This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of Georgia.

Section 12. 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.

IN WITNESS WHEREOF, the parties hereto have caused this
Remarketing Agreement to be duly executed as of the day and year
first above written.

SIEMENS ENERGY & AUTOMATION, INC.

(CORPORATE SEAL)

By: _____
Title:

Attest:

By: _____
Title:

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

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TRUST COMPANY BANK

By: _____
Title:

By: _____
Title:

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EXHIBIT

SEP 5 1989

NO. 1

TENDER AGENT AGREEMENT

STATE BUDGET & CONTROL BOARD

This TENDER AGENT AGREEMENT dated as of August 1, 1989, among TRUST COMPANY BANK, as Trustee under the Indenture (as herein defined) (the "Trustee"), TRUST COMPANY BANK, as Tender Agent hereunder (the "Tender Agent"), and SIEMENS ENERGY & AUTOMATION, INC. (formerly known as Siemens-Allis, Inc.), a Delaware corporation (the "Company");

W I T N E S S E T H:

Section 1. Definitions. All capitalized terms used herein without definition shall have the meanings assigned to such terms in the Indenture.

Section 2. Appointment of Tender Agent. For the purposes hereinafter described and upon the terms and subject to the conditions hereinafter set forth, Trust Company Bank has been appointed to serve as Tender Agent under the Indenture of Trust (the "Indenture") dated as of August 1, 1989 between Spartanburg County, South Carolina (the "Issuer") and the Trustee, pursuant to which the Issuer is issuing its \$6,500,000 Spartanburg County, South Carolina Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989 (the "Bonds") and the Company hereby approves such appointment.

Section 3. Authenticating Agent; Co-Bond Registrar. Pursuant to Section 2.04(a) of the Indenture, the Tender Agent has been appointed as an authenticating agent for the Bonds. Pursuant to Section 2.08 of the Indenture, the Tender Agent has been appointed as Co-Bond Registrar for the Bonds. The Company hereby approves such appointments. The Tender Agent agrees to perform the duties imposed upon it as authenticating agent and Co-Bond Registrar under the terms of the Indenture. In performing such duties, the Tender Agent shall be entitled to the protection of all provisions of the Indenture relating to such duties.

Section 4. Purchase of Bonds. Pursuant to Section 4.06 of the Indenture, any Bond shall be purchased from the Owner thereof, at a Purchase Price equal to the principal amount of such Bond plus accrued interest to the date of purchase, upon:

- (1) delivery to the Tender Agent at its Principal Office and to the Remarketing Agent at its Principal Office of a notice (said notice to be irrevocable and effective upon receipt) which (i) states the aggregate principal amount and Bond numbers of the Bonds to be purchased; and (ii) states

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the date on which such Bonds are to be purchased, which date shall be a Tender Date not prior to the seventh (7th) day next succeeding the date of delivery of such notice and which date shall be prior to the Conversion Date; and

(2) delivery to the Tender Agent at its Delivery Office at or prior to 10:00 A.M., New York City time on the third (3rd) Business Day preceding the date designated for purchase in the notice described in (1), above, of such Bonds to be purchased, with an appropriate endorsement for transfer or accompanied by a bond power endorsed in blank, and if such Bonds are to be purchased prior to the next succeeding Interest Payment Date and after the Record Date in respect thereof, a due bill, payable to bearer, for interest due on such Interest Payment Date.

In addition, pursuant to Sections 2.02(c)(ii), 4.01 and 4.02 of the Indenture, the Bonds are subject to mandatory tender to the Tender Agent for purchase, at a Purchase Price equal to the principal amount thereof, upon a change in the duration of the Interest Period pursuant to Section 2.02(c)(ii) of the Indenture or upon conversion of the interest rate on the Bonds pursuant to Section 4.01 or 4.02 of the Indenture.

Section 5. Payment of Purchase Price. The payment by the Tender Agent of the Purchase Price of Bonds delivered to the Tender Agent pursuant to Section 2.02(c)(ii), 4.01, 4.02 or 4.06 of the Indenture, as described in Section 4 above, shall be made solely from funds made available to the Tender Agent by the Trustee or from the proceeds of the remarketing of such Bonds by the Remarketing Agent, as provided in Section 4.07 of the Indenture. The Trustee shall cause arrangements satisfactory to the Trustee and the Tender Agent to be made and thereafter continued whereby funds from the sources described in Section 4.07 of the Indenture will be made available to the Tender Agent for the timely payment of the Purchase Price of the Bonds. Any moneys remitted by the Trustee to the Tender Agent for the purchase of Bonds shall be accompanied by a notice describing the source(s) of such moneys. The Tender Agent shall have no responsibility with respect to the source of any funds provided to it for the purpose of paying the Purchase Price of the Bonds. The Tender Agent shall have no responsibility to determine the amount representing accrued interest which may be payable in connection with the purchase of Bonds pursuant to Section 4.06 of the Indenture and may rely conclusively on the computation of such accrued interest by the Trustee pursuant to the Indenture. The Tender Agent shall have no obligation to expend its own funds in connection with any such purchase, and shall have no obligation to pay the Purchase Price in any type of funds other than that received by the Tender Agent for such purpose as aforesaid. The Tender Agent shall

notify the Trustee if, on any date designated for the purchase of Bonds, the Tender Agent shall have insufficient moneys for payment of the Purchase Price thereof. Any payment of Purchase Price required to be made pursuant to this Agreement shall be made to the registered Owner of Bonds to whom such Purchase Price payment is due at its address as it appears on the registration books of the Issuer or at such other address as may be specified by such Owner at least 24 hours prior to the time such Purchase Price is due.

Section 6. Transfer of Bonds Called for Redemption. As provided in Section 2.08 of the Indenture, if any tendered Bond shall be transferred after such Bond has been called for redemption, the Tender Agent shall deliver to the Transferee of such Bond a copy of the applicable redemption notice, indicating that the Bond delivered to such transferee has previously been called for redemption. Notwithstanding the foregoing, the Tender Agent shall not be deemed to have notice that any Bond has been called for redemption unless it shall have received from the Trustee, pursuant to Section 3.03 of the Indenture, a copy of the applicable redemption notice.

Section 7. Delivery of Purchased Bonds, etc.

(a) The Tender Agent shall:

(i) deliver any Bonds purchased with moneys described in Section 4.07(i) of the Indenture to the Trustee for cancellation;

(ii) deliver any Bonds purchased with moneys described in Section 4.07(ii) of the Indenture to or upon the order of the purchasers thereof;

(iii) deliver any Bonds purchased with moneys described in Section 4.07(iii) of the Indenture to or upon the order of the Bank pursuant to the Pledge Agreement;

(iv) deliver any Bonds purchased with moneys described in Section 4.07(iv) of the Indenture, at the direction of the Company, (A) as instructed by the Company or (B) to the Trustee for cancellation; provided that any Bonds so purchased after the selection thereof for redemption shall be delivered to the Trustee for cancellation.

(b) The Tender Agent shall deliver to the person to whom the Tender Agent is to deliver such Bonds the due bills, if any, delivered to the Tender Agent with such Bonds in accordance with Section 4.06 of the Indenture.

(c) Bonds delivered as provided in this Section 7 shall be registered in the manner directed by the recipient thereof.

Section 8. Delivery of Proceeds of Sale. The proceeds of the sale of any Bonds delivered to the Tender Agent pursuant to Section 2.02(c)(ii), 4.01, 4.02 or 4.06 of the Indenture, to the extent not required to pay the Purchase Price thereof in accordance with Section 4.07 of the Indenture, shall be paid to or upon the order of the Company. In the event the Remarketing Agent shall have remarketed any Pledged Bonds and the Company shall have directed the Bank to deliver such Pledged Bonds to the Tender Agent pursuant to the Credit Agreement, upon receipt of such Bonds the Tender Agent shall deliver such Bonds to the purchasers thereof, in accordance with instructions received by the Tender Agent from the Remarketing Agent, and the proceeds of the sale of such Bonds shall be delivered to the Bank.

Section 9. Duties with Respect to the Purchase of Bonds. The Tender Agent shall:

(a) hold all Bonds delivered to it pursuant to Section 2.02(c)(ii), 4.01, 4.02 or 4.06 of the Indenture in trust for the benefit of the respective Owners of Bonds which shall have so delivered such Bonds until moneys representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Owners of Bonds;

(b) hold all moneys delivered to it hereunder for the purchase of such Bonds in a separate account in trust for the benefit of the person or entity which shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity; and

(c) deliver to the Trustee, the Company and the Bank a copy of each notice delivered to it in accordance with Section 4.06 of the Indenture and, immediately upon delivery to it of Bonds in accordance with Section 4.06 of the Indenture, give telephonic or telegraphic notice to the Company, the Trustee and the Bank specifying the principal amount of Bonds so delivered.

Section 10. Acceptance of Appointments; Terms and Conditions. Trust Company Bank, hereby accepts its appointments as Tender Agent, authenticating agent and Co-Bond Registrar, upon the terms and conditions hereof, including, without limitation, the following:

(a) The Company shall pay to the Tender Agent its standard fees from time to time charged for performing its duties as authenticating agent, Co-Bond Registrar and Tender Agent and shall reimburse the Tender Agent for any out-of-pocket expenses (including reasonable legal expenses) incurred by the Tender Agent in connection with such performance. The Tender Agent waives all rights of set-off or banker's lien which it may have under applicable law against any moneys from time to time held by it, as Tender Agent, for the purchase of Bonds pursuant to the Indenture, with respect to the payment of its fees or expenses or any indebtedness due to the Tender Agent by the Issuer or the Company.

(b) The Company shall indemnify the Tender Agent and its officers, agents and employees for, and hold the Tender Agent and its officers, agents and employees harmless against, any loss, liability or expense (including the costs and expenses of defending against any claim of liability) incurred without negligence or willful misconduct by the Tender Agent or any of its officers, agents and employees and arising out of or in connection with the Tender Agent acting as authenticating agent, Co-Bond Registrar or Tender Agent. In case any action shall be brought against the Tender Agent based upon any of the above and in respect of which indemnity may be sought against the Company, the Tender Agent shall promptly notify the Company in writing, enclosing a copy of all papers served, but the omission so to notify the Company of any such action shall not relieve it of any liability which it may have to the Tender Agent otherwise than under this Section. In case any such action shall be brought against the Tender Agent and it shall notify the Company of the commencement thereof, the Company shall be entitled to participate in and, to the extent that it shall wish, to assume the defense thereof with counsel reasonably satisfactory to the Tender Agent. The Tender Agent shall have the right to employ its own counsel in any such action but the fees and expenses of such counsel shall be at the expense of Tender Agent unless (i) the employment of counsel by Tender Agent has been authorized by the Company, (ii) the Tender Agent shall have reasonably concluded, based upon an opinion of counsel reasonably satisfactory to the Company, that there is a conflict of interest between the Company, as the case may be, and the Tender Agent in the conduct of the defense of such action (in which case the Company shall not have the right to direct the defense of such action on behalf of the Tender Agent, it being understood, however, that the Company shall not be liable for the fees and expenses of more than one separate counsel for all Indemnified Parties), or

(iii) the Company shall not in fact have employed counsel reasonably satisfactory to the Tender Agent to assume the defense of such action. The Company shall not be liable for any settlement of any action or claim effected without its consent.

(c) The duties and obligations of the Tender Agent shall be determined solely by the express provisions of this Agreement and the Indenture and no implied duties or obligations or covenants shall be read into this Agreement or the Indenture on the part of the Tender Agent. Anything in the Indenture to the contrary notwithstanding, any amendment or supplement to the Indenture which affects any rights, powers, liability or obligation of the Tender Agent shall not become effective unless and until the Tender Agent shall have consented to such amendment or supplement. The Trustee agrees to furnish to the Tender Agent a copy of any amendment or supplement to the Indenture, promptly upon the execution thereof, whether or not the consent of the Tender Agent is required pursuant to the next preceding sentence.

(d) In the absence of negligence or willful misconduct on the part of the Tender Agent, the Tender Agent may conclusively rely as to the truth of the statements expressed therein upon any document furnished to the Tender Agent and the Tender Agent may rely and shall be protected in acting upon any document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Tender Agent shall not be liable for any error or judgment made in good faith by a responsible officer, agent or employee of the Tender Agent unless the Tender Agent was negligent in ascertaining the pertinent facts.

(e) The Tender Agent may consult with counsel satisfactory to it, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or thing suffered by it hereunder in good faith and in accordance with the opinion of such counsel.

(f) The Tender Agent may become the owner of, or acquire any interest in, any of the Company's or the Issuer's obligations (including without limitation, the Bonds) with the same rights that it would have if it were not the Tender Agent hereunder, and may engage or be interested in any financial or other transaction with the Company or the Issuer, and may act for, or as depositary, trustee or agent for, any holders of any obligations of the Company or the Issuer, or any committee or body of such holders, as freely as if it were not the Tender Agent hereunder.

(g) The principal corporate trust office of the Tender Agent is as follows: Trust Company Bank, 58 Edgewood Avenue, Room 235A, Atlanta, Georgia 30303, Attention: Corporate Trust Department.

(h) The Tender Agent shall have the benefit of each and every protection afforded to the Trustee pursuant to Section 10.01 of the Indenture as if said provisions were specifically set forth herein.

(i) Anything herein to the contrary notwithstanding, the Tender Agent shall have no liability hereunder for any act or omission except as shall result from the Tender Agent's negligence or willful misconduct.

Section 11. Resignation; Removal, etc. The Tender Agent may at any time resign and be discharged of the duties and obligations created by this Agreement and the Indenture and the Tender Agent may be removed, in each case in accordance with the provisions contained in Section 10.11 of the Indenture.

Section 12. No Liability for Interest or Taxes. The Tender Agent shall not be under any liability for interest on any moneys at any time received by it pursuant to any of the provisions of the Indenture or this Agreement. The Company will pay all stamp or other documentary taxes or duties, if any, to which this Agreement is or may hereafter become subject.

Section 13. Amendments. This Agreement may be amended by the Company, the Trustee and the Tender Agent in writing signed by the Company, the Trustee and the Tender Agent.

Section 14. Governing Law. This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of Georgia.

Section 15. Notices. Until all parties are otherwise notified in writing, all communications hereunder are to be directed as follows: if to the Trustee, to Trust Company Bank, 58 Edgewood Avenue, Room 235A, Atlanta, Georgia 30303, Attention: Corporate Trust Department; if to the Company, to Siemens Energy & Automation, Inc., 3333 State Bridge Road, Alpharetta, Georgia 30201, Attention: Treasurer's Department; if to the Tender Agent, to Trust Company Bank, 58 Edgewood Avenue, Room 235A, Atlanta, Georgia 30303, Attention: Corporate Trust Department; if to the Remarketing Agent, to 25 Park Place, 5th Floor, Atlanta, Georgia 30303, Attention: Investment Banking Division; and if to the Bank, to 25 Park Place, 10th Floor, Atlanta, Georgia 30303, Attention: International Division; with a copy to Trust Company of Georgia, 711 Fifth Avenue, 5th Floor, New York, New York 10022, Attention: Randy Havens.

Section 16. Counterparts. This Agreement may be executed in several counterparts, each of which shall constitute one and the same agreement.

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

IN WITNESS WHEREOF, the parties hereto have executed
this Agreement as of the date first above written.

TRUST COMPANY BANK,
as Trustee

By: _____
Title:

TRUST COMPANY BANK,
as Tender Agent

By: _____
Title:

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

SIEMENS ENERGY & AUTOMATION, INC.

By: _____
Title:

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

EXHIBIT

SEP 5 1989

NO. 1

PLACEMENT CONTRACT

STATE BUDGET & CONTROL BOARD

among

SPARTANBURG COUNTY, SOUTH CAROLINA,

SIEMENS ENERGY & AUTOMATION, INC.

and

TRUST COMPANY BANK, AS PLACEMENT AGENT

\$6,500,000

Spartanburg County, South Carolina

Refunding Revenue Bonds

(Siemens Energy & Automation, Inc. Project)

Series 1989

Dated as of August 1, 1989

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-X-HIBIT

SEP 5 1989

NO. 1

STATE BUDGET & CONTROL BOARD

\$6,500,000
SPARTANBURG COUNTY, SOUTH CAROLINA
REFUNDING REVENUE BONDS
(SIEMENS ENERGY & AUTOMATION, INC. PROJECT),
SERIES 1989

PLACEMENT CONTRACT

This Placement Contract (the "Placement Contract") dated as of August 1, 1989 by and among Trust Company Bank, Atlanta, Georgia (in such capacity, the "Placement Agent"), Spartanburg County, South Carolina (the "Issuer"), and Siemens Energy & Automation, Inc. (formerly known as Siemens-Allis, Inc.) (the "Company") with respect to the placement of the Spartanburg County, South Carolina Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989 (the "Bonds") to be issued by the Issuer in the aggregate principal amount of \$6,500,000. The Bonds are being issued pursuant to Chapter 29 of Title 4 of the Code of Laws of South Carolina, 1976, as amended (the "Act"), and other applicable provisions of law, including particularly the ordinance (the "Ordinance") duly enacted by the Issuer on September 27, 1989. The proceeds from the sale of the Bonds will be applied to refund the Issuer's \$6,500,000 in original principal amount Industrial Development Revenue Bonds (Siemens-Allis, Inc. Project) Series 1983, dated November 30, 1983 (the "Series 1983 Bonds"). The proceeds of the Series 1983 Bonds were loaned to the Company to finance the acquisition of an existing industrial facility and the installation of an expansion thereto located in Spartanburg County, South Carolina (the "Project"), and for paying certain Bond issuance expenses in connection therewith.

The Bonds are special and limited obligations of the Issuer, payable solely from (i) payments derived by the Issuer pursuant to that certain Loan Agreement, dated as of August 1, 1989 between the Issuer and the Company (the "Agreement"), (ii) revenues derived from the sale of the Bonds, and (iii) amounts on deposit from time to time in the Bond Fund, subject to the provisions of the Agreement and that certain Indenture of Trust (the "Indenture"), dated as of August 1, 1989 by and between the Issuer and Trust Company Bank, a Georgia banking corporation, as trustee (the "Trustee"), permitting the application thereof for the purposes and on the terms and conditions set forth therein (collectively, the "Pledged Revenues"). In addition, the Bonds are payable from amounts drawn by the Trustee under that certain irrevocable letter of credit (the "Letter of Credit") dated September __, 1989 issued by Trust Company Bank (in such capacity, the "Bank") for the account of the Company in favor of the Trustee. In connection with the issuance of the Letter of Credit, the

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Company will enter into a Letter of Credit Agreement with the Bank, dated as of August 1, 1989 (the "Credit Agreement"). The Bonds shall not constitute an indebtedness of the State of South Carolina or of any political subdivision thereof, including the Issuer, within the meaning of any state constitutional provision or statutory limitation, and shall not give rise to a pecuniary liability of the State of South Carolina or any political subdivision thereof, including the Issuer, or constitute a charge against the general credit or taxing power of the State of South Carolina or any political subdivision thereof, including the Issuer.

In this Placement Contract, the term "Basic Documents", when used with respect to the Issuer or the Company means those of the following documents to which such person is a party: the Indenture, the Agreement, the Credit Agreement and all other documents and agreements executed in connection with the foregoing. All capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

I. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Issuer hereby agrees to sell the Bonds to the original purchaser or purchasers with whom the Placement Agent has placed the Bonds (the "Purchasers"), and the Purchasers have agreed to purchase as of the date hereof all (but not less than all) of the \$6,500,000 aggregate principal amount of the Issuer's Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989. The purchase price shall be \$6,500,000, plus accrued interest, if any, from the dated date of such Bonds to the date of delivery of the Bonds, such Bonds having the maturities, bearing interest and being payable on the dates set forth in the Indenture.

By no later than 5:00 P.M., New York City time, on September __, 1989 (the "Closing Date"), the Purchasers shall deliver or cause to be paid to the Trustee the purchase price of the Bonds. Such purchase price shall be paid in immediately available funds. The Issuer shall deliver the Bonds to the Placement Agent on the Closing Date, in definitive form, duly executed and authenticated against payment therefor. The Bonds shall be delivered in the form and denominations and shall be otherwise as described in the Indenture.

II. Representations and Warranties of the Issuer. The Issuer represents and warrants that:

A. The Issuer is a duly created and validly existing public body politic and corporate and subdivision of the State of South Carolina (the "State"), with right and power to issue the

Bonds and to execute (or adopt, if with respect to resolutions), deliver and perform its obligations under the Bonds, this Placement Contract, the Indenture, the Agreement and the Ordinance of the Issuer authorizing the execution and delivery by the Issuer of this Placement Contract and authorizing the sale of the Bonds as described above. In connection with the foregoing and the transactions contemplated thereby, the Issuer has complied with the Act in all matters relating thereto and has full power and authority pursuant to the Act to consummate all transactions contemplated by this Placement Contract, the Bonds, the Ordinance and the Basic Documents.

B. The Issuer has and at the date of Closing will have, full legal right, power and authority to adopt the Ordinance and to enter into this Placement Contract, and to authorize the Purchasers to purchase the Bonds; the Issuer has duly authorized and approved the execution (or adoption, if with respect to resolutions) and delivery of, and the performance by the Issuer of the obligations contained in the Bonds, the Ordinance, this Placement Contract, the Basic Documents and all other transactions contemplated therein, and has the full legal right and power to carry out and consummate the transactions contemplated by the Ordinance, this Placement Contract and the Basic Documents.

C. By all necessary official action, the Issuer has duly authorized and approved this Placement Contract and upon the execution and delivery thereof by the respective parties thereto, this Placement Contract will constitute (or if heretofore executed and delivered does constitute), the legal, valid and binding special obligations and agreements of the Issuer, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law); and the Bonds, when originally issued, authenticated and delivered and when sold in accordance with the Ordinance and this Placement Contract, constitute or will constitute legal, valid and binding special obligations of the Issuer, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

D. Subject to the provisions of the Agreement and the Indenture, the Issuer will apply the proceeds from the sale of the Bonds to the purposes specified in the Basic Documents.

E. The Issuer is not in breach of or default under any applicable constitutional provision, law, or administrative

regulation of the State or the United States or any applicable judgment or decree, or any loan agreement, indenture, bond, note, or material resolution, agreement, or other material instrument to which the Issuer is a party or to which the Issuer or any of its property or assets is otherwise subject, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; and the execution and delivery of the Bonds, this Placement Contract and the Basic Documents, and the adoption of the Ordinance, and compliance with the provisions on the Issuer's part contained therein, will not conflict with or constitute a breach of or default under any constitutional provisions, law, administrative regulation, agreement, or other instrument to which the Issuer is a party or to which the Issuer or any of its property or assets is otherwise subject, nor will any such execution, delivery, adoption, or compliance result in the creation or imposition of any lien, charge, or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer or Pledged Revenues or other rights of the Issuer to receive receipts of any gross or pledged revenues to be derived by the Issuer, under the terms of any such law, regulation or instrument, except as provided by the Bonds.

F. There is no action, suit, hearing, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board, agency or body, pending or, to the best knowledge of the Issuer, threatened against or affecting the Issuer (nor to the best knowledge of the Issuer is there any basis therefor) or any of its members in their respective capacities as such, in which an unfavorable decision, ruling or finding would, in any way, materially and adversely affect (i) the transactions contemplated by this Placement Contract, (ii) the organization, existence, or powers of the Issuer or any of its members or officers in their respective capacities as such, (iii) the payment, collection or application of the Pledged Revenues or the pledge thereof pursuant to the Ordinance, (iv) the validity or enforceability of the Bonds, this Placement Contract, the Basic Documents, the Ordinance, or any other agreement or instrument to which the Issuer is a party, used or contemplated for use in the consummation of the transactions contemplated hereby, or (v) the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

G. Any certificate signed by an appropriate officer of the Issuer and delivered to the Placement Agent shall be deemed to be a representation and warranty by the Issuer to the Purchasers as to the statements made therein.

H. The Issuer will furnish such normal information, execute such instruments and take such other action in cooperation

with the Placement Agent as the Placement Agent may reasonably request, in order to (i) qualify the Bonds for sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Placement Agent may designate and (ii) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Issuer shall not be required to execute or otherwise provide a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

It is specifically understood and agreed that the Issuer does not and will not make any representation as to the financial position or business condition of the Company, the Bank, the Placement Agent or the Purchasers and does not and will not represent or warrant as to any of the statements, materials (financial or otherwise), representations or certifications furnished or to be made and furnished by the Company, the Placement Agent or the Purchasers in connection with the sale of the Bonds, or as to the correctness, completeness or accuracy of any of such statements, materials, representations, or certificates.

III. Representations and Warranties of the Company. The Company represents and warrants that:

A. The Company is a duly organized and validly existing corporation under the laws of the State of Delaware, having all requisite power to carry on its business as now constituted and to enter into this Placement Contract, and is duly qualified to transact business as a corporation in good standing under the laws of said state and of the State of Georgia.

B. The execution and delivery of the Basic Documents, this Placement Contract and all other agreements herein contemplated to be performed, and the performance by the Company of the conditions herein contained and those in each of such instruments to be contained are not in contravention of law and will not conflict or result in any breach of any of the terms, conditions or provisions of, or constitute a default under or result in the creation or imposition of any lien (except as created by the Basic Documents) charge or encumbrance upon any of the properties or assets of the Company pursuant to the terms of any material indenture, agreement or undertaking binding upon it.

C. The Company has or will acquire good and marketable title to the real property constituting part of the Project, subject only to liens or encumbrances of the character permitted hereby and by the Basic Documents.

EXHIBIT

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NO. 1

STATE BUDGET & CONTROL BOARD

D. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, pending, or to the knowledge of the Company threatened, wherein an unfavorable decision, ruling or finding would, (i) in the opinion of the Company, involve the possibility of any judgment or liability to the extent not covered by adequate insurance, bond or reserve or which would result in any material adverse change in the business, properties or operations of the Company, (ii) materially adversely affect the transactions contemplated by this Placement Contract or (iii) adversely affect the validity or enforceability of the Bonds, the Basic Documents or this Placement Contract.

E. The Company will not take or omit to take any action which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided in the Indenture and the Basic Documents, as in force from time to time.

F. The Company has not taken and will not take any action and knows of no action that any other person, firm or corporation has taken or intends to take, which would cause interest on the Bonds to be includable in the gross income of the recipients thereof for federal income tax purposes.

G. The Company will file or cause to be filed with the Internal Revenue Service of the United States Treasury Department or any other authorized governmental agency any and all statements or other instruments required under the Internal Revenue Code of 1986 (the "Code"), including Sections 103 and 141 through 150 thereof, and the regulations thereunder, in order that the interest on the Bonds continues to be excluded from gross income for federal income tax purposes.

H. Both at the time of acceptance hereof and at the date of the Closing, there shall not have been any materially adverse change in the results of operations or financial condition of the Company, other than changes in the ordinary course of business or as otherwise previously disclosed in writing to the Placement Agent.

I. The Company will deliver all opinions, certificates, letters and other instruments and documents required to be delivered by it by this Placement Contract and the Basic Documents.

J. The Basic Documents and this Placement Contract, when executed by the parties thereto, will be legal, valid, binding and enforceable obligations of the Company, except that the enforceability thereof may be subject to (a) the exercise of

judicial discretion in accordance with general principles of equity, and (b) bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable.

K. During the period between the date hereof and the Closing Date, the Company will furnish to the Placement Agent promptly upon transmission thereof, copies of all financial statements, reports and returns as it shall reasonably request.

L. The Company authorizes and consents to the use of a limited offering memorandum in both preliminary and final forms, subject to the satisfactory review thereof by the Company, in connection with the placement of the Bonds by the Placement Agent and in connection with any subsequent remarketing thereof.

IV. Representations and Warranties Of Placement Agent.
The Placement Agent represents and warrants as follows:

A. Neither the Placement Agent nor the Purchasers have requested or received from (nor do the Placement Agent or the Purchasers expect to receive from) the Issuer or any of its officials, officers, employees or agents any information with respect to the Company, the Project, the Bonds or the sufficiency of any security therefor, except for any such information which is included within the representations and warranties of the Issuer in this Placement Contract, the Basic Documents or in any other instrument delivered to the Placement Agent or the Purchasers by or on behalf of the Issuer in connection with the transactions contemplated hereby or thereby.

B. The Issuer and its officials, officers and employees have no responsibility to the Placement Agent or the Purchasers for the accuracy or completeness of information obtained by the Placement Agent or the Purchasers from any source regarding the Company, the Bank or their assets, business, circumstances, financial condition and properties, or regarding the Bonds or the sufficiency of any security therefor or, subject only to the exception stated in Section IV.A., for the accuracy of any such information.

C. To the Placement Agent's best knowledge, each of the Purchasers is an "accredited investor" within the meaning of Regulation D promulgated under the Securities Act of 1933, as amended.

D. To the Placement Agent's best knowledge, the Purchasers are purchasing the Bonds for their own accounts for investment and not with a view to the distribution, transfer or resale thereof, subject to their rights of tender under the

Indenture and except that the disposition of the Bonds shall at all times be within their sole control. The Purchasers have not relied upon the Issuer for any information or data condition, financial or otherwise.

The foregoing representations and warranties shall survive the making of this Placement Contract and the execution and delivery of the Bonds and the instruments and documents contemplated hereby.

V. Indemnification. The Company hereby agrees to indemnify and hold harmless the Issuer and the Placement Agent, and any person who "controls" any of the foregoing within the meaning of Section 15 of the Securities Act of 1933, as amended (collectively called the "Indemnified Parties") against any and all losses, claims, damages or liabilities caused by any untrue statement or alleged untrue statement of a material fact contained in any of the Basic Documents or caused by any omission or alleged omission of any material fact necessary to be stated therein in order to make such statements to the Issuer or the Placement Agent, in light of the circumstances in which they were made, not misleading or incomplete.

In case any action shall be brought against one or more of the Indemnified Parties based upon any of the above and in respect of which indemnity may be sought against the Company, such Indemnified Party shall promptly notify the Company in writing, enclosing a copy of all papers served, but the omission so to notify the Company of any such action shall not relieve it of any liability which it may have to any Indemnified Party otherwise than under this Section. In case any such action shall be brought against any Indemnified Party and it shall notify the Company of the commencement thereof, the Company shall be entitled to participate in and, to the extent that it shall wish, to assume the defense thereof with counsel reasonably satisfactory to such Indemnified Party. The Indemnified Party shall have the right to employ its own counsel in any such action but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the employment of counsel by such Indemnified Party has been authorized by the Company, (ii) the Indemnified Party shall have reasonably concluded, based upon an opinion of counsel reasonably satisfactory to the Company, that there is a conflict of interest between the Company, as the case may be, and the Indemnified Party in the conduct of the defense of such action (in which case the Company shall not have the right to direct the defense of such action on behalf of the Indemnified Party, it being understood, however, that the Company shall not be liable for the fees and expenses of more than one separate counsel for all Indemnified Parties), or (iii) the Company shall not in fact have employed counsel reasonably satisfactory to the Indemnified Party

to assume the defense of such action. The Company shall not be liable for any settlement of any action or claim effected without its consent.

VI. Expenses. The Company hereby agrees to pay or cause to be paid from the original proceeds of the Bonds or other funds available to it the expenses incident to the performance of its obligations hereunder, including but not limited to (a) the cost of printing or reproducing or engraving and mailing or delivering the Bonds, and all other documents prepared in connection with the transactions contemplated hereby; (b) the fees and disbursements (including, without limitation, fees and disbursements of counsel) of the Trustee, Bond Registrar, Paying Agent, Placement Agent, Bank and Issuer in connection with the sale of the Bonds; (c) the fees and disbursements of Bond Counsel and any other counsel, experts or consultants retained in connection with the transactions contemplated hereby; and (d) the cost, if any, of obtaining a rating on the Bonds.

VII. Initial Placement Fee. The Company hereby agrees to pay to Trust Company Bank, on the date of issuance and delivery of the Bonds, a placement fee in consideration of the initial placement of the Bonds, such fee to be in an amount equal to three-quarters of one percent (.75%) of the aggregate principal amount of the Bonds.

VIII. Notice. Any notice or other communication to be given under this Placement Contract shall be given in the manner and to the addresses set forth in the Basic Documents.

IX. Entire Agreement. This Placement Contract, as accepted by the Issuer, shall constitute the entire agreement between the Issuer, the Company and the Placement Agent in connection with the placement of the Bonds by the Placement Agent and the sale and purchase of the Bonds and is made solely for the benefit of the parties hereto and the Purchasers (including the successors or assigns of any Purchaser). No other person shall acquire or have any right hereunder by virtue hereof. All the Issuer's representations, warranties and agreements in this Purchaser Agreement shall remain operative and in full force and effect, regardless of (a) any investigation made by or on behalf of any of the Purchasers, (b) delivery of any payment of the Bonds hereunder, and (c) any termination of this Placement Contract.

X. Counterparts. This Placement Contract may be executed in several counterparts, which together shall constitute one and the same instrument.

XI. Headings. The headings of the Sections of this Placement Contract are inserted for convenience only and shall not be deemed to be a part hereof.

XII. State of South Carolina Law Governs. The validity, interpretation and performance of this Placement Contract shall be governed by the laws of the State of South Carolina.

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

TRUST COMPANY BANK, as Placement
Agent

[SEAL]

Attest:

By: _____
Title:

Title:

01942

SPARTANBURG COUNTY, SOUTH CAROLINA

[SEAL]

Attest:

By: _____
Title:

Title:

01943

SIEMENS ENERGY & AUTOMATION, INC.

[SEAL]

Attest:

By: _____
Title:

Title:

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

01944

EXHIBIT

SEP 5 1989

NO. 1

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(Not Part of Agreement)

STATE BUDGET & CONTROL BOARD

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01945

LETTER OF CREDIT AGREEMENT

THIS AGREEMENT, dated as of August 1, 1989, by and between SIEMENS ENERGY & AUTOMATION, INC., a corporation organized and existing under the laws of the State of Delaware (the "Company") and TRUST COMPANY BANK, a Georgia banking corporation (the "Bank");

W I T N E S S E T H:

WHEREAS, Spartanburg County, South Carolina (the "Issuer") has previously issued its \$6,500,000 in aggregate principal amount Spartanburg County, South Carolina Industrial Development Revenue Bonds (Siemens-Allis, Inc. Project), Series 1983 (the "Series 1983 Bonds") to finance the cost of the acquisition of an existing industrial facility and the installation of an expansion thereto located in Spartanburg County, South Carolina (the "Project") for the benefit of the Company; and

WHEREAS, the aggregate principal amount outstanding of the Series 1983 Bonds is \$6,500,000; and

WHEREAS, the Company has requested the Issuer to refund the Series 1983 Bonds by issuing its Spartanburg County, South Carolina Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989 (the "Bonds") in the aggregate principal amount of \$6,500,000 pursuant to an Indenture of Trust, dated as of August 1, 1989 (the "Indenture"), by and between the Issuer and Trust Company Bank, as trustee (the "Trustee"), and to lend the proceeds of the sale of the Bonds to the Company; and

WHEREAS, as security for the payment of the Bonds, the Company has requested the Bank to issue its irrevocable letter of credit in the form of Annex I attached hereto (the "Letter of Credit"); and

WHEREAS, it is a condition of the obligation of the Bank to execute and deliver the Letter of Credit that this Agreement shall have been executed and delivered by the Company;

NOW, THEREFORE, in consideration of the mutual promises contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

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1. Issuance of Letter of Credit; Fees.

1A. Amount and Terms of Letter of Credit. The Bank agrees, on the terms and subject to the conditions hereinafter set forth, to issue the Letter of Credit to the Trustee (i) in an amount not to exceed \$6,500,000 (the "Principal Component"), plus an amount equal to the sum of 55 days' interest on the Bonds, computed at a rate of 13% per annum notwithstanding the actual rate borne from time to time by the Bonds (the "Interest Component"), and (ii) expiring on September 15, 1994 unless otherwise terminated or extended.

1B. Letter of Credit Fee. The Company hereby agrees to pay to the Bank a non-refundable letter of credit fee for the period from and including the Date of Issuance until December 31, 1991, computed at the rate of one-quarter of one percent (.25%) per annum, and from January 1, 1992 until the Termination Date, computed at a rate to be determined by the Bank based upon conditions described in section 1F below, calculated as a percentage of the Stated Amount of the Letter of Credit (as the same may be reduced from time to time but including, in any event, the principal amount of any Pledged Bonds) on the date of payment. Amounts payable under this Paragraph 1B shall be payable in advance, based on a 360-day year, actual number of days elapsed, in immediately available funds, on the Date of Issuance and quarterly thereafter on the first day of each March, June, September and December.

1C. Drawing Fees. The Company hereby agrees to pay to the Bank, upon each drawing by the Trustee under the Letter of Credit, the sum of \$75 or such other amount as shall at the time of such drawing be the charge which the Bank is making for drawings on similar letters of credit.

1D. Transfer Fees. The Company hereby agrees to pay to the Bank, upon each transfer of the Letter of Credit in accordance with its terms, the sum of \$1,500 or such other amount as shall at the time of such transfer be the charge which the Bank is making for transfers of similar letters of credit.

1E. Additional Payments. On and after January 1, 1992, if any change in any law or regulation or in the interpretation thereof by any court or administrative or governmental authority charged with the administration thereof, or in generally accepted accounting principles, shall either (i) impose, modify or deem applicable any reserve, special deposit or similar requirement against letters of credit issued by the Bank or (ii) impose on the Bank any other condition relating, directly or indirectly, to this Agreement or the Letter of Credit, and the result of any event referred to in the preceding clause (i) or (ii) shall be to

increase the cost to the Bank of issuing or maintaining the Letter of Credit, then, upon demand by the Bank, the Company hereby agrees to pay promptly to the Bank, from time to time as specified by the Bank, such additional amounts as shall be sufficient to compensate the Bank for such increased cost. A certificate of the Bank claiming compensation under this subsection and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive absent manifest error. In determining any such amount, the Bank may use any reasonable averaging and attribution methods.

1F. Capital Adequacy. On and after January 1, 1992, if, after the date of this Agreement, the Bank shall have determined that the adoption or implementation of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Bank with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on the Bank's capital, on this credit facility or otherwise, as a consequence of its obligations hereunder and under the Letter of Credit to a level below that which the Bank could have achieved but for such adoption, change or compliance (taking into consideration the Bank's policies with respect to capital adequacy) by an amount deemed by the Bank to be material, then from time to time, promptly upon demand by the Bank, the Company hereby agrees to pay the Bank such additional amount or amounts as will compensate the Bank for such reduction. A certificate of the Bank claiming compensation under this subsection and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive absent manifest error. In determining any such amount, the Bank may use any reasonable averaging and attribution methods.

1G. Interest on Overdue Payments. The Company hereby agrees to pay to the Bank interest on any and all amounts required to be paid as provided in this Section 1 from and after the due date thereof until payment in full, payable on demand, at the Prime Rate plus one percent (1.0%).

2. Agreement to Repay Letter of Credit Drawings; Pledged Bonds.

2A. Reimbursement. The Company hereby agrees as follows:

- (i) to pay to the Bank (1) within 180 days of the date of any "A Drawing" under the Letter of Credit, an amount equal to the amount of such "A Drawing" under the

Letter of Credit; and (2) interest on each such amount from the date of drawing of such amount under the Letter of Credit until payment (including prepayment) in full thereof, at the LIBO Rate plus one-half of one percent (0.5%) per annum, payable on the first day of each month and on the date of payment (including prepayment) of any such amount;

(ii) to pay to the Bank immediately after any payment is made under the Letter of Credit pursuant to any "B Drawing" or "C Drawing" to pay principal of or interest (or the portion of Purchase Price of Bonds corresponding to interest) on the Bonds, an amount equal to such amount so paid under the Letter of Credit; and

(iii) to pay to the Bank interest on any and all amounts required to be paid as provided in this Paragraph 2A from and after the due date thereof until payment in full, payable on demand, at the Prime Rate plus one percent (1.0%) per annum. If any payment under the Letter of Credit with respect to an "A Drawing", a "B Drawing" or a "C Drawing" shall be reimbursed to the Bank on the same date such payment is made by the Bank, no interest shall be payable on the reimbursed amount.

2B. Pledge of Bonds. As security for the payment of the obligations of the Company pursuant to Paragraph 2A(i) above, the Company will pledge to the Bank, and grant to the Bank a security interest in, its right, title and interest in and to Bonds delivered to the Bank in connection with "A Drawings" (herein called "Pledged Bonds"), pursuant to a pledge and security agreement in the form of Annex II attached hereto (the "Pledge Agreement"). Any amounts from time to time owing to the Bank pursuant to paragraph 2A(i) above may be prepaid (i) at any time by the Company on one Business Day's notice stating the amount to be prepaid (which shall be \$5,000 or a whole multiple thereof) and (ii) at any time on behalf of the Company on one Business Day's notice from the Company directing the Bank to deliver a specified principal amount of Pledged Bonds held by or on behalf of the Bank for sale pursuant to Section 4.09(b) of the Indenture. Upon payment to the Bank of the amount to be prepaid pursuant to clause (i) or (ii) above, together with accrued interest as set forth in clause (2) of Paragraph 2A(i), to the date of such prepayment on the amount to be prepaid, the outstanding obligations of the Company under Paragraph 2A(i) above shall be reduced by the amount of such prepayment, interest shall cease to accrue on the amount prepaid and the Bank shall release from the pledge and security interest created by the Pledge Agreement a principal amount of Pledged Bonds equal to the amount of such prepayment, provided that prior to such release from the pledge and security interest

created by the Pledge Agreement of Bonds delivered to the Bank in connection with an "A Drawing", the Company shall have paid to the Bank the amount owing in respect of the "C Drawing", if any, made in conjunction with such "A Drawing". Such Bonds shall be delivered to the Company on payment to the Bank as aforesaid or to the Tender Agent for sale pursuant to Section 4.09(b) of the Indenture, as appropriate. Notwithstanding the foregoing, no prepayment of amounts owing to the Bank pursuant to Paragraph 2A(i) may be made, and no Pledged Bonds shall be released, during the period commencing two Business Days prior to an interest payment date with respect to the Bonds and ending at the close of business on such interest payment date.

2C. Reinstatement of Letter of Credit. After any "C Drawing", the obligation of the Bank to honor demands for payment under the Letter of Credit with respect to payment of interest (or the portion of Purchase Price of Bonds corresponding to interest) on the Bonds will automatically be reinstated up to the total amount specified therein, upon the terms and conditions set forth in the Letter of Credit. Upon release by the Bank pursuant to Paragraph 2B hereof of any Pledged Bonds, the obligation of the Bank to honor demands for payment under the Letter of Credit with respect to payment of the principal, or the portion of Purchase Price of Bonds corresponding to principal, of the Bonds will be automatically reinstated up to the total amount specified therein upon the terms and conditions set forth in the Letter of Credit.

2D. Credit for Amount Paid on Bonds. The Company shall (i) receive a credit against the obligation to pay interest pursuant to clause (2) of Paragraph 2A(i) above to the extent of any amounts actually paid by the Issuer to the Bank in respect of the interest due on any Pledged Bonds and (ii) receive a credit against their reimbursement obligation pursuant to clause (1) of Paragraph 2A(i) above to the extent of any amounts actually paid by the Issuer to the Bank in respect of the principal due on any Pledged Bonds.

2E. Computation of Interest; Place of Payment. Interest payable hereunder shall be computed on the basis of a 360-day year, actual number of days elapsed. All payments by the Company to the Bank hereunder shall be made in lawful currency of the United States and in immediately available funds at the Bank's office at 25 Park Place, Tenth Floor, Atlanta, Georgia 30303, Attention: International Division. In the event the date specified for any payment hereunder is not a Business Day, such payment shall be made on the next following Business Day and interest shall be paid at the rate provided for herein on any such payment to the Business Day on which such payment is made.

3. Conditions Precedent to Issuance of the Letter of Credit. This Agreement shall become effective, and the Bank will issue the Letter of Credit, on the date the Bonds are issued and sold to the purchaser(s) thereof, provided that all of the following conditions are met:

3A. Delivery of the Bonds and Operative Documents. This Agreement, the Loan Agreement, the Note, the Indenture of Trust, the Guaranty Agreement, the Pledge Agreement, the Remarketing Agreement and the Tender Agent Agreement (collectively, the "Operative Documents") and the Bonds shall have been executed and delivered by the parties thereto, each in form and substance satisfactory to the Bank. The Bank shall have received an executed or conformed copy of each of the Operative Documents.

3B. No Default. On the Date of Issuance and after giving effect to the issuance of the Letter of Credit, there shall exist no Default or Event of Default.

3C. Representations and Warranties. On the Date of Issuance and after giving effect to the issuance of the Letter of Credit, all representations and warranties of the Company contained herein or in the other Operative Documents shall be true and correct with the same force and effect as though such representations and warranties had been made on and as of such date.

3D. Opinions of Counsel. There shall have been delivered to the Bank an opinion of Michael S. Williamson, Esq., in his capacity as counsel to the Company, dated the Date of Issuance, which opinion shall be in form and substance satisfactory to the Bank and shall cover such matters as the Bank may reasonably request.

3E. Certificates of Compliance. There shall have been delivered to the Bank certificates of duly authorized officers of the Company, dated the Date of Issuance, to the effect that all of the conditions specified in Paragraphs 3B and 3C have been satisfied as of such date and covering such additional matters as the Bank may reasonably request.

3F. Opinion of Bond Counsel. There shall have been delivered to the Bank an opinion (or a signed copy of such opinion together with a satisfactory reliance letter) of King & Spalding, Atlanta, Georgia, Bond Counsel, dated the Date of Issuance and in form and substance satisfactory to the Bank, to the effect that the Bonds are legal, valid and binding obligations of the Issuer and that as of the Date of Issuance interest on the Bonds is not includible in gross income for Federal income tax purposes under existing statutes, regulations and rulings, and covering such other matters as the Bank may reasonably request.

3G. Other Documents. There shall have been delivered to the Bank such other information, documents, instruments, approvals (and if requested by the Bank, certified duplicates of executed copies thereof) or opinions as the Bank or its counsel may reasonably request.

3H. Documentation and Proceedings. All corporate and legal proceedings and all instruments in connection with the transactions contemplated by this Agreement and the other Operative Documents shall be satisfactory in form and substance to the Bank and its counsel and the Bank shall have received all information and copies of all documents, including records of corporate proceedings, governmental approvals and incumbency certificates which it may have reasonably requested in connection with the transactions contemplated by this Agreement and the other Operative Documents, such documents where appropriate to be certified by proper officers.

4. Character of Obligations Hereunder. The obligations of the Company under this Agreement are primary, absolute, independent, irrevocable and unconditional. The Company understands and agrees that no payment by it under any other agreement (whether voluntary or involuntary or pursuant to court order or otherwise) shall constitute a defense to the several obligations hereunder except to the extent that the Bank has been indefeasibly paid in full.

5. Representations and Warranties of the Company.

a. The Company represents and warrants as follows:

(1) Corporate Existence. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all requisite corporate power and authority to conduct its business, to own its properties and to execute and deliver and to perform all of its obligations under the Operative Documents.

(2) Authorization; No Conflict. The execution, delivery and performance by the Company of this Agreement and each other Operative Document are within the Company's corporate powers, have been duly authorized by all necessary corporate action, and do not and will not (i) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Company or of the Articles of Incorporation or bylaws of the Company, including all amendments thereto, which violation would have a material adverse effect on the Company, (ii) result in a breach of or constitute a default under any material indenture or

loan or credit agreement or any other agreement, lease or instrument to which the Company is a party or by which it or its properties may be bound or affected, or (iii) except as provided in or contemplated by the Operative Documents, result in or require the creation of any material lien, security interest or other charge or encumbrance upon or with respect to any of the Company's properties.

(3) Approvals. No consent of any person and no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the valid or due execution, delivery and performance by the Company of any Operative Document, other than such consents, authorizations, approvals or actions as have already been obtained or which cannot be obtained on the date hereof and are not required to be obtained on the date hereof. The Company is in compliance with all of the terms and conditions of each such consent, authorization, approval or action already obtained, has applied for each such consent, authorization, approval or action that may be applied for at this time and has met or has made provisions adequate for meeting all requirements for each such consent, authorization, approval or action not yet obtained.

(4) Binding Obligations. Each of the Operative Documents is a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

(5) Litigation. Except as disclosed to the Bank in writing, there is no action, suit or proceeding pending or, to the knowledge of the Company, threatened against or affecting the Company or the properties of the Company before any court or governmental department, commission, board, bureau, agency or instrumentality which, (a) if determined adversely to the Company would have a material adverse effect on the financial condition, properties or operations of the Company, unless the Company is contesting such action in good faith and by proper proceedings diligently pursued and has obtained therefor an adequate bond or adequate insurance or established therefor a reserve of an adequate amount, or (b) questions the validity of any Operative Document or any action taken or to be taken pursuant thereto.

(6) No Defaults. The Company is not in violation of any statute or other law or in default under any order, regulation or ruling of any court or other tribunal or governmental or administrative authority or agency, or in default under its Articles of Incorporation or bylaws, any material indenture, agreement, lease, instrument or other undertaking to which the

Company is a party or by which it or its property or assets may be bound or affected, which has a material adverse effect on the business or operations of the Company.

(7) No Material Restrictions. The Company is not subject to any charter, corporate or other legal restriction, or any contract, lease or other agreement, or any judgment, decree, order, law, rule or regulation which in the judgment of the Company has or is expected in the future to have a materially adverse effect on the business, assets or financial condition of the Company or on its ability to carry out its obligations under the Operative Documents, except as otherwise reflected in adequate reserves.

(8) Information. No certificate, report or other paper furnished by the Company to the Bank or any other Person in connection with the Operative Documents contains as of its effective date any material misstatement of fact or fails to state a material fact or any fact necessary to make the statements contained therein not misleading in any material respect as of such date, and all of the information contained therein is true, accurate and complete in all material respects as of such date.

6. Affirmative Covenants of the Company. The Company shall, unless the Bank shall otherwise consent in writing, observe and perform the following covenants and agreements:

(a) Preservation of Legal Existence. The Company shall maintain its existence, shall not dissolve or otherwise dispose of all or substantially all of its assets and shall not consolidate with or merge into another legal entity or permit one or more other legal entities to consolidate with or merge into it, unless the resulting or surviving entity is, directly or indirectly, a wholly owned subsidiary of the Guarantor, or unless the Company shall first obtain the prior written consent of the Bank and the Trustee.

(b) Compliance with Laws. The Company shall comply in all material respects with all applicable laws, rules, regulations and orders of any governmental authority, noncompliance with which would materially and adversely affect the business or condition of the Company, such compliance to include, without limitation, paying before the same become delinquent all material taxes, assessments and governmental charges imposed upon it or upon its property, except to the extent compliance with any of the foregoing is then being contested in good faith.

(c) Maintenance of Insurance. The Company shall cause to be maintained insurance with responsible and reputable insurance companies or associations casualty, public liability and other

insurance in such amounts and covering such risks as are reasonably satisfactory to the Bank, and, at the written request of the Bank, shall provide evidence of compliance with this covenant to the Bank in the form of certificates of insurance and endorsements.

(d) Visitation Rights. At any reasonable time and from time to time upon reasonable notice, the Company shall permit the Bank or any agents or representatives of the Bank to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Company and discuss the general business affairs of the Company with its officers.

(e) Records and Accounts. The Company shall keep true records and books of account in which entries will be made in accordance with Generally Accepted Accounting Principles consistently applied and will maintain accounts and reserves adequate in the opinion of the Company for all taxes (including income taxes), all depreciation, depletion, obsolescence and amortization of its properties, all other contingencies and all other proper reserves.

(f) Payment of Debts, Taxes. The Company shall pay, or cause to be paid, all of its debts and perform, or cause to be performed, all of its obligations promptly and in accordance with the respective terms thereof, and promptly pay and discharge, or cause to be paid and discharged, all taxes, assessments and governmental charges or levies imposed upon it, upon its income or receipts or upon any of its assets or properties before the same shall become in default, as well as pay all lawful claims for labor, materials and supplies or otherwise that, if not so paid, could or would result in the imposition of a lien or charge upon such assets or properties or any part thereof; provided, however, that it shall not constitute an Event of Default hereunder if the Company fails to perform any such obligation or to pay any such debt (except for any Indebtedness owing under or in respect of any Operative Document), tax, assessment, or governmental or other charge, levy or claim that is being contested in good faith and by proper proceedings diligently pursued, if the effect of such failure to pay or perform has not been to accelerate the maturity thereof or of any other material debt or obligation of the Company or to subject any part of the assets and properties of the Company to forfeiture, and if the Company has obtained therefor an adequate bond or adequate insurance or established therefor a reserve of an adequate amount.

(g) Further Assurances. The Company shall execute and deliver to the Bank such further instruments, provide it with such further data and information and take such further action as the

Bank may reasonably request or as may be necessary further to effect the purposes of the Operative Documents.

(h) Maintenance of Properties. The Company shall cause all of its properties used or useful in the conduct of its business as it relates to the Project to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times.

(i) Change of Ownership. The Company shall at all times remain a direct or indirect, wholly owned subsidiary of the Guarantor.

(j) Financial Reports. The Company shall cause to be furnished to the Bank the following information:

(a) Within one hundred and twenty (120) days after the close of each fiscal year of Siemens Corporation, the consolidated financial statements of Siemens Corporation, including the consolidated balance sheet as of the end of such fiscal year and statements of income and surplus for such fiscal year, each prepared in accordance with Generally Accepted Accounting Principles consistently applied, in reasonable detail and certified by certified public accountants of recognized standing; and

(b) Within one hundred and eighty (180) days after the close of each fiscal year of the Guarantor, the Annual Report of the Guarantor prepared in accordance with Generally Accepted Accounting Principles consistently applied, in reasonable detail and certified by certified public accountants of recognized standing;

(c) Within sixty (60) days after the close of each fiscal year of the Company, a certificate signed by the chief executive officer or by the chief financial officer of the company to the effect that the Company is not, as of the date of such certification, in default under Section 7(vii) of this Agreement.

7. Events of Default. Upon the occurrence of any of the following events (herein referred to as an "Event of Default"), unless waived by the Bank:

EXHIBIT

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(i) the occurrence of any "Default" or "Event of Default" as described and defined in any of the Operative Documents;

(ii) failure of the Company to pay any amount when due under the terms of this Agreement, and the continuation of such failure for a period of five (5) days after receiving written notice from the Bank that such amount is due;

(iii) failure on the part of the Company to perform or observe any other term, covenant or agreement contained in this Agreement or in any of the Operative Documents to which it is a party on its part to be performed or observed and (a) with respect to any such term, covenant or agreement contained herein, any such failure remains unremedied for 30 days after the earlier of its discovery by the Company or written notice thereof to the Company by the Bank; and (b) with respect to any such term, covenant or agreement contained in any of the other Operative Documents to which the Company is a party, any such failure remains unremedied after any applicable grace period specified in such Operative Documents; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Bank will not unreasonably withhold its consent to an extension of such time if it is possible to correct such failure and corrective action is instituted by the Company within the applicable period and diligently pursued until the failure is corrected; or in the case of any such failure which can be cured with due diligence but not within the 30-day period, the Company's failure to proceed promptly to cure such default and thereafter prosecute the curing of such default with due diligence;

(iv) any warranty, representation or other written statement made by or on behalf of the Company contained herein, in any of the other Operative Documents to which it is a party or in any instrument furnished in compliance with or in reference to this Agreement is false or misleading in any material respect on the date as of which made;

(v) the Company shall fail to pay its debts generally as they come due, or shall file any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors;

(vi) an involuntary petition shall be filed under any bankruptcy statute against the Company or a custodian, receiver, trustee, assignee for the benefit of creditors (or other similar official) shall be appointed to take

possession, custody, or control of the properties of the Company unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment; or

(vii) any default shall occur under any other agreement involving the material borrowing of money or the material extension of credit in a principal amount in excess of \$5,000,000 under which the Company, or any Subsidiary of the Company, may be obligated as borrower or guarantor, if such default consists of the failure to pay any indebtedness when due or if such default causes the acceleration of any indebtedness or the termination of any commitment to lend, or if such default permits, or would permit with notice and/or the passage of time, the holder of any such obligation to accelerate any indebtedness or to terminate any commitment to lend;

then, and in any such event, the Bank may, in its sole discretion, but shall not be obligated to, (1) by notice to the Company declare all amounts payable by the Company hereunder (including, without limitation, amounts payable pursuant to Paragraph 2A hereof) to be forthwith due and payable, and the same shall thereupon become due and payable without demand, presentment, protest or further notice of any kind, all of which are hereby expressly waived, and/or (2) exercise all of its rights and remedies under the Operative Documents and/or (3) by notice to the Trustee, require the Trustee to accelerate payment of all Bonds and interest accrued thereon as provided in Section 9.02 of the Indenture.

No remedy herein conferred or reserved 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 any other Operative Document 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, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to exercise any remedy reserved to the Bank in this Agreement, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. In the event any provision contained in this Agreement should be breached by any party and thereafter duly waived by the other party so empowered to act, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification of this Agreement shall be established by conduct,

custom or course of dealing, but solely by an instrument in writing duly executed by the parties thereunto duly authorized by this Agreement.

8. Definitions. For the purpose of this Agreement, in addition to terms defined elsewhere herein (capitalized terms not otherwise defined below shall have the meanings provided in the Indenture), the following terms shall have the following meanings:

"A Drawing" shall have the meaning specified in the Letter of Credit which shall be a drawing in respect of the payment of the portion of the purchase price of Bonds corresponding to principal of such Bonds.

"B Drawing" shall have the meaning specified in the Letter of Credit which shall be a drawing in respect of the payment of principal of the Bonds.

"Business Day" shall mean a day on which the Bank and the Trustee are each open for the purpose of conducting a commercial banking business.

"C Drawing" shall have the meaning specified in the Letter of Credit which shall be a drawing in respect of the payment of interest, or the portion of the purchase price of Bonds corresponding to interest, on the Bonds.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Corporate Affiliate" or "Affiliate" shall mean a Person other than a Subsidiary that, at any time such a determination is made, (i) directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with the Company, (ii) beneficially owns or holds five percent or more of any class of voting common stock of the Company, or (iii) five percent or more of any class of voting common stock (or in the case of a Person that is not a corporation, five percent or more of the equity interest) of which is beneficially owned or held by the Company. The term "control" shall mean the possession of the power to direct or cause, directly or indirectly, the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Date of Issuance" shall mean the date of issuance and delivery of the Letter of Credit.

"Default" shall mean any event which with notice or lapse of time, or both, would become an Event of Default.

"Event of Default" shall have the meaning specified in Paragraph 7.

"Generally Accepted Accounting Principles" shall mean generally accepted accounting principles as defined by the Financial Accounting Standards Board as from time to time in effect that are consistently applied and, when used with respect to the Company or to Siemens Corporation (the wholly owning parent corporation of the Company), that are consistent with the accounting practice of the Company, reflected in the consolidated financial statements for Siemens Corporation, with such changes as may be approved by an independent public accountant satisfactory to the Bank.

"Guarantor" shall mean Siemens Aktiengesellschaft, a corporation organized and existing under the laws of the Federal Republic of Germany.

"Guaranty Agreement" shall mean the Guaranty Agreement dated as of the date hereof by and between the Guarantor and the Bank.

"Indenture of Trust" shall mean the Indenture of Trust dated as of the date hereof between the Issuer and the Trustee.

"Interest Component" shall have the meaning specified in Paragraph 1A.

"LIBO Rate" shall mean the rate per annum equal to the arithmetic mean (rounded upwards to the nearest whole multiple of 1/100th of 1%) of the offered rates which appear on the Reuters Screen LIBO page as of 11:00 A.M., London, England time, on the Business Day next preceding the date on which interest shall begin accruing under this Agreement, for deposit in dollars in immediately available funds, in an amount approximately equal to the amount of the Bonds deemed purchased hereunder and for a period of one hundred eighty (180) days. If less than two such rates appear on the Reuters Screen LIBO page at 11:00 A.M., London, England time on such date, then the LIBO rate shall be the rate per annum (rounded upwards to the nearest whole multiple of 1/100th of 1%) equal to the rate at which deposits in dollars in immediately available funds, in an amount approximately equal to the amount of Bonds deemed purchased and for a period of one hundred eighty (180) days are offered to Trust Company Bank in the London interbank market at approximately 11:00 A.M., London, England time (or as soon thereafter as practicable) on such date.

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind or description and shall include, without limitation, any agreement to give any of the

foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof including any lease or similar arrangement with a public authority executed in connection with the issuance of industrial development revenue bonds or pollution control revenue bonds, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction.

"Loan Agreement" shall mean the Loan Agreement dated as of the date hereof between the Issuer and the Company.

"Operative Documents" shall have the meaning specified in Paragraph 3A hereof.

"Person" shall mean an individual, corporation, partnership, joint venture, trust, unincorporated organization or any other juridical entity, or a foreign state or any agency or political subdivision thereof.

"Prime Rate" shall mean the rate of interest per annum designated from time to time by Trust Company Bank at its principal office in Atlanta, Georgia, to be its prime rate.

"Principal Component" shall have the meaning specified in Paragraph 1A.

"Project" shall have the meaning provided for in the Loan Agreement.

"Remarketing Agreement" shall mean the Remarketing Agreement dated as of the date hereof among the Company and the Remarketing Agent, as defined in the Indenture.

"Stated Amount" shall have the meaning specified in the Letter of Credit.

"Subsidiary" shall mean any corporation, regardless of its jurisdiction of incorporation, a majority of the total combined voting power of all classes of stock entitled to vote of which shall be owned, at the time as of which any determination is made, by the Company or a Subsidiary either directly or indirectly.

"Substantial Stockholder" shall mean (i) any Person owning, beneficially or of record, directly or indirectly, either individually or together with all other Persons to whom such Person is related by blood, adoption or marriage, stock of the Company (of any class having ordinary voting power for the election of directors) aggregating 5% or more of such voting power, or (ii) any Person related by blood, adoption or marriage

to any Person described or coming within the provisions of clause (i).

"Tender Agent" shall have the meaning specified in the Indenture.

"Tender Agent Agreement" shall mean the Tender Agent Agreement dated as of the date hereof among the Company, the Trustee and the Tender Agent.

"Termination Date" shall mean the date the Letter of Credit expires in accordance with its terms.

9. Nature of Bank's Duties; Indemnification. As between the Company and the Bank, the Company shall assume all risks of the acts, omissions or misuse of the Letter of Credit by the Trustee. The Bank shall not be responsible: (i) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of the Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign the Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) for failure of the Trustee to comply fully with conditions required in order to draw upon the Letter of Credit; (iv) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex, or otherwise, whether or not they be in cipher; (v) for errors in interpretation of technical terms; (vi) for any loss or delay in the transmission or otherwise of any document or draft required in order to make a draw under the Letter of Credit or of proceeds thereof; and (vii) for any consequences arising from causes beyond the control of the Bank. None of the above shall affect, impair, or prevent the vesting of any of the Bank's rights or powers hereunder.

In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by the Bank, under or in connection with the Letter of Credit or the related drafts or document(s), if taken or omitted in good faith, shall be binding upon the Company and shall not put the Bank under any resulting liability to the Company.

The Company hereby agrees at all times to protect, indemnify and save harmless the Bank from and against any and all claims, actions, suits and other legal proceedings, and from and against any and all losses, claims, demands, liabilities, damages, costs, charges, counsel fees and other expenses which the Bank may, at

any time, sustain or incur by reason of or in consequence of or arising out of (i) the issuance of the Letter of Credit, (ii) any breach by any party of any warranty, covenant, term or condition in, or the occurrence of any default under, this Agreement, any other Operative Document or the Bonds, together with all reasonable expenses resulting from the compromise or defense of any claims or liabilities arising as a result of any such breach or default, and (iii) defense against any legal action commenced to challenge the validity of any of the above referred to instruments; it being the intention of the parties that this Agreement shall be construed and applied to protect and indemnify the Bank against any and all risks involved in the issuance of the Letter of Credit, all of which risks are hereby assumed by the Company including, without limitation, any and all risks of the acts or omissions, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority (all such acts and omissions, herein called "Government Acts"). The Bank shall not, in any way, be liable for any failure by the Bank or anyone else to pay any draft under the Letter of Credit as a result of any Government Acts or any other cause beyond the control of the Bank. The obligations of the Company under this Paragraph 9 shall survive the payment of the Bonds and the termination of this Agreement.

In case any action shall be brought against the Bank based upon any of the above and in respect of which indemnity may be sought against the Company, the Bank shall promptly notify the Company in writing, enclosing a copy of all papers served, but the omission so to notify the Company of any such action shall not relieve it of any liability which it may have to the Bank otherwise than under this Section. In case any such action shall be brought against the Bank and it shall notify the Company of the commencement thereof, the Company shall be entitled to participate in and, to the extent that it shall wish, to assume the defense thereof with counsel reasonably satisfactory to the Bank. The Bank shall have the right to employ its own counsel in any such action but the fees and expenses of such counsel shall be at the expense of Bank unless (i) the employment of counsel by Bank has been authorized by the Company, (ii) the Bank shall have reasonably concluded, based upon an opinion of counsel reasonably satisfactory to the Company, that there may be a conflict of interest between the Company, as the case may be, and the Bank in the conduct of the defense of such action (in which case the Company shall not have the right to direct the defense of such action on behalf of the Bank, it being understood, however, that the Company shall not be liable for the fees and expenses of more than one separate counsel for all Indemnified Parties), or (iii) the Company shall not in fact have employed counsel reasonably satisfactory to the Bank to assume the defense of such action.

The Company shall not be liable for any settlement of any action or claim effected without its consent.

Notwithstanding anything to the contrary contained in this Paragraph 9, the Company shall not have any obligation to indemnify the Bank in respect of any liability incurred by the Bank arising out of the negligence or willful misconduct of the Bank or out of the wrongful dishonor by the Bank of a proper demand for payment made under the Letter of Credit.

10. Miscellaneous.

10A. Amendments. This Agreement may be amended (but, only by a written instrument signed by both parties), and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, if the Company shall obtain the written consent of the Bank. No course of dealing between the Company and the Bank, nor any delay in exercising any rights hereunder shall operate as a waiver of any rights of the Bank hereunder.

10B. Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by the Company in connection herewith shall survive the execution and delivery of this Agreement, regardless of any investigation made by the Bank or on its behalf.

10C. Expenses. The Company hereby agrees to pay promptly all costs and expenses in connection with the preparation, issuance, delivery, filing, recording and administration of the Letter of Credit, this Agreement, the other Operative Documents, the Bonds and any other documents which may be delivered in connection with this Agreement, including, without limitation, the reasonable fees and expenses of King & Spalding, counsel for the Bank, and all costs and expenses (including reasonable counsel fees and expenses) in connection with (i) the transfer, drawing upon, change in terms, maintenance, renewal or cancellation of the Letter of Credit, (ii) any and all amounts which the Bank has paid relative to the Bank's curing of any Event of Default resulting from the acts or omissions of the Company under this Agreement, any other Operative Document or the Bonds, (iii) the enforcement of this Agreement or any other Operative Document, or (iv) any action or proceeding relating to a court order, injunction or other process or decree restraining or seeking to restrain the Bank from paying any amount under the Letter of Credit. In addition, the Company hereby agrees to pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of the Letter of Credit, this Agreement, any other Operative Document or the Bonds, or any other documents which may be delivered in

connection with this Agreement, and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. Notwithstanding the foregoing, no payment shall be required under this Paragraph 10C in respect of any cost or expense the Bank has incurred because of its negligence or willful misconduct.

10D. Set-off. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, during the continuance of any Event of Default hereunder the Bank is hereby authorized at any time and from time to time, without notice to the Company or to any other person or entity, any such notice being hereby expressly waived, to set-off and to appropriate and apply any and all deposits (general or special) and any other indebtedness at any time held or owing by the Bank to or for the credit or the account of the Company against and on account of the obligations and liabilities of the Company to the Bank under this Agreement, irrespective of whether or not the Bank shall have made any demand hereunder and although said obligations, liabilities or claims, or any of them, shall be contingent or unmatured.

10E. Notices. All communications provided for hereunder shall be delivered as provided in the Indenture of Trust.

10F. Satisfaction Requirement. If any agreement, certificate or other writing, or any action taken or to be taken, is by the terms of this Agreement required to be satisfactory to the Bank, the determination of such satisfaction shall be made by the Bank in its sole and exclusive judgment exercised in good faith.

10G. Binding Effect; Assignment. This Agreement is a continuing obligation and shall (i) be binding upon the Company and its respective successors, transferees and assigns and (ii) inure to the benefit of and be enforceable by the Bank and its successors, transferees and assigns; provided, however, that the Company may not assign all or any part of this Agreement without the prior written consent of the Bank. The Bank may assign, negotiate, pledge or otherwise hypothecate all or any portion of this Agreement, or grant participations herein, in the Letter of Credit or in any of its rights or security hereunder, including, without limitation, the instruments securing the Company's obligations hereunder. No such assignment or participation by the Bank, however, will relieve the Bank of its obligation under the Letter of Credit. In connection with any assignment or participation, the Bank may disclose to the proposed assignee or participant any information that the Company is required to deliver to the Bank pursuant to this Agreement.

10H. Governing Law. This Agreement is being delivered and is intended to be performed in the State of Georgia, and shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of such State.

10I. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective duly authorized officers as of the day and year first above written.

SIEMENS ENERGY & AUTOMATION, INC.

By: _____
Title:

(CORPORATE SEAL)

Attest:

By: _____
Title:

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

TRUST COMPANY BANK

By: _____
Title:

By: _____
Title:

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

EXHIBIT

SEP 5 1989

NO. 1

ANNEX I

STATE BUDGET & CONTROL BOARD IRREVOCABLE LETTER OF CREDIT

TRUST COMPANY BANK
25 Park Place
Atlanta, Georgia 30303

September __, 1989

IRREVOCABLE LETTER OF CREDIT NO. _____

Trust Company Bank,
as Trustee
58 Edgewood Avenue
Room 235A
Atlanta, Georgia 30303

Attention: Corporate Trust Department

At the request and on the instructions of our customer, Siemens Energy & Automation, Inc., a Delaware corporation (the "Company") we hereby establish in your favor, as Trustee under the Indenture of Trust, dated as of August 1, 1989 (the "Indenture") between Spartanburg County, South Carolina (the "Issuer") and you pursuant to which \$6,500,000 in aggregate principal amount of the Issuer's Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989 (the "Bonds") are being issued, this Irrevocable Letter of Credit in the initial amount of \$6,629,097 (hereinafter, as reduced from time to time in accordance with the provisions hereof, the "Stated Amount") of which (i) an amount not exceeding \$6,500,000 (as reduced from time to time in accordance with the terms hereof (the "Principal Component"), may be drawn upon with respect to payment of the unpaid principal amount or the portion of Purchase Price corresponding to principal of the Bonds, and (ii) an amount not exceeding \$129,097 (as reduced from time to time in accordance with the terms hereof, the "Interest Component") may be drawn upon with respect to payment of interest accrued or the portion of Purchase Price corresponding to interest accrued on the Bonds on or prior to their stated maturity date, effective immediately and expiring on September 15, 1994 unless terminated earlier in accordance with the provisions hereof or unless otherwise renewed or extended. All drawings under this Letter of Credit will be paid with our own funds.

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Funds under this Letter of Credit will be made available to you against receipt by us of the following items at the time required below, in each case accompanied by a photocopy of this Letter of Credit: (A) if the drawing is being made with respect to the payment of the portion of the Purchase Price of Bonds delivered to the Tender Agent (as defined in the Indenture) pursuant to Section 2.02(c)(ii), 4.01, 4.02 or 4.06 of the Indenture, corresponding to the principal thereof (an "A Drawing"), (i) receipt by us of Bonds ("Pledged Bonds") in an aggregate outstanding principal amount equal to the total amount specified in your certificate referred to in clause (iii) below, (ii) receipt by us of any and all due bills for interest due on the next succeeding interest payment date delivered pursuant to Section 4.06 of the Indenture in respect of such Pledged Bonds and (iii) receipt by us of your written certificate in the form of Exhibit A attached hereto appropriately completed and signed by an Authorized Officer; (B) if the drawing is being made with respect to the payment of principal of the Bonds (a "B Drawing"), receipt by us of your written certificate in the form of Exhibit B attached hereto appropriately completed and signed by an Authorized Officer; and (C) if the drawing is being made with respect to the payment of interest, or the portion of Purchase Price corresponding to interest, on the Bonds (a "C Drawing"), receipt by us of your written certificate in the form of Exhibit C attached hereto appropriately completed and signed by an Authorized Officer. Presentation of such certificate(s), Pledged Bonds and due bills shall be made at our office located at Trust Company Bank, 10th Floor, 25 Park Place, Atlanta, Georgia 30303, Attention: International Department, or at any other office which may be designated by us by written notice delivered to you.

If a drawing is made by you hereunder at or prior to 4:00 P.M., New York City time, on a business day, and provided that the requirement set forth above has been strictly satisfied and that such drawing and the documents and other items presented in connection therewith conform to the terms and conditions hereof, payment shall be made to you, or to your designee, of the amount specified in immediately available funds, not later than 12:00 Noon, New York City time, on the next succeeding business day or not later than 12:00 Noon, New York City time, on such later business day as you may specify. If requested by you, payment under this Letter of Credit will be made by deposit of immediately available funds into a designated account that you maintain with us. If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice that the demand for payment was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons therefor and that we will upon your instructions hold any documents at your disposal or return the same to you. Upon being

notified that the demand for payment was not effected in conformity with this Letter of Credit, you may attempt to correct any such non-conforming demand for payment to the extent that you are entitled to do so.

Demands for payment hereunder honored by us shall not, in the aggregate, exceed the Stated Amount, as the Stated Amount may have been reinstated by us as provided in the next paragraph. Subject to the preceding sentence, each "A Drawing" and each "B Drawing" honored by the Bank hereunder shall pro tanto reduce the Principal Component, and each "C Drawing" honored by the Bank hereunder shall pro tanto reduce the Interest Component; any such reduction shall result in a corresponding reduction in the Stated Amount, it being understood that after the effectiveness of any such reduction you shall no longer have any right to make a drawing hereunder in respect of the amount of such principal and/or interest on the Bonds or the payment of Purchase Price corresponding thereto.

Upon release by us of any Pledged Bonds, the Principal Component shall be reinstated automatically by an amount of such Pledged Bonds. In addition, (i) if you shall not have received, within ten business days after any payment in respect of a "C Drawing", written notice from us that an Event of Default under the Letter of Credit Agreement dated as of August 1, 1989 by and between the Company and us has occurred and is continuing, the Interest Component shall be reinstated automatically, as of the close of business on such tenth business day (unless the Interest Component previously has been reinstated with respect to such "C Drawing"), by the amount of such "C Drawing" and (ii) upon the release by us of any Pledged Bonds, the Interest Component shall be reinstated automatically by the amount of the "C Drawing" made to pay the portion of the Purchase Price corresponding to interest on such Pledged Bonds (unless the Interest Component previously has been reinstated with respect to such "C Drawing"); provided, however, that in no event shall the Interest Component be reinstated to an amount in excess of 55 days' interest (such amount computed as set forth in the second next succeeding paragraph) on the sum of the then applicable Principal Component plus the aggregate principal amount of any Pledged Bonds.

Only you or your successor as Trustee may make a drawing under this Letter of Credit. Upon the payment to you, to your designee or to your account of the amount demanded hereunder, we shall be fully discharged on our obligation under this Letter of Credit with respect to such demand for payment and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such demand for payment to you or any other person who may have made to you or makes to you a demand for payment of principal of, Purchase Price of, or interest on,

any Bond. By paying to you an amount demanded in accordance herewith, we make no representation as to the correctness of the amount demanded.

This Letter of Credit applies only to the payment of principal or the portion of Purchase Price of the Bonds corresponding to principal, and up to 55 days' interest accruing on the Bonds (computed at a rate of 13% per annum), from the Date of Issuance through the Termination Date (computed on the basis of (a) actual days elapsed in a 365- or 366-day year, as the case may be, so long as the Interest Period is one week or one month in duration, and (b) a 360-day year comprised on twelve 30-day months, so long as the Interest Period is three months or six months in duration, and does not apply to any interest that may accrue thereon or any principal, premium or other amounts which may be payable with respect to the Bonds subsequent to the expiration of this Letter of Credit.

Upon the earliest of (i) the honoring by us of the final drawing available to be made hereunder, (ii) receipt of a certificate signed by an Authorized Officer and a duly authorized officer of the Company stating that: "(a) the conditions precedent to the acceptance of a Substitute Letter of Credit (as defined in the Indenture) have been satisfied, (b) the Trustee has accepted the Substitute Letter of Credit and (c) on the effective date of the Substitute Letter of Credit, and after receipt by Trust Company Bank of this certificate, Trust Company Bank Irrevocable Letter of Credit No. _____ shall terminate" (iii) receipt of a certificate signed by an Authorized Officer stating that no Bonds remain Outstanding (as defined in the Indenture), (iv) fifteen days after the Optional Conversion Date (as defined in the Indenture) and (v) the stated expiration date hereof, this Letter of Credit shall automatically terminate and be delivered to us for cancellation.

Communications with respect to this Letter of Credit shall be in writing and shall be addressed to us at Trust Company Bank, 10th Floor, 25 Park Place, Atlanta, Georgia 30303, Attention: International Department, specifically referring thereon to this Letter of Credit by number.

This Letter of Credit may not be transferred or assigned, either in whole or in part, except to a successor trustee properly appointed and qualified pursuant to Article X of the Indenture. We agree to issue a substitute letter of credit to any such successor trustee (and to successively replace any such substitute letter of credit) upon the return to us for cancellation of the original of the letter of credit to be replaced, accompanied by a request relating to such letter of credit, which (i) shall be substantially in the form of Exhibit D attached hereto with the

blanks appropriately completed, (ii) shall be signed by an Authorized Officer, (iii) shall specify where indicated therein the same letter of credit number as the number of the letter of credit to be replaced and (iv) shall state the name and address of the successor trustee. Each substitute letter of credit will be in substantially the form of this Letter of Credit except for the date and letter of credit number.

As used herein (a) "Authorized Officer" shall mean any person signing as one of your Vice Presidents, Assistant Vice Presidents, Trust Officers or Assistant Trust Officers; (b) "Purchase Price" shall mean the principal amount of any Bonds to be purchased in accordance with Section 2.02(c)(ii), 4.01 or 4.02 of the Indenture, and shall mean the principal amount of, together with accrued interest on, any Bonds to be purchased in accordance with Section 4.06 of the Indenture; and (c) "business day" shall mean any day on which we are open for the purpose of conducting a commercial banking business.

This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds), except only the certificate(s) referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such certificate(s).

This credit is subject to the Uniform Customs and Practice for Documentary Credits (1983 Revision), International Chamber of Commerce, Publication No. 400 (the "Uniform Customs"). This Letter of Credit shall be deemed to be a contract made under the laws of the State of Georgia and shall, as to matters not governed by the Uniform Customs, be governed by and construed in accordance with the laws of such State.

Very truly yours,

TRUST COMPANY BANK

By: _____
Title: _____

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

By: _____
Title: _____

EXHIBIT

SEP 5 1989 NO. 1

EXHIBIT A

STATE BUDGET & CONTROL BOARD

CERTIFICATE FOR "A DRAWING"

[Date]

Trust Company Bank
10th Floor
25 Park Place
Atlanta, Georgia 30303

Attention: International Department

Re: Irrevocable Letter of Credit No. _____

The undersigned, a duly authorized officer of Trust Company Bank (the "Trustee"), hereby certifies to Trust Company Bank (the "Bank") that:

(1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(2) The Trustee is making a drawing under the above-referenced Letter of Credit in the amount of \$ _____ with respect to payment of the portion of the purchase price of Bonds corresponding to the principal amount thereof, which Bonds are to be purchased pursuant to Section [2.02(c)(ii)] or [4.01] or [4.02] or [4.06] of the Indenture.

(3) The amount demanded hereby does not exceed the amount available on the date hereof to be drawn under the above-referenced Letter of Credit in respect of the portion of the Purchase Price of Bonds corresponding to the principal amount thereof.

(4) The amount demanded hereby does not include any amount in respect of the purchase of any Pledged Bonds.

(5) Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the principal amount owing on account of the purchase of Bonds pursuant to the Indenture, (b) no portion of said amount shall be applied by the undersigned for any other purpose and (c) no portion of said amount shall be commingled with other funds held by the undersigned.

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As used herein, the terms "Indenture", "Bonds", "Pledged Bonds" and "Purchase Price" shall have the respective meanings assigned to such terms in the above-referenced Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, ____.

TRUST COMPANY BANK,
as Trustee

By: _____
Title:

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

EXHIBIT

SEP 5 1989

NO. 1

EXHIBIT B

STATE BUDGET & CONTROL BOARD CERTIFICATE FOR "B DRAWING"

[Date]

Trust Company Bank
10th Floor
25 Park Place
Atlanta, Georgia 30303

Attention: International Department

Re: Irrevocable Letter of Credit No. _____

The undersigned, a duly authorized officer of Trust Company Bank (the "Trustee"), hereby certifies to Trust Company Bank (the "Bank") that:

(1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(2) The Trustee is making a drawing under the above-referenced Letter of Credit in the amount of \$_____ with respect to the payment of principal of the Bonds, which amount has, or will, within five business days, become due and payable pursuant to the Indenture, upon maturity or as a result of acceleration or redemption of the Bonds.

(3) The amount demanded hereby does not include any amount in respect of the principal amount of any Pledged Bonds.

(4) The amount demanded hereby, together with the aggregate of all prior payments made pursuant to "B Drawings" under the above-referenced Letter of Credit, does not exceed \$6,500,000.

(5) The amount demanded hereby does not exceed the amount available on the date hereof to be drawn under the above-referenced Letter of Credit in respect of the principal of the Bonds.

(6) Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the principal amount owing on account of the Bonds pursuant to the Indenture,

C1975

(b) no portion of said amount shall be applied by the undersigned for any other purpose and (c) no portion of said amount shall be commingled with other funds held by the undersigned.

As used herein, the terms "Indenture", "Bonds", "business day", "B Drawing" and "Pledged Bonds", shall have the respective meanings assigned to such terms in the above-referenced Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____, ____.

TRUST COMPANY BANK,
as Trustee

By _____
Title:

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

EXHIBIT

SEP 5 1989 NO. 1

EXHIBIT C

STATE BUDGET & CONTROL BOARD

CERTIFICATE FOR "C DRAWING"

[Date]

Trust Company Bank
10th Floor
25 Park Place
Atlanta, Georgia 30303

Attention: International Department

Re: Irrevocable Letter of Credit No. _____

The undersigned, a duly authorized officer of Trust Company Bank (the "Trustee"), hereby certifies to Trust Company Bank (the "Bank") that:

(1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(2) The Trustee is making a drawing under the above-referenced Letter of Credit in the amount of \$_____ with respect to payment of [the portion of the purchase price of \$_____ in principal amount of the Bonds corresponding to the accrued interest thereon, which Bonds are to be purchased pursuant to Section 4.06 of the Indenture] [interest on the Bonds, which amount has accrued and become due and payable pursuant to the Indenture, upon a stated interest payment date or as a result of acceleration or redemption of the Bonds]¹ [interest on the Bonds, which has accrued or will accrue during the calendar month for which this drawing is being submitted, less, with respect to the final drawing of the Interest period (as defined in the Indenture), investment earnings (if any) on any previous amounts drawn under the Letter of Credit, which investment earnings are on deposit in the Letter of Credit Account of the Bond Fund]².

¹ For use when Interest Period (as defined in Indenture) is seven days or one month in duration.

² For use when Interest Period is three months or six months in duration.

61977

(3) The amount demanded hereby does not exceed the amount available on the date hereof to be drawn under the above-referenced Letter of Credit in respect of interest on the Bonds.

(4) The amount demanded hereby does not include any amount in respect of the interest on any Pledged Bonds.

(5) Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the [interest owing on account of the Bonds pursuant to the Indenture] [portion of the Purchase Price of Bonds pursuant to Section 4.06 of the Indenture corresponding to accrued interest thereon], (b) no portion of said amount shall be applied by the undersigned for any other purpose and (c) no portion of said amount shall be commingled with other funds held by the undersigned.

As used hereby, the terms "Indenture", "bonds", "business day", "Pledged Bonds" and "Purchase Price" shall have the respective meanings assigned to such terms in the above-referenced Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____, ____.

TRUST COMPANY BANK,
as Trustee

By: _____
Title:

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

01978

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

EXHIBIT D

INSTRUCTION TO ISSUE SUBSTITUTE LETTER OF CREDIT

[Date]

Trust Company Bank
10th Floor
25 Park Place
Atlanta, Georgia 30303

Attention: International Department

Re: Irrevocable Letter of Credit No. _____

Gentlemen:

Reference is made to (i) the above-referenced letter of credit (the "Old Letter of Credit") and (ii) the Indenture of Trust dated as of August 1, 1989 (the "Indenture") between Spartanburg County, South Carolina and us.

[Name and address of successor trustee] (the "Successor Trustee") has been appointed successor trustee under the Indenture. You are hereby requested to issue, in accordance with the terms of the Old Letter of Credit, a new letter of credit to the Successor Trustee having the same terms and providing for the same Stated Amount as the Old Letter of Credit.

We submit herewith for cancellation the original of the Old Letter of Credit.

The individual signing below on our behalf hereby represents that he or she is duly authorized to so sign on our behalf.

Very truly yours,

TRUST COMPANY BANK,
as Trustee

By _____
Title:

C1979

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD
ANNEX II

PLEDGE AND SECURITY AGREEMENT dated as of August 1, 1989 and made by Siemens Energy & Automation, Inc., a Delaware corporation (the "Pledgor"), to Trust Company Bank (the "Bank") pursuant to the Letter of Credit Agreement dated as of August 1, 1989 between the Pledgor and the Bank (hereinafter, as the same may from time to time be amended or supplemented, called the "Letter of Credit Agreement");

W I T N E S S E T H :

WHEREAS, Spartanburg County, South Carolina (the "Issuer") has agreed with the Pledgor to issue its Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989 (the "Bonds") under the Indenture of Trust dated as of August 1, 1989 (the "Indenture") from the Issuer to Trust Company Bank, as trustee (in such capacity, the "Trustee"); and

WHEREAS, the Indenture requires the Trustee to purchase Bonds under certain circumstances as set forth in Sections 2.02(c)(ii), 4.01, 4.02 and 4.06 of the Indenture (the "Purchased Bonds") from the holders thereof;

WHEREAS, in connection with the issuance of the Bonds the Pledgor has entered into the Letter of Credit Agreement in order to cause the Bank to issue the Letter of Credit thereunder which may be used, inter alia, to pay the purchase price of the Purchased Bonds (to the extent moneys drawn under the Letter of Credit are used to purchase Purchased Bonds, such Purchased Bonds are hereinafter referred to as "Pledged Bonds"); and

WHEREAS, it is a condition precedent to the obligation of the Bank to enter into the Letter of Credit Agreement that the Pledgor shall have executed and delivered this Pledge Agreement to the Bank;

NOW, THEREFORE, in consideration of the premises and in order to induce the Bank to enter into the Letter of Credit Agreement and issue the Letter of Credit thereunder and for other good and valuable consideration, receipt of which is hereby acknowledged, the Pledgor hereby agrees with the Bank as follows:

1. Defined Terms. Unless otherwise defined herein, terms defined in the Letter of Credit Agreement shall have such defined meanings when used herein.

C1980

2. Pledge. The Pledgor hereby pledges, assigns, hypothecates, transfers, and delivers to the Bank all its right, title and interest to the Pledged Bonds as the same may be from time to time delivered to the Trustee by the holders thereof and hereby grants to the Bank a first lien on, and security interest in, its right, title and interest in and to the Pledged Bonds, the interest thereon and all proceeds thereof, as collateral security for the prompt and complete payment when due of all amounts due in respect of the obligations of the Pledgor set forth in Paragraph 2A of the Letter of Credit Agreement (the "Obligations").

3. Payments on the Bonds. If, while this Pledge Agreement is in effect, the Pledgor shall become entitled to receive or shall receive any principal or interest payment in respect of the Pledged Bonds, the Pledgor agrees to accept the same as the Bank's agent and to hold the same in trust on behalf of the Bank and to deliver the same forthwith to the Bank. All sums of money so paid in respect of the Pledged Bonds which are received by the Pledgor and paid to the Bank shall be credited against the obligations of the Pledgor to the Bank in the manner set forth in Paragraph 2D of the Letter of Credit Agreement. So long as no Default or Event of Default has occurred and is continuing, any amounts received by the Bank in respect of the stated interest on any Pledged Bonds in excess of the amounts then owing the Bank pursuant to Paragraph 2A(i)(2) of the Letter of Credit Agreement shall be remitted to the Pledgor.

4. Collateral. All property at any time pledged with the Bank hereunder (whether described herein or not) and all income therefrom and proceeds thereof, are herein collectively sometimes called the "Collateral".

5. Release of Pledged Bonds. If the Pledgor makes or causes to be made to the Bank a prepayment in respect of its reimbursement obligation under Paragraph 2A(i) of the Letter of Credit Agreement pursuant to clause (i) of Paragraph 2B thereof or such a prepayment is made on behalf of the Pledgor pursuant to clause (ii) of Paragraph 2B thereof, the Bank agrees to release from the lien of this Pledge Agreement and deliver to the Pledgor or the Trustee for resale in accordance with Section 4.09 of the Indenture, as the case may be, Pledged Bonds in a principal amount equal to the amount of the prepayment so made or to the principal amount of Pledged Bonds so purchased. Notwithstanding the foregoing, no prepayment of amounts owing to the Bank pursuant to Paragraph 2A(i) may be made, and no Pledged Bonds shall be released during the period commencing two Business Days prior to an interest payment date with respect to the Bonds and ending on such interest payment date.

6. Rights of the Bank. The Bank shall not be liable for failure to collect or realize upon the Obligations or any collateral security or guarantee therefor, or any part thereof, or for any delay in so doing nor shall it be under any obligation to take any action whatsoever with regard thereto. If an Event of Default has occurred and is continuing, the Bank may thereafter, without notice, exercise all rights, privileges or options pertaining to any Pledged Bonds as if it were the absolute owner thereof, upon such terms and conditions as it may determine, all without liability except to account for property actually received by it, but the Bank shall have no duty to exercise any of the aforesaid rights, privileges or options and shall not be responsible for any failure to do so or delay in so doing.

7. Remedies. In the event that any portion of the Obligations has been declared due and payable pursuant to the Letter of Credit Agreement, the Bank, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon the Pledgor or any other person (all and each of which demands, advertisements and/or notices are hereby expressly waived), may forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, assign, give option or options to purchase, contract to sell or otherwise dispose of and deliver said Collateral, or any part thereof, in one or more parcels at public or private sale or sales, at any exchange, broker's board or at any of the Bank's offices or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk, with the right to the Bank upon any such sale or sales, public or private, to purchase the whole or any part of said Collateral so sold, free of any right or equity of redemption in the Pledgor, which right or equity is hereby expressly waived or released. The Bank shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care, safekeeping or otherwise of any and all of the Collateral or in any way relating to the rights of the Bank hereunder, including reasonable attorney's fees and legal expenses, to the payment, in whole or in part, of the Obligations in such order as the Bank may elect, the Pledgor remaining liable for any deficiency remaining unpaid after such application, and only after so applying such net proceeds and after the payment by the Bank of any other amount required to be paid by any provision of law, including, without limitation, Section 9-504(1)(c) of the Uniform Commercial Code, need the Bank account for the surplus, if any, to the Pledgor. The Pledgor agrees that the Bank need not give more than ten days' notice of

the time and place of any public sale or of the time after which a private sale or other intended disposition is to take place and that such notice is reasonable notification of such matters. No notification need be given to the Pledgor if it has signed after default a statement renouncing or modifying any right to notification of sale or other intended disposition. In addition to the rights and remedies granted to it in this Pledge Agreement and in any other instrument or agreement securing, evidencing or relating to any of the Obligations, the Bank shall have all the rights and remedies of a secured party under the Uniform Commercial Code of the State of Georgia. The Pledgor shall be liable for the deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay all amounts to which the Bank is entitled, and the fees of any attorneys employed by the Bank to collect such deficiency.

8. Representations, Warranties and Covenants of the Pledgor. The Pledgor represents and warrants that: (a) on the date of delivery to the Bank of any Pledged Bonds described herein, neither the Issuer, the Remarketing Agent (as defined in the Indenture) nor the Trustee will have any right, title or interest in and to the Pledged Bonds; (b) it has, and on the date of delivery to the Bank of any Pledged Bonds will have, full power, authority and legal right to pledge all of its right, title and interest in and to the Pledged Bonds pursuant to this Pledge Agreement; (c) this Pledge Agreement has been duly authorized, executed and delivered by the Pledgor and constitutes a legal, valid and binding obligation of the Pledgor enforceable in accordance with its terms, except that the enforceability thereof may be subject to (i) the exercise of judicial discretion in accordance with general principles of equity, and (ii) bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable; (d) no consent of any other party (including, without limitation, creditors of the Pledgor) and no consent, license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority, domestic or foreign (other than the filing thereof with the Issuer), is required to be obtained by the Pledgor in connection with the execution, delivery or performance of this Pledge Agreement; (e) the execution, delivery and performance of this Pledge Agreement will not violate any provision of any applicable law or regulation or of any order, judgment, writ, award or decree of any court, arbitrator or governmental authority, domestic or foreign, or of any mortgage, indenture, lease, contract, or other agreement, instrument or undertaking to which the Pledgor is a party or which purports to be binding upon the Pledgor or upon its assets and will not result in the creation or imposition of any lien, charge or encumbrance on or security interest in any of the assets of the Pledgor except

as contemplated by this Pledge Agreement; and (f) the pledge, assignment and delivery of such Pledged Bonds pursuant to this Pledge Agreement will create a lien on and a security interest in, all right, title or interest of the Pledgor in or to such Pledged Bonds, and the proceeds thereof, subject to no prior pledge, lien, mortgage, hypothecation, security interest, charge, option or encumbrance or to any agreement purporting to grant to any third party a security interest in the property or assets of the Pledgor which would include the Pledged Bonds. The Pledgor covenants and agrees that it will defend the Bank's right, title and security interest in and to the Pledged Bonds and the proceeds thereof against the claims and demands of all persons whomsoever; and covenants and agrees that it will have like title to and right to pledge any other property at any time hereafter pledged to the Bank as collateral hereunder and will likewise defend the Bank's right thereto and security interest therein.

9. No Disposition, etc. Without the prior written consent of the Bank, the Pledgor agrees that it will not sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Collateral, nor will it create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance with respect to any of the Collateral, or any interest therein, or any proceeds thereof, except for the lien and security interest provided for by this Agreement and sale of the Pledged Bonds pursuant to Section 4.09(b) of the Indenture.

10. Further Assurances. The Pledgor agrees that at any time and from time to time upon the written request of the Bank, the Pledgor will execute and deliver such further documents and do such further acts and things as the Bank may reasonably request in order to effect the purposes of this Agreement and to maintain the lien of this Agreement on the Pledged Bonds as a first lien.

11. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any such jurisdiction.

12. No Waiver; Remedies Cumulative. The Bank shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder and no waiver shall be valid unless in writing, signed by the Bank, and then only to the extent therein set forth. A waiver by the Bank of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Bank would otherwise have on any

future occasion. No failure to exercise nor any delay in exercising on the part of the Bank, any right, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights or remedies provided by law.

13. Waivers, Amendments; Applicable Law. None of the terms or provisions of this Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by the Bank and the Pledgor. This Agreement and all obligations of the Pledgor hereunder shall be binding upon the successors and assigns of the Pledgor, and shall, together with the rights and remedies of the Bank hereunder, inure to the benefit of the Bank and its successors and assigns. This Agreement shall be governed by, and be construed and interpreted in accordance with, the laws of the State of Georgia.

IN WITNESS WHEREOF, the Pledgor has caused this Agreement to be duly executed and delivered as of the day and year first above written.

SIEMENS ENERGY & AUTOMATION, INC.

(CORPORATE SEAL)

By: _____
Title: _____

Attest:

By: _____
Title: _____

LETTER OF CREDIT AGREEMENT

Dated as of August 1, 1989

By and Between

SIEMENS ENERGY & AUTOMATION, INC.,

and

TRUST COMPANY BANK

relating to

\$6,500,000

SPARTANBURG COUNTY, SOUTH CAROLINA
REFUNDING REVENUE BONDS

(SIEMENS ENERGY & AUTOMATION, INC. PROJECT),
SERIES 1989

EXHIBIT

SEP 5 1989

NO. 1

01986

STATE BUDGET & CONTROL BOARD

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

SPARTANBURG COUNTY, SOUTH CAROLINA

AND

TRUST COMPANY BANK
as Trustee

INDENTURE OF TRUST

Dated as of August 1, 1989

Relating to

\$6,500,000
Spartanburg County, South Carolina
Refunding Revenue Bonds
(Siemens Energy & Automation, Inc. Project)
Series 1989

This instrument was prepared by:

King & Spalding
2500 Trust Company Tower
Atlanta, Georgia 30303

Telephone: (404) 572-4600

01987

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST, dated as of August 1, 1989, between SPARTANBURG COUNTY, SOUTH CAROLINA (the "Issuer") and TRUST COMPANY BANK, a state banking corporation organized and existing under the laws of the State of Georgia (the "Trustee");

W I T N E S S E T H:

WHEREAS, the Issuer is empowered pursuant to Chapter 29 of Title 4 of the Codes of Laws of South Carolina, 1976, as amended (the "Act"), to issue its bonds for the purpose of refunding any of its bonds previously issued thereunder; and

WHEREAS, the Issuer has previously issued its \$6,500,000 in principal amount Spartanburg County, South Carolina Industrial Development Revenue Bonds (Siemens-Allis, Inc. Project), Series 1983 (the "Series 1983 Bonds") pursuant to an ordinance of the Issuer adopted November 23, 1983, to finance the cost of the acquisition of an existing industrial facility and the installation of an expansion thereto by the Company (as hereinafter defined) located within Spartanburg County, South Carolina; and

WHEREAS, the aggregate principal amount outstanding of the Series 1983 Bonds is \$6,500,000; and

WHEREAS, the Issuer proposes to refund the Series 1983 Bonds in furtherance of the public purpose for which the Issuer was created as provided in the Act by issuing its \$6,500,000 in principal amount Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989 (the "Bonds") pursuant to this Indenture; and

WHEREAS, the Issuer will lend the proceeds from the sale of the Bonds to Siemens Energy & Automation, Inc. (formerly Siemens-Allis, Inc.), a Delaware corporation (the "Company") pursuant to a Loan Agreement (the "Agreement") of even date herewith between the Issuer and the Company, to enable the Company to refund the Series 1983 Bonds; and

WHEREAS, it has been determined that the estimated amount necessary to refund the Series 1983 Bonds will require the issuance, sale and delivery of Bonds in the aggregate principal amount of \$6,500,000, as hereinafter provided; 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 Issuer

according to the import thereof, and to constitute this Indenture a valid assignment and pledge of the payments under the Agreement and the Note (except for amounts payable to the Issuer under Sections 4.2(b), 7.2 and 8.4 of the Agreement) for payment of the principal of, premium, if any, and interest on the Bonds, and to constitute this Indenture a valid assignment of the rights of the Issuer under the Agreement and the Note except as otherwise stated herein, have been done and performed, and the creation, execution and delivery of this Indenture, and the issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

GRANTING CLAUSES

That the Issuer, 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 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 consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect and to secure the performance and observance by the Issuer of all the covenants expressed herein and in the Bonds, does hereby assign and grant a security interest in the following to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the Issuer hereinafter set forth:

GRANTING CLAUSE FIRST

All right, title and interest of the Issuer in and to the Agreement and the Note, including, but not limited to, the present and continuing right to make claim for, collect, receive and receipt for any of the sums, amounts, income, revenues, issues and profits and any other sums of money payable or receivable under the Agreement and the Note (except for amounts payable to the Issuer under Sections 4.2(b), 7.2 and 8.4 thereof), to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Issuer is or may become entitled to do under the Agreement and the Note.

GRANTING CLAUSE SECOND

All right, title and interest of the Issuer in and to all moneys and securities from time to time held by the Trustee under the terms of this Indenture (except for moneys and securities held in the Rebate Fund).

GRANTING CLAUSE THIRD

Any and all other property rights and interests of every kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, pledged, hypothecated or otherwise subjected hereto, as and for additional security herewith, by the Company or any other person on its behalf or with its written consent or by the Issuer or any other person on its behalf or with its written consent, and the Trustee 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 and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in said trust and assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the Bonds, from time to time, issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds except in the case of funds held hereunder for the benefit of particular Owners of Bonds, and for the benefit of the Bank to the extent provided herein;

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns shall well and truly pay, or cause to be paid, the principal of, premium, if any, and interest on the Bonds due or to become due thereon, at the times and in the manner set forth in the Bonds according to the true intent and meaning thereof, and shall cause the payments to be made on the Bonds as required hereunder, or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee the entire amount due or to become due thereon, and shall well and truly cause to be kept, performed and observed all of its covenants and conditions pursuant to the terms of this Indenture, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon the final payment thereof this Indenture and the rights hereby granted shall cease, determine and be void, except to the extent specifically provided in Article VIII hereof; otherwise this Indenture shall remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said property, rights and interests, including, without limitation, the amounts payable under the Agreement and the Note and any other amounts hereby assigned and 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 herein expressed, and the Issuer has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the respective Owners of the Bonds as follows:

EXHIBIT

ARTICLE I.

SEP 5 1989

NO. 1

DEFINITIONS

STATE BUDGET & CONTROL BOARD

All capitalized, undefined terms used herein shall have the meanings assigned to such terms in Article I of the Agreement. In addition, the following words and phrases shall have the following meanings:

"Act" means Chapter 29 of Title 4 of the Code of Laws of South Carolina, 1976, as amended, and all future acts supplemental thereto and amendatory thereof.

"Act of Bankruptcy" means the filing of a petition in bankruptcy (or any other commencement of a bankruptcy or similar proceeding) by or against the Company or the Issuer under any applicable bankruptcy, insolvency, reorganization or similar law, now or hereafter in effect.

"Adjustable Rate" means the interest rate borne by the Bonds from the date of issuance and delivery thereof to (but not including) the Conversion Date, as said rate is determined in accordance with Section 2.02(c) hereof.

"Agreement" means the Loan Agreement dated as of this date between the Issuer and the Company, and any amendments and supplements thereto.

"Automatic Conversion Date" means the Interest Payment Date immediately preceding the Letter of Credit Termination Date.

"Available Moneys" means (a) with respect to any payment date occurring during the term of the Letter of Credit, (i) moneys drawn under the Letter of Credit, or (ii) moneys deposited into the General Account of the Bond Fund pursuant to Section 6.02(a) or 6.02(b) hereof or moneys deposited directly by the Company with the Trustee, in any such case, which moneys have been on deposit with the Trustee for at least 123 days during and prior to which no Act of Bankruptcy shall have occurred, or (iii) the proceeds of the sale of refunding obligations, if, in the opinion of nationally recognized counsel experienced in bankruptcy matters, the application of such moneys will not constitute a voidable preference in the event of the occurrence of an Act of Bankruptcy, or (iv) the proceeds from investment of moneys qualifying as Available Moneys under clause (i), (ii) or (iii) above, and (b) with respect to any payment date not occurring during the term of the Letter of Credit, any moneys held by the Trustee and the proceeds from the investment thereof. Notwithstanding the foregoing, when used with respect to payment of any amounts due in

respect of any Pledged Bonds, the term "Available Moneys" shall mean any moneys held by the Trustee and the proceeds from the investment thereof, except for moneys drawn under the Letter of Credit.

"Bank" means (i) Trust Company Bank, a state banking corporation organized and existing under the laws of the State of Georgia, and (ii) any Substitute Bank.

"Bond Counsel" means the firm of bond attorneys whose opinion is set forth on the Bonds, or their successors appointed by the Issuer. In the event the Trustee shall determine, in its sole discretion, that the Issuer has not appointed such successors, then the term "Bond Counsel" shall mean a firm of nationally recognized standing in the field of municipal finance law whose opinions are generally accepted by purchasers of public obligations.

"Bond Fund" means the fund created in Section 6.01 hereof, in which there is established a General Account, a Letter of Credit Account and a Remarketing Account.

"Bonds" means the Spartanburg County, South Carolina Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989 issued by the Issuer pursuant to this Indenture.

"Business Day" means a day on which the Bank, the principal corporate trust office of the Trustee and commercial banks located in Atlanta, Georgia are open for the purpose of conducting a commercial banking business.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, including, when appropriate, the statutory predecessor of the Code, and all applicable regulations thereunder whether proposed, temporary or final, including regulations issued and proposed pursuant to the statutory predecessor of the Code, and, in addition, all official rulings and judicial determinations applicable to the Bonds under the Code and under the statutory predecessor of the Code and any successor provisions to those Sections or regulations.

"Company" means (i) Siemens Energy & Automation, Inc. (formerly known as Siemens-Allis, Inc.), a Delaware corporation, and (ii) any surviving, resulting, or transferee entity as provided in Section 2.2 of the Agreement.

"Company Representative" means the person or persons at the time designated to act on behalf of the Company by written certificate furnished to the Issuer and the Trustee containing the specimen signatures of such person or persons and signed on behalf of the Company by its President or any Vice President. Such certificate may designate an alternate or alternates.

"Conversion Date" means the earlier to occur of either the Optional Conversion Date or the Automatic Conversion Date.

"Conversion Option" means the option granted to the Company in Section 4.01 hereof pursuant to which the interest rate on the Bonds is converted from the Adjustable Rate to the Fixed Rate as of the Optional Conversion Date.

"Credit Agreement" means (i) the Letter of Credit Agreement dated as of this date between the Company and Trust Company Bank, and any amendments and supplements thereto and (ii) the letter of credit agreement or reimbursement agreement between the Company and any Substitute Bank, and any amendments and supplements thereto.

"Default" means any Default under this Indenture as specified in and defined by Section 9.01 hereof.

"Demand Purchase Option" means the option granted to Owners of Bonds, while the Bonds bear interest at the Adjustable Rate, to require that Bonds be purchased prior to the Conversion Date pursuant to Section 4.06 hereof.

"First Optional Redemption Date" means the September 1 occurring in the year which is a number of years (carried to one decimal place) after the Conversion Date equal to the number of years (carried to one decimal place) between the September 1 immediately following the Conversion Date (unless the Conversion Date is September 1, in which case from such September 1) and November 10, 2003, multiplied by 1/2 and rounded up to the nearest whole number.

"Fixed Rate" means the interest rate in effect on the Bonds from and after the Conversion Date, as said rate is determined in accordance with Section 2.02(d) hereof.

"Government Obligations" means any of the following which are noncallable: direct general obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America.

"Indenture" means this Indenture of Trust, and any amendments or supplements hereto.

"Independent Counsel" means an attorney duly admitted to practice law before the highest court of any state and who is not a full-time employee, director, officer, or partner of the Issuer, the Company or the Guarantor.

"Interest Payment Date" means (i) so long as the Bonds bear interest at the Adjustable Rate, the Interest Payment Date

for each Interest Period shall be the first day of the next succeeding Interest Period; provided, that so long as the Interest Period is one week in duration, the term Interest Payment Date shall mean the first day of each calendar month, and (ii) so long as the Bonds bear interest at the Fixed Rate, March 1 and September 1 in each year, commencing on the March 1 or September 1 next succeeding the Conversion Date.

"Interest Period" means the period from the date of issuance and delivery of the Bonds to and including the next succeeding Tuesday (unless the Bonds are issued and delivered on a Tuesday, in which case the first Interest Period shall include only such Tuesday), and each period of one week's duration thereafter, commencing on Wednesday of each week and continuing through Tuesday of the following week. At the option of the Company, the duration of the Interest Period may be adjusted in accordance with the provisions of Section 2.02(c)(ii) hereof, in which event the term "Interest Period" shall mean (i) for any period of time of one week's duration, the period commencing Wednesday of each week and continuing through Tuesday of the following week, (ii) for any period of time of one month's duration, the period commencing on the first day of each calendar month and terminating on the last day of such month, (iii) for any period of time of three month's duration, the period commencing on the first day of the first calendar month and terminating on the last day of the third calendar month, and (iv) for any period of time of six month's duration, the period commencing on the first day of the first calendar month and terminating on the last day of the sixth calendar month. Under no circumstances shall the Interest Period exceed six months in duration. The duration of the Interest Period may be adjusted effective only on the day following the last day of the preceding Interest Period; provided, however, that an Interest Period of one week's duration may be adjusted to any other authorized duration only on the first day of each calendar month. In the event the duration of the Interest Period is to be adjusted from one week to another authorized duration pursuant to the provisions of Section 2.02(c)(ii) of this Indenture, and the expiration of the last Interest Period prior to the first calendar day of the month does not occur on the last day of a calendar month, then in such event the duration of such Interest Period shall be increased or decreased at the discretion of the Remarketing Agent, by not more than six (6) days, in order to cause the expiration of such Interest Period to occur on the last day of the calendar month.

"Issuer" means Spartanburg County, South Carolina, and its successors and assigns.

"Issuer Representative" means the person or persons at the time designated to act on behalf of the Issuer by written

certificate furnished to the Company and the Trustee containing the specimen signatures of such person or persons and signed on behalf of the Issuer by its duly authorized agent. Such certificate may designate an alternate or alternates.

"Letter of Credit" means (i) that certain letter of credit dated the date of issuance of the Bonds issued by the Bank and (ii) any Substitute Letter of Credit.

"Letter of Credit Termination Date" means the later of (i) that date upon which the Letter of Credit shall expire or terminate pursuant to its terms, or (ii) that date to which the expiration or termination of the Letter of Credit may be extended, from time to time, either by extension or renewal of the existing Letter of Credit or the issuance of a Substitute Letter of Credit.

"Maximum Interest Rate" means, so long as the Bonds bear interest at the Adjustable Rate, an interest rate per annum equal to the lesser of (i) the maximum rate permitted by law and (ii) 13%, and otherwise shall mean the maximum rate permitted by law.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Company, with the consent of the Bank, by written notice to the Trustee.

"Note" means the promissory note given by the Company pursuant to Section 4.1 of the Agreement, substantially in the form of Exhibit "A" attached thereto.

"Optional Conversion Date" means the Interest Payment Date on or after March 1, 1990, which shall be a Business Day, from and after which the interest rate on the Bonds is converted from the Adjustable Rate to the Fixed Rate as a result of the exercise by the Company of the Conversion Option.

"Outstanding" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered by the Trustee or the Tender Agent under this Indenture, except:

(a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds paid or deemed to be paid pursuant to Article VIII hereof;

(c) Bonds in lieu of which others have been authenticated under Section 2.07 or Section 2.08 hereof; and

(d) Bonds in lieu of which others have been issued pursuant to Section 2.04(c) hereof.

"Owner" means the person or persons in whose name or names a Bond shall be registered on the books of the Issuer kept for that purpose in accordance with provisions of this Indenture.

"Par" means one hundred percent (100%) of the principal amount of any Bond, or of the aggregate principal amount of the Bonds Outstanding, as the context may require, exclusive of accrued interest.

"Pledge Agreement" means the Pledge and Security Agreement dated as of this date made by the Company to the Bank, and any amendments or supplements thereto.

"Pledged Bonds" means any Bonds which shall, at the time of determination thereof, be held by the Bank pursuant to the Pledge Agreement.

"Preliminary Interest Rate" means the preliminary interest rate required to be determined by the Remarketing Agent upon any change in the duration of the Interest Period.

"Preliminary Rate Determination Date" means the fifteenth (15th) day next preceding the Rate Determination Date (or if such date is not a Business Day, then the Business Day immediately preceding such date).

"Purchase Price" means an amount equal to 100% of the principal amount of any Bond tendered or deemed tendered pursuant to Section 2.02(c)(ii), 4.01, 4.02 or 4.06 hereof, plus, in the case of purchase pursuant to Section 4.06 hereof, accrued and unpaid interest thereon to the date of purchase.

"Rate Determination Date" means the first day of each Interest Period that has a duration different from the preceding Interest Period, on which date the Remarketing Agent shall establish the Adjustable Rate for such Interest Period (or if such date is not a Business Day, then the Business Day immediately preceding such date).

"Rebate Fund" means the trust fund so designated and created pursuant to Section 6.10 hereof.

"Record Date" means (a) so long as the Bonds bear interest at the Adjustable Rate, that day which is the second (2nd) Business Day next preceding any Interest Payment Date, and (b) so long as the Bonds bear interest at the Fixed Rate, the fifteenth (15th) day of the month next preceding any Interest Payment Date.

"Remarketing Agent" means the Remarketing Agent acting as such under the Remarketing Agreement. "Principal Office" of the Remarketing Agent means the principal office of the Remarketing Agent designated in the Remarketing Agreement.

"Remarketing Agreement" means the Remarketing Agreement dated as of this date between the Company and Trust Company Bank or any successor Remarketing Agent, and any amendments or supplements thereto.

"Series 1983 Bonds" means \$6,500,000 in principal amount Spartanburg County, South Carolina Industrial Development Revenue Bonds (Siemens-Allis, Inc. Project), Series 1983 issued by the Issuer.

"State" means the State of South Carolina.

"S&P" means Standard & Poor's Corporation, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Company, with the consent of the Bank, by written notice to the Trustee.

"Substitute Bank" means a commercial bank or savings and loan association which has issued a Substitute Letter of Credit.

"Substitute Letter of Credit" means a letter of credit delivered to the Trustee, with the written consent of the Bank, in accordance with Section 4.4 of the Agreement (i) issued by the Bank or a Substitute Bank, (ii) replacing any existing Letter of Credit, (iii) dated as of a date prior to the expiration date of the Letter of Credit for which the same is to be substituted, (iv) which shall expire on a date which is 15 days after an Interest Payment Date for the Bonds and (v) issued on substantially identical terms and conditions as the then existing Letter of Credit, except that the Substitute Letter of Credit may expire on a date which is later than the expiration date of the Letter of Credit being replaced, and except that the stated amount of the Substitute Letter of Credit shall equal the sum of (A) the aggregate principal amount of Bonds at the time Outstanding, plus (B) an amount equal to at least 55 days' interest (computed at the Maximum Interest Rate, so long as the Bonds bear interest at the Adjustable Rate) on all Bonds at the time Outstanding.

"Tender Agent" means Trust Company Bank, a state banking corporation and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor Tender Agent at the

time serving as successor Tender Agent hereunder. "Delivery Office" of the Tender Agent means 58 Edgewood Avenue, Room 235A, Atlanta, Georgia 30303 Attention: Corporate Trust Department, or such other address as may be designated in writing to the Issuer, the Trustee, the Remarketing Agent and the Company. "Principal Office" of the Tender Agent means the address specified in Section 13.04 hereof or such other address as may be designated in writing to the Issuer, the Trustee, the Remarketing Agent and the Company.

"Tender Date" means (i) during any Interest Period of other than one week's duration, any Interest Payment Date, (ii) during any Interest Period of one week's duration, the seventh (7th) day (unless such day is not a Business Day, in which case the next Business Day) following receipt by the Tender Agent of notice from the Owner that such Owner has elected to tender bonds (as more fully described in Section 4.06 hereof), and (iii) the Conversion Date.

"Trustee" means Trust Company Bank, a state banking corporation organized and existing under the laws of the State of Georgia and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee hereunder. "Principal Office" of the Trustee means the address specified in Section 13.04 hereof or such other address as may be designated in writing to the Issuer, the Tender Agent, the Remarketing Agent and the Company.

"Trust Estate" means the property conveyed to the Trustee pursuant to the Granting Clauses hereof.

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

ARTICLE II.

THE BONDS

Section 2.01. Authorized Amount of Bonds. The total principal amount of Bonds that may be issued hereunder is hereby expressly limited to \$6,500,000.

Section 2.02. Issuance of Bonds.

(a) The Bonds shall be designated "\$6,500,000 Spartanburg County, South Carolina Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989." Prior to the Conversion Date, the Bonds shall be issuable as fully registered Bonds without coupons in the denomination of \$100,000, or any integral multiple of \$5,000 in excess thereof; provided that the Bonds may be issued in the denomination of \$5,000 or any integral multiple thereof if necessary to evidence the unredeemed portion of any Bond. From and after the Conversion Date, the Bonds shall be issuable as fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. Unless the Issuer shall otherwise direct, the Bonds shall be lettered "R" and shall be numbered consecutively from 1 upward.

(b) The Bonds shall be dated the date of initial authentication and delivery, and shall bear interest from such date, and thereafter from the Interest Payment Date next preceding the date of authentication thereof to which interest has been paid or duly provided for, unless the date of authentication thereof is an Interest Payment Date to which interest has been paid or duly provided for, in which case from the date of authentication thereof, or unless no interest has been paid or duly provided for on the Bonds, then from the date of the Bonds, at the rates per annum and on the dates set forth in this Indenture. Notwithstanding the foregoing, if any Bond is dated after any Record Date and before the following Interest Payment Date, such Bond shall bear interest from such following Interest Payment Date; provided, however, that if the Issuer shall default in the payment of interest due on such Interest Payment Date, then such Bond shall bear interest from the next preceding Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for on the Bonds, from the date of the Bonds. The Bonds shall bear interest at the Adjustable Rate, as the same shall be determined from time to time, pursuant to the provisions of Section 2.02(c) hereof, calculated on the basis of (i) actual days elapsed in a 365- or 366-day year, as the case may be, so long as the Interest Period is one week or one month in duration, and (ii) a 360-day year comprised of twelve 30-day months, so long as the Interest Period is three months or six months in duration, until the earlier of the Conversion Date or maturity. From and after the Conversion

Date, the Bonds shall bear interest at the Fixed Rate, determined in accordance with Section 2.02(d) hereof, on the basis of a 360-day year comprised of twelve 30-day months.

Anything herein contained to the contrary notwithstanding, at no time shall the Adjustable Rate exceed the Maximum Interest Rate.

The Bonds shall mature on November 10, 2003.

(c) (i) Prior to the Conversion Date, the Bonds shall bear interest at the Adjustable Rate, as hereinafter described. The Adjustable Rate for each Interest Period will be determined by the Remarketing Agent on the first day of each such Interest Period, as follows: the interest rate for each Interest Period shall be established at a rate equal to the interest rate per annum that, in the sole judgment of the Remarketing Agent, taking into account prevailing financial market conditions, would be the minimum interest rate required to sell the Bonds at a price of Par on the date of such determination. Upon determining the Adjustable Rate for each Interest Period, the Remarketing Agent shall notify the Trustee of such rate by telephone or such other manner as may be appropriate by not later than 2:00 P.M. New York City time on the date of such determination, which notice shall be promptly confirmed in writing. Notwithstanding the foregoing, no adjustment shall be made to the Adjustable Rate for an Interest Period commencing after the second (2nd) Business Day prior to any Interest Payment Date or a date fixed for redemption, and the Bonds shall bear interest during such Interest Period at the rate in effect during the immediately preceding Interest Period.

(ii) The Company is authorized to adjust the duration of the Interest Period prior to the Conversion Date and, in that connection, shall instruct the Remarketing Agent, not later than the fifth day prior to the Preliminary Rate Determination Date, to compute the Adjustable Rate on the basis of an Interest Period of one week, one month, three months or six months. In the event the Company elects to adjust the duration of the Interest Period, the Company shall notify the Trustee in writing, on the date such instruction is provided to the Remarketing Agent, of such an election with respect to the Interest Period and of the Rate Determination Date on which such new Interest period shall commence, and shall furnish to the Trustee, with such notification, an opinion of Bond Counsel to the effect that such change in duration will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds pursuant to the Code by reason of such change in duration.

Following receipt of instructions from the Company regarding the computation of the Adjustable Rate based upon a change in the duration of the Interest Period, the Remarketing Agent shall, on the Preliminary Rate Determination Date, determine the Preliminary Interest Rate for the Bonds. Upon determining the Preliminary Interest Rate, the Remarketing Agent shall notify the Trustee and the Company thereof by telephone or such other manner as may be appropriate by not later than 2:00 P.M., New York City time on the date of such determination, which notice shall be promptly confirmed in writing.

The Trustee shall then mail notice to the registered Owners of such Bonds in the form attached hereto as Exhibit "C", not more than two Business Days following the Preliminary Rate Determination Date, stating (i) that the duration of the Interest Period will be adjusted as of the first day of the next succeeding Interest Period and specifying the duration of the Interest Period and the date of the commencement of such Interest Period; (ii) the Preliminary Interest Rate; (iii) that the Remarketing Agent will determine the Adjustable Rate for such Interest Period on the Rate Determination Date and that in no event will such rate be lower than the Preliminary Interest Rate; (iv) that the date of commencement of such Interest Period is a Tender Date, and that the Owners of such Bonds shall be deemed to have tendered their Bonds on such Tender Date unless the Owners of such Bonds have directed the Trustee not to purchase their Bonds on such Tender Date by providing the notice described below; (v) that if such notice of election not to tender is given by the Owners to the Trustee within the period set forth in such notice, then the Owners of such Bonds will not be entitled to tender such Bonds until the next succeeding Tender Date; and (vi) that any election not to tender given in accordance with such procedure will be irrevocable.

The delivery by the Company to the Trustee of a letter from Bond Counsel confirming the opinion accompanying the Company notification described above on such Tender Date is a condition precedent to the change in duration of the Interest Period. In the event that the Company fails to deliver to the Trustee the letter of Bond Counsel referred to in the preceding sentence, such change in the duration of the Interest Period shall not take effect, and the Bonds shall continue to bear interest calculated by the method applicable prior to the proposed change.

As described above, the Owner of a Bond that is subject to mandatory tender because the Company has elected to change the duration of the Interest Period shall have the option to make an irrevocable election not to tender such Bond for

purchase on the Tender Date. In order to exercise such option, the Owner of such Bond shall give to the Trustee on or prior to 12:30 P.M. New York City time, on the seventh (7th) day preceding such Tender Date (or, if such day is not a Business Day, the next preceding Business Day) telephonic (promptly confirmed in writing) or written notice stating (a) the principal of the Bonds which the Owner elects not to tender, (b) the number of such Bonds, (c) that such Owner irrevocably elects not to tender such Bonds on such Tender Date, and (d) that such Owner acknowledges that the duration of the next Interest Period will differ from the duration of the Interest Period then ending.

Owners of Bonds not providing the Trustee with the notice described above shall be required to tender their Bonds to the Tender Agent for purchase at the Purchase Price, and any such Bonds not so tendered on the Rate Determination Date ("Untendered Bonds") for which there has been irrevocably deposited in trust with the Trustee an amount of moneys sufficient to pay the Purchase Price of the Untendered Bonds, shall be deemed to have been purchased pursuant to this Section 2.02(c)(ii). IN THE EVENT OF A FAILURE BY AN OWNER OF BONDS (OTHER THAN AN OWNER OF BONDS WHO HAS GIVEN NOTICE AS PROVIDED ABOVE) TO TENDER ITS BONDS ON OR PRIOR TO THE RATE DETERMINATION DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE RATE DETERMINATION DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNTENDERED BONDS, AND ANY UNTENDERED BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THIS INDENTURE, EXCEPT FOR THE PURPOSE OF PAYMENT OF THE PURCHASE PRICE THEREFOR.

On the Rate Determination Date, the Remarketing Agent shall establish the Adjustable Rate for the Bonds for the Interest Period commencing on the Rate Determination Date, and shall notify the Trustee and the Company thereof by telephone or such other manner as may be appropriate by not later than 2:00 P.M., New York City time on the date of such determination, which notice shall be promptly confirmed in writing. The Preliminary Interest Rate and the Adjustable Rate on the Bonds for such Interest Period shall be established at a rate equal to the interest rate per annum that, in the sole judgment of the Remarketing Agent, taking into account prevailing financial market conditions, would be the minimum interest rate required to sell the Bonds at a price of Par on the Rate Determination Date; provided, that the Adjustable Rate on the Bonds for such Interest Period shall in no event be less than the Preliminary Interest Rate. The Adjustable Rate determined by the Remarketing Agent for the Bonds will take effect on the first day of the Interest Period for which such rate was determined.

(iii) The determination of the Adjustable Rate (absent manifest error) shall be conclusive and binding upon the Issuer, the Company, the Guarantor, the Trustee, the Bank, the Tender Agent, the Registrar and the Owners of the Bonds. If for any reason the Remarketing Agent shall fail to establish the Adjustable Rate for any Interest Period, the Bonds shall bear interest during such Interest Period at the Adjustable Rate in effect during the immediately preceding Interest Period.

(d) (i) On and after the Conversion Date, the interest rate shall be the Fixed Rate, determined as follows: commencing on the Conversion Date and thereafter through and including the maturity or prior redemption of the Bonds, the Fixed Rate shall be the interest rate per annum which, in the sole judgment of the Remarketing Agent, taking into account prevailing financial market conditions, would be the minimum interest rate required to sell such Bonds on the Conversion Date at a price equal to Par. The Fixed Rate shall be determined by the Remarketing Agent on or before the second (2nd) Business Day preceding the 20th day preceding the Conversion Date, and the Remarketing Agent shall notify the Trustee and the Company thereof by telephone or such other manner as may be appropriate by not later than 2:00 P.M., New York City time on such date, which notice shall be promptly confirmed in writing.

(ii) The determination of the Fixed Rate by the Remarketing Agent in accordance with the provisions of this Section (absent manifest error) shall be conclusive and binding upon the Issuer, the Company, the Guarantor, the Trustee, the Bank, the Tender Agent, the Registrar and the Owners of all the Bonds.

(e) The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the Principal Office of the Trustee, or of its successor in trust. The Purchase Price of the Bonds shall be payable in lawful money of the United States of America by the Tender Agent to the Owner of Bonds entitled to receive such Purchase Price at its address shown on the registration books maintained by the Trustee, unless otherwise instructed by such Owner in writing at least 24 hours prior to the time such Purchase Price is due. Payment of interest on the Bonds shall be made to the Owner thereof on the applicable Record Date by check mailed by the Trustee to such Owner at its address as it appears on the registration books maintained by the Trustee or at such other address as is furnished to the Trustee in writing by such Owner, or in such other manner as may be mutually acceptable to the Trustee and the Owner of any Bond.

Section 2.03. Execution; Limited Obligations. The Bonds shall be executed on behalf of the Issuer with the manual or facsimile signature of the Chairman of the Issuer and the Issuer's corporate seal shall be affixed thereto or printed or otherwise reproduced thereon and attested by the manual or facsimile signature of its Secretary or Treasurer. All authorized facsimile signatures shall have the same force and effect as if manually signed. The Bonds shall not be general obligations of the Issuer but limited and special obligations payable solely from the amounts payable under the Agreement and other amounts specifically pledged therefor under this Indenture, and shall be a valid claim of the respective Owners thereof only against the various accounts of the Bond Fund and other moneys held by the Trustee and the amounts payable under the Agreement or otherwise pledged therefor, which amounts are hereby pledged, assigned and otherwise secured for the equal and ratable payment of the Bonds 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. No Owner of any Bonds has the right to compel any exercise of taxing power of the Issuer to pay the Bonds or the interest thereon, and the Bonds do not constitute an indebtedness of the Issuer or a loan of credit thereof within the meaning of any constitutional or statutory provisions.

Section 2.04. Authentication.

(a) The Trustee hereby appoints the Tender Agent as an authenticating agent for the Bonds.

(b) No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Indenture unless and until a certificate of authentication on such Bond substantially in the form set forth in Exhibits A and B attached hereto shall have been duly executed by the Trustee or by the Tender Agent, and such executed certificate of authentication upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The certificate of authentication on any Bond shall be deemed to have been executed by the Trustee or the Tender Agent if signed by an authorized signatory of the Trustee or the Tender Agent, as the case may be, but it shall not be necessary that the same signatory execute the certificate of authentication on all of the Bonds.

(c) In the event any Bond is deemed tendered to the Tender Agent as provided in Section 2.02(c)(ii), 4.01 or 4.02 hereof but is not physically so tendered, the Issuer shall execute and the Trustee or the Tender Agent shall authenticate a new Bond of like denomination as that deemed tendered.

Section 2.05. Form of Bonds. The Bonds and the certificate of authentication to be endorsed thereon prior to the

Conversion Date are to be in substantially the form set forth in Exhibit A attached hereto, with appropriate variations, omissions and insertions as permitted or required by this Indenture. The Bonds which bear interest at the Fixed Rate and the certificate of authentication to be endorsed thereon are to be in substantially the form set forth in Exhibit B attached hereto, with appropriate variations, omissions and insertions as permitted or required by this Indenture.

Section 2.06. Delivery of Bonds. Upon the execution and delivery of this Indenture, the Issuer shall execute and deliver to the Trustee and the Trustee shall authenticate the Bonds and deliver them as directed by the Issuer as hereinafter in this Section provided.

Prior to the delivery by the Trustee of the Bonds there shall be filed with the Trustee the Letter of Credit and a request and authorization to the Trustee on behalf of the Issuer and signed by an authorized officer of the Issuer to authenticate and deliver the Bonds to the purchasers thereof and for the purchase price therein identified. Upon payment of the proceeds to the Trustee, the Trustee shall deposit the proceeds pursuant to Article VI hereof.

Section 2.07. Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Bond is mutilated, lost, stolen, or destroyed, the Issuer shall execute and the Trustee shall authenticate a new Bond of like date and denomination as that mutilated, lost, stolen or destroyed, provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Issuer or the Trustee, and in the case of any lost, stolen, or destroyed Bond, there first shall be furnished to the Issuer and the Trustee evidence of such loss, theft or destruction satisfactory to the Issuer and the Trustee, together with an indemnity satisfactory to them which indemnity shall, in any event, name the Tender Agent as a beneficiary. In the event any such Bond shall have matured, the Trustee, instead of issuing a duplicate Bond, may pay the same without surrender thereof, making such requirements as it deems fit for its protection, including a lost instrument bond. The Issuer and the Trustee may charge the Owner of such Bond with their reasonable fees and expenses for such service. In executing a new Bond, the Issuer may rely conclusively upon a representation by the Trustee that the Trustee is satisfied with the adequacy of the evidence presented concerning the mutilation, loss, theft or destruction of any Bond.

Section 2.08. Transfer of Bonds; Persons Treated as Owners. The Trustee shall keep books for the transfer of the Bonds as provided in this Indenture, and the Trustee is hereby constituted and appointed the Bond Registrar of the Issuer. The Tender Agent is hereby constituted and appointed the Co-Bond

Registrar of the Issuer. Upon surrender for transfer of any Bond at the Principal Office of the Trustee, or at the Principal Office of the Tender Agent, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or his attorney duly authorized in writing, the Issuer shall execute and the Trustee or the Tender Agent, as the case may be, shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds in authorized denominations for a like aggregate principal amount. Any Bond, upon surrender thereof at the Principal Office of the Trustee or at the Principal Office of the Tender Agent, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or its attorney duly authorized in writing, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Bonds of any denominations authorized by this Indenture in an aggregate principal amount equal to the principal amount of such Bond. In each case, the Trustee or the Tender Agent, as the case may be, may require the payment by the Owner of the Bond requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

The Trustee and the Tender Agent shall not be required to exchange or register a transfer of (a) any Bonds during the 15-day period next preceding the selection of Bonds to be redeemed and thereafter until the date of the mailing of a notice of redemption of Bonds selected for redemption, or (b) any Bonds selected, called or being called for redemption in whole or in part except, in the case of any Bond to be redeemed in part, the portion thereof not so to be redeemed; provided that the foregoing shall not apply to the registration of transfer of any Bond which has been tendered to the Tender Agent pursuant to Section 4.06 hereof, and in any such case, for purposes of selection for redemption, the Bond so tendered and the Bond issued to the transferee thereof pursuant to Section 4.08 hereof shall be deemed and treated as the same Bond. If any Bond shall be transferred and delivered pursuant to Section 4.08(b) hereof after such Bond has been called for redemption, the Tender Agent shall deliver to such transferee a copy of the applicable redemption notice, indicating that the Bond delivered to such transferee has previously been called for redemption.

The Trustee, the Tender Agent and the Issuer may treat the person in whose name a Bond is registered as the absolute Owner thereof for all purposes, and neither the Issuer, the Tender Agent nor the Trustee shall be bound by any notice or knowledge to the contrary, but such registration may be changed as hereinabove provided. All payments made to the Owner shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Section 2.09. Destruction of Bonds. Whenever any Outstanding Bond shall be delivered to the Trustee for

cancellation pursuant to this Indenture, or for replacement pursuant to Section 2.07 hereof, such Bond shall be promptly cancelled and cremated or otherwise destroyed by the Trustee, and, upon the request of the Company and the Issuer, counterparts of a certificate of destruction evidencing such cremation or other destruction shall be furnished by the Trustee to the Issuer and the Company.

Section 2.10. Temporary Bonds. Until Bonds in definitive form are ready for delivery, the Issuer may execute, and upon the request of the Issuer, the Trustee shall authenticate and deliver, subject to the provisions, limitations and conditions set forth above, one or more Bonds in temporary form, whether printed, typewritten, lithographed or otherwise produced, substantially in the form of the definitive Bonds, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the liens and benefits of this Indenture.

Upon presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, at the request of the Trustee, execute and deliver to the Trustee, and the Trustee shall authenticate and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Trustee without making any charge therefor to the Owner of such Bond in temporary form. Notwithstanding the foregoing, Bonds in definitive form may be issued hereunder in typewritten form.

EXHIBIT

SEP 5 1989 NO. 1

ARTICLE III.

STATE BUDGET & CONTROL BOARD

REDEMPTION OF BONDS BEFORE MATURITY

Section 3.01. Extraordinary Redemption. The Bonds are callable for redemption in the event (1) the Project or any portion thereof is damaged or destroyed or taken in a condemnation proceeding to which Section 5.2(b) of the Agreement is applied, (2) the Company shall exercise its option to cause the Bonds to be redeemed as provided in Section 9.2 of the Agreement, or (3) the Company shall be obligated to cause the Bonds to be redeemed as provided in Article X of the Agreement. If called for redemption at any time pursuant to (1) or (2) above, the Bonds shall be subject to redemption by the Issuer on the earliest practicable Interest Payment Date, in whole or (in the case of redemption pursuant to Section 5.2(b) of the Agreement) in part, less than all of such Bonds to be selected by lot or in such other manner as the Trustee may determine (except as otherwise provided in Section 3.07 hereof), at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date. If called for redemption at any time pursuant to (3) above, the Bonds shall be subject to redemption by the Issuer prior to maturity in whole on the earliest practicable Interest Payment Date after a "Determination of Taxability", as that term is defined in Article X of the Agreement, at one hundred percent (100%) of the aggregate principal amount of Bonds outstanding plus accrued interest to the redemption date.

In addition, the Bonds are subject to mandatory redemption, in whole, on the Automatic Conversion Date, at a redemption price equal to 100% of the principal amount thereof, if (i) the Company has failed to provide the Trustee with an opinion of Bond Counsel in accordance with Section 4.04 hereof to the effect that the proposed conversion of the interest rate on the Bonds to the Fixed Rate on the Automatic Conversion Date will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, or (ii) the Fixed Rate has not been established in accordance with Section 2.02(d) hereof.

Section 3.02. Optional Redemption by the Company. On or prior to the Conversion Date, the Bonds are subject to redemption by the Issuer, at the option of the Company, on or after March 1, 1990, in whole or in part on any Interest Payment Date, less than all of such Bonds to be selected by lot or in such other manner as the Trustee shall determine (except as otherwise provided in Section 3.06 hereof), at the redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date.

After the Conversion Date, the Bonds are subject to redemption by the Issuer, at the option of the Company, on or after the First Optional Redemption Date, in whole at any time or in part on any Interest Payment Date, less than all of such Bonds to be selected by lot or in such other manner as the Trustee shall determine (except as otherwise provided in Section 3.06 hereof), at the redemption prices (expressed as percentages of principal amount) set forth in the following table plus accrued interest to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
First Optional Redemption Date through the following August 31	102%
First Anniversary of the First Optional Redemption Date through the following August 31	101%
Second Anniversary of the First Optional Redemption Date and thereafter	100%

Section 3.03. Notice of Redemption. (a) Notice of the call for redemption, identifying the Bonds or portions thereof to be redeemed, shall be given by the Trustee by mailing a copy of the redemption notice by first class mail at least fifteen (15) days (seven (7) days in the case of a mandatory redemption as described in Section 4.04(b)(ii) hereof) but not more than sixty (60) days (following the Conversion Date, at least thirty (30) days but not more than sixty (60) days) prior to the date fixed for redemption to the Owner of each Bond to be redeemed in whole or in part at the address shown on the registration books. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice.

Failure to mail any such notice, or the mailing of defective notice, to any Owner, shall not affect the proceeding for redemption as to any Owner to whom proper notice is mailed. The Trustee shall deliver a copy of any such redemption notice to the Tender Agent. Notwithstanding the foregoing provisions of this Section 3.04, delivery by the Tender Agent of a copy of a redemption notice to a transferee of a Bond which has been called for redemption, pursuant to the requirements of Section 2.08, shall be deemed to satisfy the requirements of the first sentence of this Section 3.03 with respect to any such transferee.

(b) In addition to the foregoing notice, further notice shall be given by the Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of

such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed in (a) above.

(1) Each further notice of redemption given hereunder shall contain the information required in (a) above for an official notice of redemption plus (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of issue of the Bonds as originally issued; (iii) the rate of interest borne by each Bond being redeemed; (iv) the maturity date of each Bond being redeemed; and (v) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each further notice of redemption shall be sent at least 30 days before the redemption date (15 days as to redemption of Bonds prior to the Conversion Date) by registered or certified mail or overnight delivery service (at the expense of the addressee) to all of the following registered securities depositories then in the business of holding substantial amounts of bonds of the type comprising the Bonds (such depositories now being Depository Trust Company of New York, New York, Midwest Securities Trust Company of Chicago, Illinois and Philadelphia Depository Trust Company of Philadelphia, Pennsylvania) and to one or more national information services that disseminate notices of redemption of bonds such as the Bonds (such as Financial Information Inc.'s Financial Daily Called Bond Service, Interactive Data Corporation's Bond Service, Kenny Information Service's Called Bond Service and Standard & Poor's Called Bond Record).

(3) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Section 3.04. Redemption Payments. If on or prior to any date fixed for redemption, sufficient Available Moneys shall be on deposit with the Trustee to pay the redemption price of the Bonds called for redemption, the Trustee is hereby authorized and directed to apply such funds to the payment of the principal of the Bonds or portions thereof called, together with accrued interest thereon to the redemption date and any required premium. Upon the giving of notice and the deposit of Available Moneys for redemption at the required times on or prior to the date fixed for redemption, as provided in this Article, interest on the Bonds or portions thereof thus called shall no longer accrue after the date fixed for redemption.

Section 3.05. Cancellation. All Bonds which have been redeemed shall not be reissued but shall be cancelled and cremated or otherwise destroyed by the Trustee in accordance with Section 2.09 hereof.

Section 3.06. Partial Redemption of Bonds.

(a) Upon surrender of any Bond for redemption in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the Owner thereof a new Bond or Bonds of authorized denominations, in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

(b) In case a Bond is of a denomination larger than \$5,000, a portion of such Bond (\$5,000 or any integral multiple thereof) may be redeemed, but Bonds shall be redeemed only in the principal amount of \$5,000 or any integral multiple thereof.

(c) Notwithstanding anything to the contrary contained in this Indenture, whenever the Bonds are to be redeemed in part, Bonds which are Pledged Bonds at the time of selection of Bonds for redemption shall be selected for redemption prior to the selection of any other Bonds. If the aggregate principal amount of Bonds to be redeemed exceeds the aggregate principal amount of Pledged Bonds at the time of selection, the Trustee may select for redemption Bonds in an aggregate principal amount equal to such excess by lot or in such other manner as the Trustee may determine.

EXHIBIT

SEP 5 1989

NO. 1

ARTICLE IV.

CONVERSION OF INTEREST RATE; STATE BUDGET & CONTROL BOARD DEMAND PURCHASE OPTION

Section 4.01. Conversion of Interest Rate on Optional Conversion Date. The interest rate on the Bonds shall be converted from the Adjustable Rate to the Fixed Rate upon the exercise by the Company of the Conversion Option, and the Bonds shall be subject to mandatory tender for purchase by the Owners thereof on the Optional Conversion Date. To exercise the Conversion Option, the Company shall deliver or mail by first class mail a notice to the Trustee with respect to the determination of the Company to convert the interest rate on the Bonds from the Adjustable Rate to the Fixed Rate together with written evidence from Moody's or S&P, as applicable, that the rating assigned to the Bonds based on the Letter of Credit or Substitute Letter of Credit will not be reduced or withdrawn, which notice shall be delivered to the Trustee at least thirty (30) but not more than forty-five (45) days prior to the Optional Conversion Date. The Trustee shall then deliver or mail by first class mail a notice in substantially the form attached hereto as Exhibit "D" at least twenty (20) days but not more than thirty (30) days prior to the Optional Conversion Date to the Owner of each Bond at the address shown on the registration books of the Issuer. Any notice given by the Trustee as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice. Failure to mail any such notice, or the mailing of defective notice, to any Owner, shall not affect the proceeding for redemption as to any Owner to whom proper notice is mailed. Said notice shall state in substance the following:

1. The Conversion Date.
2. The Fixed Rate which will take effect on the Conversion Date.
3. That from and after the Conversion Date the Demand Purchase Option will not be available to Owners of Bonds.
4. That all Owners of Bonds who have not given notice of their desire to retain Bonds as provided in this Section shall be deemed to have tendered their Bonds for purchase on the Conversion Date.
5. That the Letter of Credit will remain in effect on and after the Conversion Date, or, if applicable, that the Company will cause a Substitute Letter of Credit of a commercial bank or savings and loan association having the

same credit rating as the Bank on the expiring Letter of Credit to be issued on or before the Conversion Date.

6. That the rating assigned to the Bonds based on the Letter of Credit or the Substitute Letter of Credit has been confirmed.

Any Owner of Bonds desiring to retain Bonds after the Optional Conversion Date must notify the Trustee in writing, which notice must be accompanied by the Bonds that such Owner desires to retain after the Optional Conversion Date, which Bonds shall be exchanged for Bonds in substantially the form attached hereto as Exhibit "B", and must be received no later than fifteen (15) days prior to the Optional Conversion Date. Said notice shall state in substance the following:

- (a) The Bond numbers and principal amounts of the Bonds which the Owner thereof wishes to retain after the Conversion Date;
- (b) That the Owner thereof recognizes that the events set forth in 1 through 6 above will occur; and
- (c) That the Owner thereof irrevocably elects to continue to own the Bonds specified in (a) above after the Conversion Date.

Owners of Bonds not providing the Trustee with the notice described above shall be required to tender their Bonds to the Tender Agent for purchase at the Purchase Price, and any such Bonds not so tendered on the Optional Conversion Date ("Untendered Bonds"), for which there has been irrevocably deposited in trust with the Trustee an amount of moneys sufficient to pay the Purchase Price of the Untendered Bonds, shall be deemed to have been purchased pursuant to this Section 4.01. IN THE EVENT OF A FAILURE BY AN OWNER OF BONDS (OTHER THAN AN OWNER OF BONDS WHO HAS GIVEN NOTICE AS PROVIDED ABOVE) TO TENDER ITS BONDS ON OR PRIOR TO THE OPTIONAL CONVERSION DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE OPTIONAL CONVERSION DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNTENDERED BONDS, AND ANY UNTENDERED BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THIS INDENTURE, EXCEPT FOR THE PURPOSE OF PAYMENT OF THE PURCHASE PRICE THEREFOR.

Section 4.02. Conversion of Interest Rate on Automatic Conversion Date. The interest rate on the Bonds shall be converted from the Adjustable Rate to the Fixed Rate on the Automatic Conversion Date if a Substitute Letter of Credit has not been delivered in accordance with Section 4.04 of the Agreement, and the Bonds shall be subject to mandatory tender for purchase by the Owners thereof on the Automatic Conversion Date. The Trustee shall deliver or mail by first class mail a notice, conforming to

the requirements set forth in Section 4.01 above, except that, with respect to the information contained in items (5) and (6) thereof, the notice shall provide that the Letter of Credit will expire fifteen (15) days after the Conversion Date, and that the rating assigned to the Bonds may be reduced or withdrawn on and after the Conversion Date, at least twenty (20) days but not more than thirty (30) days prior to the Automatic Conversion Date to the Owner of each Bond at the address shown on the registration books of the Issuer. Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice. Failure to mail any such notice, or the mailing of defective notice, to any Owner, shall not affect the proceeding for redemption as to any Owner to whom proper notice is mailed.

Any Owner of Bonds desiring to retain Bonds after the Automatic Conversion Date must notify the Trustee in writing, which notice must be received no later than fifteen (15) days prior to the Automatic Conversion Date. Said notice shall conform to the requirements set forth in Section 4.01 above as to the acknowledgment of items (1) through (4) thereof, but in substitution for the acknowledgment of the information contained in items (5) and (6) thereof, shall require that the Owner acknowledge that following the Conversion Date the Letter of Credit will expire and the rating assigned to the Bonds may be reduced or withdrawn. Owners of Bonds not providing the Trustee with the notice described above shall be required to tender their Bonds to the Tender Agent for purchase at the Purchase Price, and any such Bonds not so tendered on the Automatic Conversion Date ("Untendered Bonds"), for which there have been irrevocably deposited in trust with the Trustee an amount of moneys sufficient to pay the Purchase Price of the Untendered Bonds, shall be deemed to have been purchased pursuant to this Section 4.02. IN THE EVENT OF A FAILURE BY AN OWNER OF BONDS (OTHER THAN AN OWNER OF BONDS WHO HAS GIVEN NOTICE AS PROVIDED ABOVE) TO TENDER ITS BONDS ON OR PRIOR TO THE AUTOMATIC CONVERSION DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE AUTOMATIC CONVERSION DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNTENDERED BONDS, AND ANY UNTENDERED BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THIS INDENTURE, EXCEPT FOR THE PURPOSE OF PAYMENT OF THE PURCHASE PRICE THEREFOR.

Section 4.03. Exchange of Bonds after Conversion Date. Prior to the first Interest Payment Date following the Conversion Date, an Owner of Bonds who has given notice of its desire to continue to hold Bonds as provided in Section 4.01 or 4.02 above but who has failed to deliver Bonds held by such Owner for exchange in the manner described in Section 4.01 hereof, shall deliver said Bonds to the Trustee or the Tender Agent, and upon such delivery, the Trustee or the Tender Agent, as the case may be, shall exchange said Bonds for replacement Bonds in substantially the form of Exhibit B hereto. Such exchange shall

be made by the Trustee or the Tender Agent, as the case may be, without making any charge therefor to the Owner of such Bonds.

Section 4.04. Condition to Conversion.

(a) As a condition to the giving of notice as provided in Section 4.01 or 4.02 above, the Company shall provide the Trustee with an opinion of Bond Counsel to the effect that the proposed conversion of the interest rate on the Bonds will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

(b) The delivery by the Company to the Trustee of a letter from Bond Counsel confirming the opinion required prior to the notification described above on such Conversion Date is a condition precedent to any such Conversion. In the event that the Company fails to deliver to the Trustee the letter of Bond Counsel referred to in the preceding sentence, such Conversion shall not take effect, and (i) in the case of a proposed Optional Conversion, the Bonds shall continue to bear interest calculated by the method applicable prior to the proposed Conversion, and (ii) in the case of an Automatic Conversion, the Bonds shall continue to bear interest calculated by the method applicable prior to the proposed Conversion, provided, however, that the Trustee shall immediately take all necessary steps to effectuate a mandatory redemption of the Bonds as described in Section 3.01 hereof.

Section 4.05. Additional Notices. The Trustee shall provide the Tender Agent with a copy of any notice delivered to the Owners of the Bonds pursuant to Section 4.01 or 4.02 hereof. The Trustee shall provide the Tender Agent with a copy of any notice received by the Trustee from any Owner of a Bond pursuant to Section 4.01 or 4.02 hereof.

Section 4.06. Demand Purchase Option. Any Bond bearing interest at the Adjustable Rate shall be purchased at the Purchase Price from the Owner thereof upon:

(i) delivery to the Tender Agent at its Principal Office and to the Remarketing Agent at its Principal Office of a written notice (said notice to be irrevocable and effective upon receipt) which (1) states the aggregate principal amount and Bond numbers of the Bonds to be purchased; and (2) states the date on which such Bonds are to be purchased, which date shall be a Tender Date not prior to the seventh (7th) day next succeeding the date of delivery of such notice and which date shall be prior to the Conversion Date; and

(ii) delivery to the Tender Agent at its Delivery Office at or prior to 10:00 A.M., New York City time, on the third

(3rd) Business Day preceding the date designated for purchase in the notice described in (i) above of such Bonds to be purchased, with an appropriate endorsement for transfer or accompanied by a bond power endorsed in blank, and if such Bonds are to be purchased prior to the next succeeding Interest Payment Date and after the Record Date in respect thereof, a due bill, payable to bearer, for interest due on such Interest Payment Date.

Section 4.07. Funds for Purchase of Bonds. On the date Bonds are to be purchased pursuant to Section 2.02(c)(ii), 4.01, 4.02 or 4.06 hereof, such Bonds shall be purchased at the Purchase Price only from the funds listed below. Subject to the provisions of Section 6.09(b), funds for the payment of the Purchase Price shall be derived from the following sources in the order of priority indicated:

(i) moneys deposited into the General Account of the Bond Fund pursuant to Section 6.02(a) hereof which constitute Available Moneys;

(ii) the proceeds of the sale of such Bonds which have been remarketed by, and which proceeds are on deposit with, the Remarketing Agent prior to 12:00 Noon, New York City time, on the Business Day preceding the date such Bonds are to be purchased to any entity other than the Company, the Guarantor or the Issuer, or any affiliate of the foregoing;

(iii) moneys drawn by the Trustee under the Letter of Credit; and

(iv) any other moneys furnished to the Trustee and available for such purpose.

Section 4.08. Delivery of Purchased Bonds.

(a) Bonds purchased with moneys described in Section 4.07(i) hereof shall be delivered to the Trustee for cancellation.

(b) Bonds purchased with moneys described in Section 4.07(ii) hereof shall be delivered by the Tender Agent, at its Delivery Office, to or upon the order of the purchasers thereof.

(c) Bonds purchased with moneys described in Section 4.07(iii) hereof shall be delivered by the Tender Agent to or upon the order of the Bank pursuant to the Pledge Agreement.

(d) Bonds purchased with moneys described in Section 4.07(iv) shall, at the direction of the Company, be (A) delivered as instructed by the Company or (B) delivered to the Trustee for cancellation; provided, however, that any Bonds so purchased after

the selection thereof by the Trustee for redemption shall be delivered to the Trustee for cancellation.

(e) The Tender Agent shall deliver to the person to whom the Tender Agent is to deliver such Bonds the due bills, if any, delivered to the Tender Agent with such Bonds in accordance with Section 4.06 hereof.

Bonds delivered as provided in this Section shall be registered in the manner directed by the recipient thereof.

Section 4.09. Delivery of Proceeds of Sale of Purchased Bonds.

(a) Except in the case of the sale of any Pledged Bonds, the proceeds of the sale of any Bonds delivered to the Tender Agent pursuant to Section 2.02(c)(ii), 4.01, 4.02 or 4.06 hereof, to the extent not required to pay the Purchase Price thereof in accordance with Section 4.07 hereof, shall be paid to or upon the order of the Bank, to the extent required to satisfy the obligations of the Company or the Guarantor under the Credit Agreement, and the balance, if any, shall be paid to or upon the order of the Company.

(b) In the event the Remarketing Agent shall have remarketed any Pledged Bonds and the Company shall have directed the Bank to deliver such Pledged Bonds to the Tender Agent pursuant to Paragraph 2B of the Credit Agreement, such Bonds shall be delivered by the Tender Agent in accordance with Section 4.08(b) hereof and the proceeds of sale of such Bonds shall be delivered to the Bank; provided that any (i) premium or (ii) accrued interest in excess of amounts then due to the Bank pursuant to Paragraph 2A of the Credit Agreement received upon the sale of such Bonds shall be delivered by the Bank to or upon the order of the Company.

Section 4.10. Duties of Trustee and Tender Agent with Respect to Purchase of Bonds.

(a) The Tender Agent shall hold all Bonds delivered to it pursuant to Section 2.02(c)(ii), 4.01, 4.02 or 4.06 hereof in trust for the benefit of the respective Owners of Bonds which shall have so delivered such Bonds until moneys representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Owners of Bonds;

(b) The Trustee and the Tender Agent shall hold all moneys delivered to them pursuant to this Indenture for the purchase of Bonds in a separate account, in trust for the benefit of the person or entity which shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity;

(c) The Tender Agent shall deliver to the Trustee, the Company, the Bank and the Remarketing Agent a copy of each notice delivered to it in accordance with Section 4.06 hereof and, immediately upon the delivery to it of Bonds in accordance with said Section 4.06, give telephonic or telegraphic notice to the Company, the Trustee and the Bank specifying the principal amount of the Bonds so delivered; and

(d) The Trustee shall draw moneys under the Letter of Credit in accordance with the terms thereof to the extent required by Sections 4.07 and 6.09 hereof to provide for timely payment of the Purchase Price of Bonds.

EXHIBIT

ARTICLE V.

SEP 5 1989 NO. 1

GENERAL COVENANTS

STATE BUDGET & CONTROL BOARD

Section 5.01. Payment of Principal, Premium, if any, and Interest. The Issuer covenants that it will promptly pay or cause to be paid the principal of, premium, if any, and interest on every Bond issued under this Indenture at the place, on the dates, and in the manner provided herein and in said Bonds according to the true intent and meaning thereof, but solely from the amounts pledged therefor which are from time to time held by the Trustee in the various accounts of the Bond Fund. The principal of, premium, if any, and interest on the Bonds are payable from the amounts to be paid under the Agreement and otherwise as provided herein and in the Agreement, which amounts are hereby specifically pledged to the payment thereof in the manner and to the extent herein specified, and nothing in the Bonds or in this Indenture shall be construed as pledging any other funds or assets of the Issuer. Neither the Issuer, the State, nor any political subdivision of the State shall in any event be liable for the payment of the principal of, premium, if any, or interest on any of the Bonds or for the performance of any pledge, obligation or agreement undertaken by the Issuer except to the extent that the moneys pledged herein are sufficient therefor.

No Owner of any Bonds has the right to compel any exercise of taxing power of the Issuer to pay the Bonds or the interest thereon, and the Bonds do not constitute an indebtedness of the Issuer or a loan of credit thereof within the meaning of any constitutional or statutory provision.

Section 5.02. Performance of Covenants. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture and in the Agreement, in any and every Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. The Issuer covenants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Bonds authorized hereby and to execute this Indenture, to assign the Agreement, and to pledge the amounts to be paid under the Agreement and other amounts 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 Owners thereof are and will be valid and enforceable obligations of the Issuer according to the terms thereof and hereof.

Section 5.03. Instruments of Further Assurance. The Issuer 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 amounts pledged hereby to the payment of the principal of, premium, if any, and interest on the Bonds. The Issuer, except as herein and in the Agreement provided, will not sell, convey, mortgage, encumber or otherwise dispose of any part of the amounts, revenues and receipts payable under the Agreement or its rights under the Agreement.

Section 5.04. Recording and Filing. The Company has agreed pursuant to the Agreement that it will cause all financing statements related to this Indenture and all supplements hereto to be recorded and filed in such manner and in such places as may from time to time be required by law in order to preserve and protect fully the security of the Owners of the Bonds and the rights of the Trustee hereunder, and to take or cause to be taken any and all other action necessary to perfect the security interest created by this Indenture.

Section 5.05. Inspection of Books. All books and records, if any, in the Issuer's possession relating to the Project and the amounts derived from the Project shall at all reasonable times be open to inspection by such accountants or other agents as the Trustee may from time to time designate.

Section 5.06. List of Owners of Bonds. The Trustee will keep on file a list of names and addresses of the Owners of all Bonds as from time to time registered on the registration books maintained by the Trustee as Bond Registrar, together with the principal amount and numbers of such Bonds owned by each such Owner. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied for any purpose by the Company or by the Owners (or a designated representative thereof) of fifteen percent (15%) or more in aggregate principal amount of Outstanding Bonds, such possession or ownership and the authority of such designated representative to be evidenced to the satisfaction of the Trustee.

Section 5.07. Rights Under Agreement. The Agreement, a duly executed counterpart of which has been filed with the Trustee, sets forth the covenants and obligations of the Issuer and the Company, and reference is hereby made to the Agreement for a detailed statement of said covenants and obligations of the Company thereunder, and the Issuer agrees that the Trustee in its name or in the name of the Issuer may enforce all rights of the Issuer and all obligations of the Company under and pursuant to the Agreement for and on behalf of the Owners of Bonds, whether or not the Issuer is in default hereunder.

Section 5.08. Issuer's Election to Issue Bonds Pursuant to Section 144(a)(4). The Issuer hereby elects to have the \$10,000,000 limitation set forth in Section 144(a)(4)(A) and (E) of the Code apply to the Bonds and agrees to take all actions necessary to assure compliance with the provisions of said Section.

EXHIBIT

ARTICLE VI.

SEP 5 1989

NO. 1

REVENUES AND FUNDS

STATE BUDGET & CONTROL BOARD

Section 6.01. Creation of the Bond Fund. There is hereby created and established with the Trustee a trust fund to be designated "Spartanburg County, South Carolina - Bond Fund, Siemens Energy & Automation, Inc. Project," which shall be used to pay when due the principal and Purchase Price of, premium, if any, and interest on the Bonds. Within the Bond Fund there is hereby created and established certain trust accounts, to be designated the "General Account", the "Letter of Credit Account", and the "Remarketing Account". Unless otherwise specified, all moneys received by the Trustee for deposit into the Bond Fund shall be credited to the General Account. Any reference herein to the "Bond Fund" without further qualification or explanation shall, unless the context indicates otherwise, constitute a reference to the General Account.

Section 6.02. Payments into the Bond Fund. There shall be deposited into the Bond Fund from time to time the following:

(a) any amount deposited into the Bond Fund pursuant to Section 6.04 hereof, for deposit in the General Account;

(b) all payments specified in Section 4.2 of the Agreement, for deposit in the General Account;

(c) any moneys drawn under the Letter of Credit, for deposit in the Letter of Credit Account;

(d) amounts held by the Trustee pursuant to Section 4.10(b) hereof, for deposit in the Remarketing Account; and

(e) all other moneys received by the Trustee under and pursuant to any of the provisions of the Agreement which are required to be or which are accompanied by directions that such moneys are to be paid into the Bond Fund, for deposit in the General Account.

Section 6.03. Use of Moneys in the Bond Fund. Except as provided in Sections 4.07, 4.10 and 6.09 hereof, moneys in the various accounts of the Bond Fund shall be used solely for the payment of the principal of, premium, if any, and interest on the Bonds and for the redemption of the Bonds prior to maturity. Subject to the provisions of Section 6.09 hereof, funds for such payments of the principal of and premium, if any, and interest on the Bonds shall be derived from the following sources in the order of priority indicated:

(i) amounts deposited into the General Account of the Bond Fund pursuant to Section 6.02(a) hereof which constitute Available Moneys;

(ii) moneys drawn by the Trustee under the Letter of Credit; and

(iii) any other moneys furnished to the Trustee and available for such purpose.

Notwithstanding the foregoing, amounts deposited into the General Account of the Bond Fund pursuant to Section 6.04 hereof shall be applied only to the payment of the principal of, or the portion of the Purchase Price corresponding to the principal of, the Bonds.

Section 6.04. Custody of Separate Trust Fund. The Trustee is authorized and directed to hold all Net Proceeds from any insurance proceeds or condemnation award and disburse such proceeds in accordance with Article V of the Agreement. If the Company directs that any portion of such Net Proceeds be applied to redeem Bonds, the Trustee shall deposit such Net Proceeds in the General Account of the Bond Fund, and the Issuer covenants and agrees to take and cause to be taken any action requested of the Issuer to redeem on the earliest possible redemption date the amount of Bonds so specified by the Company.

Section 6.05. Disposition of Bond Proceeds. Upon the issuance and delivery of the Bonds, the proceeds of the sale of such Bonds shall be paid to The First National Bank of Atlanta, Atlanta, Georgia, as holder of 100% of the outstanding principal amount of the Series 1983 Bonds. The First National Bank of Atlanta, Atlanta, Georgia, shall immediately apply such proceeds, together with certain additional moneys provided therefor, to pay in full the principal and interest on the Series 1983 Bonds.

Section 6.06. Nonpresentment of Bonds. In the event any Bond 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, if Available Moneys sufficient to pay any such Bond shall have been deposited with the Trustee for the benefit of the Owner thereof, all liability of the Issuer to the Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the Owner of such Bond which shall thereafter be restricted exclusively to such funds for any claim of whatever nature on its part under this Indenture with respect to such Bond.

Any moneys so deposited with and held by the Trustee not so applied to the payment of Bonds within five (5) years after the

date on which the same shall have become due shall be repaid by the Trustee to the Company upon direction of a Company Representative, and thereafter Owners of Bonds shall be entitled to look only to the Company for payment, and then to the extent of the amount so repaid, and all liability of the Trustee with respect to such money shall thereupon cease, and the Company shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Section 6.07. Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee for the account of any fund or account referred to in any provision of this Indenture or the Agreement shall be held by the Trustee in trust, and shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien and security interest created hereby.

Section 6.08. Repayment to the Bank and the Company from the Bond Fund. Any amounts remaining in any account of the Bond Fund or any other fund or account created hereunder (other than the Rebate Fund) after payment in full of the principal of, premium, if any, and interest on the Bonds, the fees, charges and expenses of the Trustee and all other amounts required to be paid hereunder, shall be paid immediately to the Bank to the extent of any indebtedness of the Company to the Bank under the Credit Agreement, and, after repayment of all such indebtedness, to the Company.

Section 6.09. Letter of Credit.

(a) During the term of the Letter of Credit, the Trustee shall draw moneys under the Letter of Credit in accordance with the terms thereof (x) to the extent moneys described in Section 6.03(i) and (ii) hereof are not available therefor, to pay when due (whether by reason of maturity, the occurrence of an Interest Payment Date, redemption, acceleration or otherwise) the principal of, premium, if any, and interest on the Bonds, and (y) to the extent moneys described in Section 4.07(i) and (ii) hereof are not available therefor, to pay when due the Purchase Price of Bonds. Without limiting the generality of the foregoing, at such time as the duration of the Interest Period is either three months or six months in duration, the Trustee is hereby instructed to draw upon the Letter of Credit on the first day of each month during such Interest Period, commencing with the first day of the second month of such Interest Period (or on the Business Day preceding the first day of each such month, in the event such day is not a Business Day), an amount equal to one third (in the case of an Interest Period three months in duration) or one sixth (in the case of an Interest Period six months in duration) of the amount of interest due and payable with respect to the Bonds on the interest payment date with respect to such Interest Period.

(b) Notwithstanding any provision to the contrary which may be contained in this Indenture, including, without limitation, Section 6.09(a), (i) in computing the amount to be drawn under the Letter of Credit on account of the payment of the principal or Purchase Price of, or premium, if any, or interest on the Bonds, the Trustee shall exclude any such amounts in respect of any Bonds which are Pledged Bonds on the date such payment is due, and (ii) amounts drawn by the Trustee under the Letter of Credit shall not be applied to the payment of the principal or Purchase Price of, or premium, if any, or interest on, any Bonds which are Pledged Bonds on the date such payment is due.

Section 6.10 Creation of Rebate Fund; Duties of Trustee; Amounts Held in Rebate Fund.

(a) There is hereby created and established with the Trustee a trust fund to be held in trust to be designated "Spartanburg County, South Carolina Rebate Fund -- Siemens Energy & Automation, Inc. Project, 1989."

(b) The Trustee shall make information regarding the Bonds and the investments hereunder available to the Company prior to each anniversary date of the issuance of the Bonds, shall make deposits to and disbursements from the Rebate Fund in accordance with the directions received from the Company or a designated representative of the Company and shall invest moneys in the Rebate Fund pursuant to said directions and shall deposit income from such investments pursuant to said directions.

(c) Notwithstanding the other provisions of this Indenture concerning the disposition of investment earnings on Bond proceeds and other funds (including investment earnings) held in any of the Funds and Accounts established by this Indenture, all or any part of said investment earnings, and any other moneys available therefor, shall be (i) transferred to and held in the Rebate Fund as directed by the Company and (ii) withdrawn from the Rebate Fund and paid to the United States as and when directed by the Company unless there is delivered to the Trustee and the Issuer an opinion of Bond Counsel to the effect that such withdrawal and payment are not necessary in order to establish or maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes. In the event Bond Counsel so opines, the moneys on deposit in the Rebate Fund shall be applied to such purpose as the Company shall direct provided that the Company shall deliver to the Issuer and the Trustee an opinion of Bond Counsel to the effect that such application will not adversely affect the exclusion of the interest on the Bonds from gross income for Federal income tax purposes.

ARTICLE VII.

INVESTMENT OF MONEYS

Any moneys held as a part of any fund other than the Bond Fund or the Rebate Fund shall be invested or reinvested by the Trustee, to the extent permitted by law, at the written request of and as directed by a Company Representative, in any of the following qualified investments: (i) direct and general obligations of the United States of America or obligations for which the United States of America has unconditionally guaranteed or assumed the obligation of the payment of the principal and interest thereon; (ii) obligations of the Federal Land Bank, Federal Home Loan Bank, Federal National Mortgage Association, Federal Intermediate Credit Corporation, Federal Bank of Cooperatives, International Bank of Reconstruction and Development, Asian Development Bank, and direct and general obligations of any agencies of the United States of America not included in the foregoing listing; (iii) direct and general full faith and credit obligations of the State; (iv) direct and general full faith and credit obligations of any political unit in the State; (v) obligations of savings and loan associations to the extent that the same are insured by the Federal Savings and Loan Insurance Corporation; (vi) certificates of deposit of any bank or trust company if such certificates are collaterally secured by investments of the type described in clauses (i), (ii) or (iii) above held by another bank or trust company as escrow agent or custodian, of a market value not less than the amount, including interest, of the certificates so secured; (vii) certificates of deposit or other obligations of banks or trust companies organized under the laws of the United States of America or any state thereof, to the extent such certificates or other obligations are insured by an agency of the United States of America; and (viii) any other investment permitted by law; provided that any investment or deposit described above does not constitute a "prohibited payment" within the meaning of Temporary Treasury Regulations Section 1.103-15AIC(d)(6), or any successor provision thereof. Except to the extent set forth in an opinion of Bond Counsel, investments or deposits in certificates of deposit or pursuant to investment contracts shall not be made without compliance, at or prior to such investment or deposit, with the requirements of Temporary Treasury Regulations Section 1.103-15AT(d)(6)(ii) and (iii) respectively, or with any successor provisions thereto.

Any moneys held as a part of any account of the Bond Fund or the Rebate Fund shall be invested or reinvested by the Trustee, at the direction of the Company Representative, to the

extent permitted by law, in Government Obligations with such maturities as shall be required in order to assure timely payment of amounts required to be paid from the Bond Fund or the Rebate Fund, which maturities shall (in the case of the Bond Fund), in any event, extend no more than thirty (30) days from the date of acquisition thereof.

The Trustee may make any and all such investments through its own bond or investment department or the bond or investment department of any bank or trust company under common control with the Trustee. All such investments shall at all times be a part of the fund or account from which the moneys used to acquire such investments shall have come and all income and profits on such investments shall be credited to, and losses thereon shall be charged against, such fund. All investments hereunder shall be registered in the name of the Trustee, as Trustee under the Indenture. All investments hereunder shall be held by or under the control of the Trustee. The Trustee shall sell and reduce to cash a sufficient amount of investments of funds in any account of the Bond Fund whenever the cash balance in such account of the Bond Fund is insufficient, together with any other funds available therefor, to pay the principal or Purchase Price of, premium, if any, and interest on the Bonds when due.

The Issuer covenants and certifies to and for the benefit of the Owners of the Bonds from time to time Outstanding that so long as any of the Bonds remain Outstanding, the Issuer shall not direct that moneys on deposit in any fund or account in connection with the Bonds (whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other sources), be used in a manner which will cause the Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code. Pursuant to such covenants, the Issuer obligates itself to comply throughout the term of the Bonds with the requirements of Section 148 of the Code, and any regulations promulgated thereunder.

Unless an opinion is rendered by Bond Counsel to the effect that the following actions are not required in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, the Issuer hereby covenants that it will make payments (but only from moneys provided to the Issuer by or on behalf of the Company for such purposes), if any, required to be made to the United States pursuant to the Code in order to establish or maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

ARTICLE VIII.

DISCHARGE OF INDENTURE

Section 8.01. Discharge of Indenture. If the Issuer shall pay or cause to be paid, out of Available Moneys, in accordance with the provisions of this Indenture, to the Owners of the Bonds, the principal of, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein, and if the Issuer shall not then be in default in any of the other covenants and promises in the Bonds and in this Indenture expressed as to be kept, performed and observed by it or on its part and if the Issuer shall pay or cause to be paid to the Trustee all sums of money due or to become due according to the provisions hereof, then these presents and the estate and rights hereby granted shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien of this Indenture, and execute and deliver to the Issuer such instruments in writing as shall be requisite to release the lien hereof and reconvey, release, assign and deliver unto the Issuer any and all of the estate, right, title and interest in and to any and all rights or property conveyed, assigned or pledged to the Trustee or otherwise subject to the lien of this Indenture, except (i) amounts in any account of the Bond Fund required to be paid to the Bank or the Company under Section 6.08 hereof, (ii) cash held by the Trustee for the payment of the principal or Purchase Price of, premium, if any, or interest on particular Bonds, and (iii) amounts held in the Rebate Fund required to be paid to the United States.

Section 8.02. Defeasance of Bonds. The following provisions of this Section 8.02 shall apply only from and after the Conversion Date:

Any Bond shall be deemed to be paid within the meaning of this Article and for all purposes of this Indenture when (a) payment of the principal of and premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment, (1) Available Moneys sufficient to make such payment or (2) Government Obligations purchased with Available Moneys maturing as to principal and interest in such amounts and at such times as will insure, without further investment or reinvestment thereof, in the opinion of an independent certified public accounting firm of national reputation, the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and the Issuer pertaining to the Bonds with respect to which such deposit is made, including any payments required to be made to the Rebate

Fund, shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond shall be deemed to be paid hereunder, as aforesaid, such Bond shall no longer be secured by or entitled to the benefits of this Indenture, except for the purposes of any such payment from such moneys or Government Obligations.

Notwithstanding the foregoing, no deposit under clause (a)(ii) of the immediately preceding paragraph shall be deemed payment of such Bonds as aforesaid until (a) proper notice of redemption of such Bonds shall have been previously given in accordance with Article III of this Indenture, or in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, until the Company shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the Owners of the Bonds, that the deposit required by (a)(ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section 8.02 and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the applicable redemption premium, if any, on said Bonds, plus interest thereon to the due date thereof; or (b) the maturity of such Bonds.

All moneys so deposited with the Trustee as provided in this Section 8.02 may also be invested and reinvested, at the direction of the Company, in noncallable Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of the Trustee pursuant to this Section 8.02 which is not required for the payment of the Bonds and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited shall be deposited in the General Account of the Bond Fund as and when realized and collected for use and application as are other moneys deposited in the General Account of the Bond Fund.

The Issuer and the Trustee hereby covenant that no deposit will knowingly be made or accepted and no use knowingly made of any such deposit which would cause the Bonds to be treated as arbitrage bonds within the meaning of Section 148 of the Code.

Notwithstanding any provision of any other Article of this Indenture which may be contrary to the provisions of this Section 8.02, all moneys or Government Obligations set aside and held in trust pursuant to the provisions of this Section 8.02 for the payment of Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including the interest and premium thereon, if any) with respect to which such moneys or Government Obligations have been so set aside in trust.

Anything in Article XI hereof to the contrary notwithstanding, if moneys or Government Obligations have been deposited or set aside with the Trustee pursuant to this Section 8.02 for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this Section 8.02 shall be made without the consent of the Owner of each Bond affected thereby.

EXHIBIT

ARTICLE IX.

SEP 5 1989

NO. 1

DEFAULTS AND REMEDIES

STATE BUDGET & CONTROL BOARD

Section 9.01. Defaults. If any of the following events occur, it is hereby declared to constitute a "Default":

(a) Default in the due and punctual payment of interest on any Bond;

(b) Default in the due and punctual payment of the principal of or premium, if any, on any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;

(c) Default in the due and punctual payment of the Purchase Price of any Bond at the time required by Section 2.02(c)(ii), 4.01, 4.02 or 4.06 hereof;

(d) At any time prior to the Letter of Credit Termination Date, receipt by the Trustee, within 10 Business Days following a drawing under the Letter of Credit to pay interest or the portion of the Purchase Price corresponding to interest on the Bonds, of written notice from the Bank that the Letter of Credit will not be reinstated (in respect of interest) to an amount equal to at least 55 days' interest on all Outstanding Bonds;

(e) Receipt by the Trustee of written notice from the Bank that an "Event of Default" has occurred under the Credit Agreement and instructing the Trustee to accelerate the Bonds;

(f) At any time after the Letter of Credit Termination Date, the occurrence of a Default under the Agreement;

(g) At any time after the Letter of Credit Termination Date, default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer in this Indenture or in the Bonds contained and failure to remedy the same after notice thereof pursuant to Section 9.12 hereof.

Section 9.02. Acceleration. Upon the occurrence of (i) any Default under subsection (a), (b), (c), (f) or (g) of Section 9.01, the Trustee may, and at the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds shall, or (ii) any Default under subsection (d) or (e) of Section 9.01, the Trustee shall, by notice in writing delivered to the Issuer and the Company, declare the principal of all Bonds and the interest accrued thereon to the

date of such acceleration immediately due and payable. Upon any declaration of acceleration hereunder, the Trustee shall immediately declare the payments required to be made by the Company under the Note and under Section 4.2 of the Agreement to be immediately due and payable and, prior to the Letter of Credit Termination Date, shall draw moneys under the Letter of Credit to pay the principal of all Outstanding Bonds and the accrued interest thereon to the date of acceleration to the extent required by Section 6.09(a) hereof. Interest shall cease to accrue on the Bonds on the date of declaration of acceleration under this Section 9.02.

Section 9.03. Other Remedies; Rights of Owners of Bonds. Subject to the provisions of Section 9.02 hereof, upon the occurrence of a Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds.

Subject to the provisions of Section 9.02 hereof, if a Default shall have occurred and be continuing and if requested so to do by the Owners of twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds and provided the Trustee is indemnified as provided in Section 10.01(1) hereof, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section and by Section 9.02 hereof, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners of Bonds.

Subject to the provisions of Section 9.02 hereof, no remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Owners of Bonds) 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 Owners of Bonds hereunder or now or hereafter existing at law or in equity.

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 of any such Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

No waiver of any Default hereunder, whether by the Trustee or by the Owners of Bonds, shall extend to or shall affect any subsequent Default or shall impair any rights or remedies consequent thereon.

Section 9.04. Right of Owners of Bonds to Direct Proceedings. Subject to the provisions of Section 9.02 hereof, anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Outstanding Bonds shall have the right, at any time, by an

instrument or instruments in writing executed and delivered to the Trustee, to direct the 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 9.05. Appointment of Receivers. Upon the occurrence of a Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of Bonds under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the revenues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 9.06. Waiver. Upon the occurrence of a Default, to the extent that such rights may then lawfully be waived, neither the Issuer 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 of any jurisdiction now or hereafter in force, in order to prevent or hinder the enforcement of this Indenture, and the Issuer, for itself and all who may claim through or under it, hereby waives, to the extent that it lawfully may do so, the benefit of all such laws.

Section 9.07. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article (other than moneys drawn under the Letter of Credit, which shall be deposited directly into the Letter of Credit Account of the Bond Fund, or any other Available Moneys set aside for the payment of Bonds) shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances owing to or incurred or made by the Trustee, be deposited in the General Account of the Bond Fund and the moneys in each account of 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 (with interest on overdue installments of such interest, to the extent permitted by law, at the rate of interest borne by the Bonds) and, if the amount

available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), (with interest on overdue installments of principal and premium, if any, to the extent permitted by law, at the rate of interest borne by the Bonds) and, if the amount available shall not be sufficient to pay in full all Bonds due on any particular date, then to the payment ratably according to the amount of 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 as the same shall become due of the principal of and premium, if any, and interest on the Bonds which may thereafter become due and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest and premium, if any, then due and owing thereon, payment shall be made ratably according to the amount of interest, principal and premium, if any, due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal 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 any discrimination or privilege, with interest on overdue installments of interest or principal, to the extent permitted by law, at the rate of interest borne by the Bonds.

(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 Section 9.07(b) hereof, 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 Section 9.07(a) hereof.

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 application and the likelihood of additional moneys becoming 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; provided, that upon an acceleration of Bonds pursuant to Section 9.02, interest shall cease to accrue on the Bonds on and after the date of such acceleration. 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 Owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever the principal of, premium, if any, and interest on all Bonds have been paid under the provisions of this Section and all expenses and charges of the Trustee have been paid, any balance remaining in any account of the Bond Fund shall be paid to the Company or the Bank as provided in Section 6.08 hereof.

Notwithstanding anything to the contrary herein or otherwise, moneys drawn under the Letter of Credit shall be applied only to the payment of principal or Purchase Price of, premium, if any, and accrued interest on the Bonds.

Section 9.08. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding 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 Owners of the Bonds, and any recovery of judgment shall be for the equal and ratable benefit of the Owners of the Outstanding Bonds.

Section 9.09. Rights and Remedies of Owners of Bonds. No Owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless (subject to the provisions of Section 9.02 hereof) (i) a Default

has occurred of which the Trustee has been notified as provided in Section 10.01(h) hereof, or of which by said subsection it is deemed to have notice, (ii) the Owners of twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding and shall have offered to the Trustee indemnity as provided in Section 10.01(l), and (iii) the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding. 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 Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the Owners of all Outstanding Bonds. However, nothing contained in this Indenture shall affect or impair the right of any Owner of Bonds to enforce the payment of the principal or Purchase Price of, premium, if any, and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of, premium, if any, and interest on each of the Bonds issued hereunder to the respective Owners thereof at the time and place, from the source and in the manner in the Bonds expressed. No Owner of any Bond shall have any right to institute any suit, action or proceeding at equity or at law to enforce a drawing under the Letter of Credit.

Section 9.10. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Issuer, the Trustee and the Owners of Bonds shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 9.11. Waivers of Default. The Trustee shall waive any Default hereunder and its consequences and rescind any declaration of acceleration of principal upon the written request of the Owners of (1) more than two-thirds (2/3) in aggregate principal amount of all Outstanding Bonds in respect of which default in the payment of principal or interest, or both, exists

or (2) more than two-thirds (2/3) in aggregate principal amount of Outstanding Bonds in the case of any other Default; provided, however, that there shall not be waived any Default hereunder unless and until the Trustee shall have received written notice from the Bank that the Letter of Credit has been reinstated in full; and provided further that any Default under subsection (e) of Section 9.01 hereof may only be waived upon the written request of the Bank (and in such case the consent of the Owners of the Bonds shall not be required); and provided further that there shall not be waived any Default specified in subsection (a) or (b) of Section 9.01 hereof unless prior to such waiver or rescission, all arrears of principal and interest (other than principal of or interest on the Bonds which became due and payable by declaration of acceleration), with interest at the rate then borne by the Bonds on overdue installments, to the extent permitted by law, and all expenses of the Trustee in connection with such Default shall have been paid or provided for. In case of any waiver or rescission described above, or in case any proceeding taken by the Trustee on account of any such Default shall have been discontinued or concluded or determined adversely, then and in every such case the Issuer, the Trustee and the Owners of Bonds 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.

Notwithstanding the foregoing, no waiver, rescission or annulment of a Default hereunder shall be made if the Bank shall theretofore have honored in full a drawing under the Letter of Credit in respect of such Default.

Section 9.12. Notice of Defaults under Section 9.01(g); Opportunity to Cure Such Defaults. Anything herein to the contrary notwithstanding, no Default under Section 9.01(g) hereof shall be deemed a Default until notice of such Default shall be given to the Issuer and the Company by the Trustee or by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of all Outstanding Bonds, and the Issuer and the Company shall have had thirty (30) days after receipt of such notice to correct said Default or to 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 a Default if corrective action is instituted by the Issuer or the Company within the applicable period and diligently pursued until the Default is corrected.

With regard to any Default concerning which notice is given to the Issuer and the Company under the provisions of this Section, the Issuer hereby grants the Company full authority for the account of the Issuer to perform any covenant or obligation

alleged in said notice to constitute a Default, in the name and
stead of the Issuer with full power to do any and all things and
acts to the same extent that the Issuer could do and perform any
such things and acts and with power of substitution.

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

ARTICLE X.

TRUSTEE AND TENDER AGENT

Section 10.01. Acceptance of 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, prior to the occurrence of a Default and after the curing of all Defaults which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and the Agreement. In case a Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in the exercise of such rights and powers as an ordinary, prudent man would exercise or use in the conduct of his own affairs.

(b) 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, but shall not be answerable for the conduct of the same if appointed with due care, and shall be entitled to advice of counsel concerning its duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be 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 Issuer or the Company) selected by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or inaction taken or not taken, as the case may be, in good faith in reliance upon such opinion or advice.

(c) The Trustee shall not be responsible for any recital herein or in the Bonds (except with respect to the certificate of authentication endorsed on the Bonds), or for insuring the Project, or for collecting any insurance moneys, or for the validity of the execution by the Issuer of this Indenture or of any supplements hereto 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 Project or any lien waivers with respect to the Project, 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 Company under the Agreement except as hereinafter set forth; but the Trustee may require of the Issuer and the Company full information and advice as to the performance of

the aforesaid covenants, conditions and agreements. The Trustee shall have no obligation to perform any of the duties of the Issuer under the Agreement.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the Owner of Bonds secured hereby with the same rights which it would have if not the Trustee hereunder.

(e) 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 upon Bonds issued in exchange therefor or in place thereof.

(f) As to the existence or nonexistence 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 by an Issuer Representative or a Company Representative 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 Section 10.01(h) hereof, or of which by said subsection the Trustee 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 by it to be necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of such officials of the Issuer who executed the Bonds (or their successors in office) to the effect that a resolution in the form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution has been duly adopted and is in full force and effect.

(g) 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.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Default hereunder except for Defaults specified in subsections (a), (b), (c), (d) or (e) of Section 9.01 hereof, unless the Trustee shall be specifically notified in writing of such Default by the Issuer, the Bank or by the Owners of at least twenty-five

percent (25%) in aggregate principal amount of Outstanding Bonds, 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.

(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 all books and records of the Issuer pertaining to the Project and the Bonds, and to make such copies and memoranda from and with regard thereto as may be desired.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of this Indenture or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in this Indenture with respect to 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, the Trustee shall have the right, but shall not be required, to demand 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, deemed desirable by the Trustee for the purpose of establishing the right of the Issuer to the authentication of any Bonds, the withdrawal of any cash or the taking of any other action.

(l) Before taking any action under this Indenture or under the Agreement (other than (i) paying the principal of, redemption premium (if any) and interest on the Bonds as the same shall become due and payable, (ii) drawing upon the Letter of Credit, and (iii) declaring an acceleration under Section 9.02 as a result of a Default under Section 9.01(d)), the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of any 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 in connection with any such action.

(m) All moneys received by the Trustee 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 otherwise required herein or required by law.

Section 10.02. Fees, Charges and Expenses of the Trustee. The Trustee shall be entitled to payment of reasonable fees for its services rendered hereunder and reimbursement of all advances, counsel fees and other expenses reasonably made or incurred by the Trustee in connection with such services. Upon the occurrence of a Default, but only upon the occurrence of a Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of, premium, if any, and interest on any Bond upon the Trust Estate (exclusive of the proceeds of any drawing under the Letter of Credit; proceeds of the remarketing of the Bonds; and any Available Moneys) for the foregoing fees, charges and expenses of the Trustee. When the Trustee incurs expenses or renders services after the occurrence of an Act of Bankruptcy with respect to the Company, the expenses and the compensation for the services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. The Issuer shall have no liability to pay any fees, charges or other expenses of the Trustee hereinabove mentioned except from the amounts pledged under this Indenture.

Section 10.03. Notice to Owners of Bonds if Default Occurs. If a Default occurs of which the Trustee has been notified as provided in Section 10.01(h) hereof, or of which by said subsection it is deemed to have notice, then the Trustee shall promptly give notice thereof to the Bank and to the Owner of each Bond.

Section 10.04. Intervention by the Trustee. In any judicial proceeding which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Owners of the Bonds, the Trustee may intervene on behalf of the Owners of the Bonds and shall do so if requested in writing by the Bank or the Owners of at least twenty-five percent (25%) of the aggregate principal amount of Outstanding Bonds.

Section 10.05. Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, shall be and become successor Trustee hereunder and vested with all of the title to the 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 instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 10.06. Resignation by the Trustee. The Trustee and any successor Trustee may at any time resign from the trusts

hereby created by giving thirty (30) days' notice to the Issuer, the Bank, the Tender Agent, the Remarketing Agent, the Company, and the Owner of each Bond. Such resignation shall not take effect until the appointment of a successor Trustee or temporary Trustee.

Section 10.07. 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 Issuer and signed by the Owners of a majority in aggregate principal amount of Outstanding Bonds. Such removal shall not take effect until the appointment of a successor Trustee or temporary Trustee.

Section 10.08. Appointment of Successor Trustee by Owners of Bonds. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Owners of a majority in aggregate principal amount of Outstanding Bonds by an instrument or concurrent instruments in writing signed by such Owners, or by their attorneys-in-fact duly authorized, a copy of which shall be delivered personally or sent by registered mail to the Issuer, the Company, the Tender Agent and the Bank. In case of any such vacancy, the Issuer, by an instrument executed by its official who executed the Bonds or his successor in office, may appoint a temporary successor Trustee to fill such vacancy until a successor Trustee shall be appointed by the Owners of Bonds in the manner above provided; and such temporary successor Trustee so appointed by the Issuer shall immediately and without further act be superseded by the Trustee appointed by the Owners of Bonds. If no successor Trustee has accepted appointment in the manner provided in Section 10.09 hereof within ninety (90) days after the Trustee has given notice of resignation to the Issuer and the Owner of each Bond, the Trustee may petition any court of competent jurisdiction for the appointment of a temporary successor Trustee; provided that any Trustee so appointed shall immediately and without further act be superseded by a Trustee appointed by the Issuer or the Owners of Bonds as provided above. Every successor Trustee appointed pursuant to the provisions of this Section shall be, if there be such an institution willing, qualified and able to accept the trust upon customary terms, a bank or trust company within or without the State, in good standing and having reported capital and surplus of not less than \$50,000,000 and rated Baa3/Prime-3 or better by Moody's (or shall otherwise be approved in writing by the rating agency then rating the Bonds).

Section 10.09. Acceptance by Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its or his predecessor and also to the Issuer and the Company an instrument in writing accepting such appointment

hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but its predecessor shall, nevertheless, on the written request of the Issuer, or of its successor, execute and deliver an instrument transferring to such successor 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 Issuer 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 Issuer.

Section 10.10. Appointment of Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the laws of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Agreement, and in particular in case of the enforcement thereof 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 or therein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, the Trustee may appoint an additional individual or institution as a separate or Co-Trustee, in which event each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture or the Agreement 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 Issuer be required by the separate 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 Issuer. In case any separate or Co-Trustee, or a successor, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate or Co-Trustee, so far as permitted by law, shall vest in

and be exercised by the Trustee until the appointment of a successor to such separate or Co-Trustee. Any Co-Trustee appointed by the Trustee pursuant to this Section may be removed by the Trustee, in which case all powers, rights and remedies vested in the Co-Trustee shall again vest in the Trustee as if no such appointment of a Co-Trustee had been made.

Section 10.11. Successor Tender Agent; Appointment of Co-Tender Agent.

(a) Any corporation or association into which the Tender Agent 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, shall be and become the successor Tender Agent hereunder, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

(b) The Tender Agent may at any time resign by giving thirty (30) days' notice to the Issuer, the Trustee, the Company and the Remarketing Agent. Such resignation shall not take effect until the appointment of a successor Tender Agent.

(c) The Tender Agent may be removed at any time by an instrument in writing delivered to the Trustee and the Tender Agent by the Company, with the prior written approval of the Bank. In no event, however, shall any removal of the Tender Agent take effect until a successor Tender Agent shall have been appointed.

(d) In case the Tender Agent shall resign or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting as Tender Agent, 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 Company with the prior written approval of the Issuer and the Bank. Every successor Tender Agent appointed pursuant to the provisions of this Section shall be, if there be such an institution willing, qualified and able to accept the duties of the Tender Agent upon customary terms, a bank or trust company within or without the State, in good standing and having reported capital and surplus of not less than \$50,000,000 and rated Baa3/Prime-3 or better by Moody's (or shall otherwise be approved in writing by the rating agency then rating the Bonds). Any such successor shall have an office in the City of Atlanta, Georgia, and shall be acceptable to the Trustee. Written notice of such appointment shall immediately be given by the Company to the Trustee and the Trustee shall cause written notice of such appointment to be given to the Owners of the Bonds. Any successor Tender Agent shall execute and deliver an instrument accepting

such appointment and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all rights, powers, duties and obligations of its predecessor, with like effect as if originally named as Tender Agent, but such predecessor shall nevertheless, on the written request of the Company, the Trustee or the Issuer, or of the successor, execute and deliver such instruments and do such other things as may reasonably be required to more fully and certainly vest and confirm in such successor all rights, powers, duties and obligations of such predecessor. If no successor Tender Agent has accepted appointment in the manner provided above within 90 days after the Tender Agent has given notice of its resignation as provided above, the Tender Agent may petition any court of competent jurisdiction for the appointment of a temporary successor Tender Agent; provided that any Tender Agent so appointed shall immediately and without further act be superseded by a Tender Agent appointed by the Company as provided above.

(e) In the event the Tender Agent shall determine at any time that the duties and obligations of the Tender Agent described herein and in the Tender Agent Agreement require the appointment of a Co-Tender Agent, the Tender Agent may appoint an additional institution as a separate or Co-Tender Agent, in which event each and every remedy, power, right, claim, demand, cause of action, immunity and interest expressed or intended by this Indenture and by the Tender Agent Agreement to be exercised by or conveyed to the Tender Agent with respect thereto shall be exercisable by and vest in such separate or Co-Tender Agent, but only to the extent necessary to enable such separate or Co-Tender Agent to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or Co-Tender Agent shall run to and be enforceable by either of them. Such Co-Tender Agent shall be acceptable so long as it satisfies the requirements set forth above with respect to the appointment of a successor Tender Agent.

Section 10.12. Successor Remarketing Agent.

(a) Any corporation or association into which the Remarketing Agent 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, shall be and become the successor Remarketing Agent hereunder, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

(b) The Remarketing Agent may at any time resign by giving thirty (30) days' notice to the Issuer, the Trustee, the Bank, the Company and the Tender Agent. Such resignation shall

not take effect until the appointment of a successor Remarketing Agent.

(c) The Remarketing Agent may be removed at any time by an instrument in writing delivered to the Trustee and the Tender Agent by the Company, with the prior written approval of the Bank. In no event, however, shall any removal of the Remarketing Agent take effect until a successor Remarketing Agent shall have been appointed.

(d) In case the Remarketing Agent shall resign or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting as Remarketing Agent, 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 Company with the prior written approval of the Issuer and the Bank. Every successor Remarketing Agent appointed pursuant to the provisions of this Section shall be, if there be such an institution willing, qualified and able to accept the duties of the Remarketing Agent upon customary terms, a bank or trust company or broker/dealer within or without the State, in good standing and having reported capital and surplus of not less than \$10,000,000 and rated Baa3/Prime-3 or better by Moody's (or shall otherwise be approved in writing by the rating agency then rating the Bonds). Any such successor shall have an office in the City of Atlanta, Georgia, and shall be acceptable to the Trustee. Written notice of such appointment shall immediately be given by the Company to the Trustee and the Trustee shall cause written notice of such appointment to be given to the Owners of the Bonds. Any successor Remarketing Agent shall execute and deliver an instrument accepting such appointment and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all rights, powers, duties and obligations of its predecessor, with like effect as if originally named as Remarketing Agent, but such predecessor shall nevertheless, on the written request of the Company, the Trustee or the Issuer, or of the successor, execute and deliver such instruments and do such other things as may reasonably be required to more fully and certainly vest and confirm in such successor all rights, powers, duties and obligations of such predecessor. If no successor Remarketing Agent has accepted appointment in the manner provided above within 90 days after the Remarketing Agent has given notice of its resignation as provided above, the Remarketing Agent may petition any court of competent jurisdiction for the appointment of a temporary successor Remarketing Agent; provided that any Remarketing Agent so appointed shall immediately and without further act be superseded by a Remarketing Agent appointed by the Company as provided above.

Section 10.13. Notice to Rating Agencies. The Trustee shall provide Moody's or S&P, as appropriate, with prompt written

notice following the effective date of such event of (i) the appointment of any successor Trustee, Tender Agent, or Remarketing Agent, or the appointment of an agent to perform any of the material duties of the foregoing (ii) any Substitute Bank, (iii) any material amendments to this Indenture or the Agreement, (iv) the expiration or termination of any Letter of Credit, (v) the conversion of the interest rate borne by the Bonds from the Adjustable Rate to the Fixed Rate, (vi) a change in the duration of the Interest Period (and the duration of the new Interest Period), or (vii) the redemption in whole or the tender (other than a tender pursuant to the demand purchase option described in Section 4.06 hereof) of the Bonds.

EXHIBIT

SEP 5 1989

NO. 1

ARTICLE XI.

SUPPLEMENTAL INDENTURES

STATE BUDGET & CONTROL BOARD

Section 11.01. Supplemental Indentures Not Requiring Consent of Owners of Bonds. The Issuer and the Trustee may, with the consent of the Bank and the Company and upon receipt of an opinion of Bond Counsel to the effect that the proposed supplemental indenture will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes, and without consent of, or notice to, any of the Owners of Bonds, enter into an indenture or indentures supplemental to this Indenture 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 Owners of Bonds any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Owners of Bonds or the Trustee;

(c) To subject to this Indenture additional revenues, properties or collateral;

(d) To modify, amend or supplement this Indenture or any indenture supplemental hereof in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America;

(e) To evidence the appointment of a separate or Co-Trustee or the succession of a new Trustee hereunder;

(f) To correct any description of, or to reflect changes in, any of the properties comprising the Trust Estate;

(g) To make any revisions of this Indenture that shall be required by Moody's or S&P in order to obtain or maintain an investment grade rating on the Bonds; or

(h) To effect any other change herein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners of Bonds.

In the event S&P and/or Moody's has issued a rating of any of the Bonds, S&P and/or Moody's, as the case may be, shall receive

prior written notice from the Trustee of the proposed amendment but such notice shall not be a condition of the effectiveness of such amendment.

Section 11.02. Supplemental Indentures Requiring Consent of Owners of Bonds. Exclusive of supplemental indentures permitted by Section 11.01 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the Bank and the Owners of not less than two-thirds (2/3) in aggregate principal amount of the Outstanding Bonds 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 Issuer and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable 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 or in Section 11.01 hereof contained shall permit, or be construed as permitting, without the consent of the Bank and the Owners of all Bonds Outstanding, (a) an extension of the maturity of the principal of, or the interest on, any bond issued hereunder, or (b) a reduction in the principal amount or Purchase Price of, or redemption premium on, any Bond or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures or any modifications or waivers of the provisions of this Indenture or the Agreement, or (e) the creation of any lien ranking prior to or on a parity with the lien of this Indenture on the Trust Estate or any part thereof, except as hereinbefore expressly permitted, or (f) the deprivation of the Owner of any Outstanding Bond of the lien hereby created on the Trust Estate.

If at any time the Issuer 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 given to the Bank and to the Owners of the Bonds as provided in Section 3.03 of this Indenture; provided, that prior to the delivery of such notice, the Trustee may require that an opinion of Bond Counsel be furnished to the effect that the supplemental indenture complies with the provisions of this Indenture and will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Owners of Bonds. If, within sixty (60) days or such longer period as shall be prescribed by the Issuer following such notice, the Bank and the Owners of not less than two-thirds (2/3) 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 Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer 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 shall not become effective unless and until the Company shall have consented to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution of any such supplemental indenture together with a copy of the proposed supplemental indenture to be mailed to the Company at least fifteen (15) Business Days prior to the proposed date of execution and delivery of any such supplemental indenture.

In the event S&P and/or Moody's has issued a rating of any of the Bonds, S&P and/or Moody's, as the case may be, shall receive prior written notice from the Trustee of the proposed amendment but such notice shall not be a condition of the effectiveness of such amendment.

ARTICLE XII. ^y

AMENDMENT OF AGREEMENT AND NOTE

Section 12.01. Amendments to Agreement and Note Not Requiring Consent of Owners of Bonds. The Issuer and/or the Trustee (as the case may be) may, with the consent of the Bank and upon receipt of an opinion of Bond Counsel to the effect that the proposed amendment will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes, and without the consent of or notice to the Owners of Bonds, consent to any amendment, change or modification of the Agreement or the Note as may be required (i) by the provisions of the Agreement or the Note, (ii) for the purpose of curing any ambiguity or formal defect or omission in the Agreement or the Note, (iii) so as to more precisely identify the Project, or to substitute or add additional improvements or equipment to the Project or additional rights or interests in property acquired in accordance with the provisions of the Agreement or the Note, (iv) to enter into an indenture or indentures supplemental hereto as provided in Section 11.01 hereof, (v) to make any revisions that shall be required by Moody's and/or S&P in order to obtain or maintain an investment grade rating on the Bonds, or (vi) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners of Bonds.

Section 12.02. Amendments to Agreement and Note Requiring Consent of Owners of Bonds. Except for the amendments, changes or modifications as provided in Section 12.01 hereof, neither the Issuer nor the Trustee shall consent to any other amendment, change or modification of the Agreement or the Note without mailing of notice and the written approval or consent of the Bank and the Owners of at least two-thirds (2/3) in aggregate principal amount of the Outstanding Bonds, provided that the consent of the Bank and the Owners of all Bonds Outstanding is required for any amendment, change or modification of the Agreement or the Note that would permit the termination or cancellation of the Agreement or the Note or a reduction in or postponement of the payments under the Agreement or the Note or any change in the provisions relating to payment thereunder. If at any time the Issuer and the Company shall request the consent of the Trustee to any such proposed amendment, change or modification of the Agreement or the Note, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided by Section 11.02 hereof with respect to supplemental indentures; provided, that prior to the delivery of such notice, the Trustee may require that an opinion

of Bond Counsel be furnished to the effect that such amendment, change or modification complies with the provisions of this Indenture and will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Principal Office of the Trustee for inspection by all Owners of Bonds.

ARTICLE XIII.

MISCELLANEOUS

Section 13.01. Consents of Owners of Bonds. Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Owners of Bonds may be in any number of concurrent documents and may be executed by such Owners of Bonds in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the written appointment of any such agent or 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 by it under such request or other instrument. The fact and date of the execution by any person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by an officer authorized by law to take acknowledgments of deeds certifying that the person signing such instrument or writing acknowledged to him the execution thereof. The fact of ownership of Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date of owning the same shall be proved by the registration books of the Issuer maintained by the Trustee pursuant to Section 2.08 hereof.

Section 13.02. Limitation of Rights. With the exception of any 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, the Tender Agent, the Bank and the Owners of the Bonds, any legal or equitable right, remedy or claim under or with 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, the Tender Agent, the Bank and the Owners of the Bonds as herein provided.

Section 13.03. Severability. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 13.04. Notices. Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid or sent by telegram, addressed as follows:

If to the Issuer:	Spartanburg County, South Carolina Spartanburg County Courthouse Spartanburg, South Carolina 29301 Attention: Administrator
If to the Trustee:	Trust Company Bank 58 Edgewood Avenue, Room 235A Atlanta, Georgia 30303 Attention: Corporate Trust Department
If to the Company:	Siemens Energy & Automation, Inc. 3333 State Bridge Road Atlanta, Georgia 30201 Attention: Treasurer's Department
If to the Bank:	Trust Company Bank 25 Park Place, 10th Floor Atlanta, Georgia 30303 Attention: International Division
	with a copy to:
	Trust Company of Georgia 711 Fifth Avenue, 5th Floor New York, New York 10022 Attention: Randy Havens
If to the issuer of a Substitute Letter of Credit:	Its address designated in writing to the Trustee
If to the Remarketing Agent:	Its Principal Office
If to the Tender Agent:	Trust Company Bank 58 Edgewood Avenue, Room 210A Atlanta, Georgia 30303 Attention: Corporate Trust Department
If to Moody's:	Moody's Investors Service, Inc. 99 Church Street New York, New York 10007 Attention: Corporate Department, Structured Finance Group
If to S&P:	Standard & Poor's Corporation 25 Broadway New York, New York 10004 Attention: Corporate Finance Department

A duplicate copy of each notice required to be given hereunder by any person listed above shall also be given to the others. The Issuer, the Company, the Trustee, the Remarketing Agent, the Tender Agent and the Bank, and the issuer of any Substitute Letter of Credit, may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Except for those writings requiring original signatures, any written notice, instruction or confirmation required hereunder may be provided by telex, telegraph or facsimile transmission.

Section 13.05. Payments Due on Saturdays, Sundays and Holidays. In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for purchase or redemption of any Bonds shall not be a Business Day, then payment of principal, Purchase Price, premium, if any, or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for purchase or redemption.

Section 13.06. Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of such shall constitute but one and the same instrument.

Section 13.07. Applicable Provisions of Law. This Indenture shall be governed by and construed in accordance with the laws of the State.

Section 13.08. Rules of Interpretation. Unless expressly indicated otherwise, references to Sections or Articles are to be construed as references to Sections or Articles of this instrument as originally executed. Use of the words "herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter" and other equivalent words refer to this Indenture and not solely to the particular portion in which such word is used.

Section 13.09. Captions. The captions and headings in this Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Indenture.

Section 13.10. No Personal Liability. Notwithstanding anything to the contrary contained herein or in any of the Bonds or the Agreement, or in any other instrument or document executed by or on behalf of the Issuer in connection herewith, no stipulation, covenant, agreement or obligation contained herein or therein shall be deemed or construed to be a stipulation, covenant, agreement or obligation of any present or future member,

commissioner, director, trustee, officer, employee or agent of the Issuer, or of any incorporator, member, commissioner, director, trustee, officer, employee or agent of any successor to the Issuer, in any such person's individual capacity, and no such person, in his individual capacity, shall be liable personally for any breach or non-observance of or for any failure to perform, fulfill or comply with any such stipulations, covenants, agreements or obligations, nor shall any recourse be had for the payment of the principal of, premium, if any, or interest on any of the Bonds or for any claim based thereon or on any such stipulation, covenant, agreement or obligation, against any such person, in his individual capacity, either directly or through the Issuer or any successor to the Issuer, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such person, in his individual capacity, is hereby expressly waived and released.

Section 13.11. Certain References Ineffective After Letter of Credit Termination Date. From and after the Letter of Credit Termination Date, upon receipt by the Trustee of a certificate from the Bank stating that all amounts payable to the Bank under the Credit Agreement have been paid in full, all references to the Bank, the Credit Agreement or the Letter of Credit in the Agreement, this Indenture and the Bonds shall be ineffective.

IN WITNESS WHEREOF, the Issuer has caused these presents to be executed in its name by its duly authorized official; and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be executed in its corporate name and with its corporate seal hereunto affixed and attested by its duly authorized officer, as of the date first above written.

SPARTANBURG COUNTY, SOUTH CAROLINA

By: _____
Title:

[SEAL]

Attest:

Title:

TRUST COMPANY BANK

By: _____
Authorized Officer

[SEAL]

Attest:

By: _____
Authorized Officer

No. R- _____

\$ _____

EXHIBIT A

(ADJUSTABLE RATE FORM OF BOND)

UNITED STATES OF AMERICA
SPARTANBURG COUNTY, SOUTH CAROLINA
REFUNDING REVENUE BOND
(SIEMENS ENERGY & AUTOMATION, INC. PROJECT)
SERIES 1989

Maturity Date: November 10, 2003

Dated Date: _____

CUSIP: _____

Registered Owner: _____

Principal Amount: _____

THIS BOND IS SUBJECT TO MANDATORY TENDER FOR PURCHASE AT THE TIMES AND IN THE MANNER HEREINAFTER DESCRIBED, AND MUST BE SO TENDERED OR WILL BE DEEMED TO HAVE BEEN SO TENDERED UNDER CERTAIN CIRCUMSTANCES DESCRIBED HEREIN.

KNOW ALL MEN BY THESE PRESENTS that Spartanburg County, South Carolina (the "Issuer"), for value received, promises to pay from the source and as hereinafter provided, to the Registered Owner identified above on the Maturity Date set forth above, upon surrender hereof, the Principal Amount set forth above, and in like manner to pay interest on said sum at the rate and on the dates described below, from the Dated Date as set forth above and thereafter from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication hereof to which interest has been paid or duly provided for, unless the date of authentication hereof is an Interest Payment Date to which interest has been paid or duly provided for, in which case from the date of authentication hereof, or unless no interest has been paid or duly provided for on the Bonds (as hereinafter defined), in which case from the Dated Date of the Bonds, until payment of the principal hereof has been made or duly provided for. Notwithstanding the foregoing, if the date of authentication of this Bond is after any date which is the second (2nd) Business Day (as defined in the Indenture) next preceding any Interest Payment Date (a "Record Date") and before the following Interest Payment Date, this Bond shall bear interest from such Interest Payment Date; provided, however, that if the Issuer shall default in the payment of interest due on such Interest Payment Date, then this Bond shall bear interest from the next preceding Interest Payment

02065

Date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for on the Bonds, from the Dated Date of the Bonds. The principal of this Bond is payable in lawful money of the United States of America at the principal corporate trust office of Trust Company Bank, as trustee (together with its successors in trust, the "Trustee") or at the duly designated office of any successor Trustee under the Indenture of Trust dated as of August 1, 1989 between the Issuer and the Trustee (which indenture, as from time to time amended and supplemented, is hereinafter referred to as the "Indenture"). Payment of interest on this Bond shall be made on each Interest Payment Date to the registered Owner hereof as of the applicable Record Date and shall be paid by check mailed by the Trustee to such registered Owner at his address as it appears on the registration books of the Issuer or at such other address as is furnished to the Trustee in writing by such registered Owner, or in such other manner as may be mutually acceptable to the Trustee and the registered Owner of this Bond. The Purchase Price (hereinafter defined) of this Bond shall be payable by Trust Company Bank, Atlanta, Georgia (together with any successor Tender Agent, the "Tender Agent") to the registered Owner hereof at his address as it appears on the registration books of the Issuer or at such other address as may be specified by such Owner in writing at least 24 hours prior to the time such Purchase Price is due.

The following definitions shall apply to the terms used in this Bond:

"Adjustable Rate" means the interest rate borne by the Bonds from the date of issuance and delivery thereof to (but not including) the Conversion Date, which rate is determined in the manner hereinafter described.

"Automatic Conversion Date" means the Interest Payment Date immediately preceding the Letter of Credit Termination Date.

"Conversion Date" means the earlier to occur of either the Optional Conversion Date or the Automatic Conversion Date.

"Conversion Option" means the option granted to the Company in the Indenture pursuant to which the interest rate on the Bonds is converted from the Adjustable Rate to the Fixed Rate as of the Optional Conversion Date.

"Demand Purchase Option" means the option granted in the Indenture to Owners of Bonds, while the Bonds bear interest at the Adjustable Rate, to require that Bonds be purchased prior to the Conversion Date.

"First Optional Redemption Date" means the September 1 occurring in the year which is a number of years (carried to one decimal place) after the Conversion Date equal to the number of

years (carried to one decimal place) between the September 1 immediately following the Conversion Date (unless the Conversion Date is September 1, in which case from such September 1) and November 10, 2003, multiplied by 1/2 and rounded up to the nearest whole number.

"Fixed Rate" means the interest rate in effect on the Bonds from and after the Conversion Date, which rate is determined in the manner hereinafter described.

"Interest Payment Date" means (i) so long as the Bonds bear interest at the Adjustable Rate, the Interest Payment Date for each Interest Period shall be the first day of the next succeeding Interest Period; provided, that so long as the Interest Period is one week in duration, the term Interest Payment Date shall mean the first day of each calendar month, and (ii) so long as the Bonds bear interest at the Fixed Rate, March 1 and September 1 in each year, commencing on the March 1 or September 1 next succeeding the Conversion Date.

"Interest Period" means the period from the date of issuance and delivery of the Bonds to and including the next succeeding Tuesday (unless the Bonds are issued and delivered on a Tuesday, in which case the first Interest Period shall include only such Tuesday), and each period of one week's duration thereafter, commencing on Wednesday of each week and continuing through Tuesday of the following week. At the option of the Company, the duration of the Interest Period may be adjusted in accordance with the provisions of Section 2.02(c)(ii) of the Indenture, in which event the term "Interest Period" shall mean (i) for any period of time of one week's duration, the period commencing on Wednesday of each week and continuing through Tuesday of the following week, (ii) for any period of time of one month's duration, the period commencing on the first day of each calendar month and terminating on the last day of such month, (iii) for any period of time of three month's duration, the period commencing on the first day of the first calendar month and terminating on the last day of the third calendar month, and (iv) for any period of time of six month's duration, the period commencing on the first day of the first calendar month and terminating on the last day of the sixth calendar month. Under no circumstances shall the Interest Period exceed six months in duration. The duration of the Interest Period may be adjusted effective only on the day following the last day of the preceding Interest Period; provided, however, that an Interest Period of one week's duration may be adjusted to any other authorized duration only on the first day of each calendar month. In the event the duration of the Interest Period is to be adjusted from one week to another authorized duration, and the expiration of the last Interest Period prior to the first calendar day of the month does not occur on the last day of a calendar month, then in such event the duration of such Interest Period shall be increased or decreased at the discretion of the Remarketing Agent, by not more

than six (6) days, in order to cause the expiration of such Interest Period to occur on the last day of the calendar month.

"Letter of Credit" means (i) that certain letter of credit dated the date of issuance of the Bonds issued by Trust Company Bank, and (ii) any Substitute Letter of Credit.

"Letter of Credit Termination Date" means the later of (i) that date upon which the Letter of Credit shall expire or terminate pursuant to its terms, or (ii) that date to which the expiration or termination of the Letter of Credit may be extended, from time to time, either by extension or renewal of the existing Letter of Credit or the issuance of a Substitute Letter of Credit.

"Optional Conversion Date" means the Interest Payment Date on or after March 1, 1990, which shall be a Business Day, from and after which the interest rate on the Bonds is converted from the Adjustable Rate to the Fixed Rate as a result of the exercise by the Company of the Conversion Option.

"Preliminary Interest Rate" means the preliminary interest rate required to be determined by the Remarketing Agent upon any change in the duration of the Interest Period.

"Preliminary Rate Determination Date" means the fifteenth (15th) day next preceding the Rate Determination Date (or if such date is not a Business Day, then the Business Day immediately preceding such date).

"Purchase Price" means an amount equal to 100% of the principal amount of any Bond tendered or deemed tendered pursuant to the Indenture, plus, in the case of purchase pursuant to the exercise of the Demand Purchase Option, accrued and unpaid interest thereon to the date of purchase.

"Rate Determination Date" means the first day of each Interest Period that has a duration different from the preceding Interest Period, on which date the Remarketing Agent shall establish the Adjustable Rate for such Interest Period (or if such date is not a Business Day, then the Business Day immediately preceding such date).

"Remarketing Agent" means the Remarketing Agent acting as such under the Remarketing Agreement, dated as of August 1, 1989 between the Company and Trust Company Bank.

"Substitute Letter of Credit" means a letter of credit delivered to the Trustee, with the written consent of the Bank, in accordance with Section 4.4 of the Agreement (i) issued by the Bank or a Substitute Bank, (ii) replacing any existing Letter of Credit, (iii) dated as of a date prior to the expiration date of the Letter of Credit for which the same is to be substituted,

(iv) which shall expire on a date which is 15 days after an Interest Payment Date for the Bonds and (v) issued on substantially identical terms and conditions as the then existing Letter of Credit, except that the Substitute Letter of Credit may expire on a date which is later than the expiration date of the Letter of Credit being replaced, and except that the stated amount of the Substitute Letter of Credit shall equal the sum of (A) the aggregate principal amount of Bonds at the time Outstanding, plus (B) an amount equal to at least 55 days' interest (computed at the Maximum Interest Rate (as defined in the Indenture), so long as the Bonds bear interest at the Adjustable Rate) on all Bonds at the time Outstanding.

"Tender Date" means (i) during any Interest Period of other than one week's duration, any Interest Payment Date, (ii) during any Interest Period of one week's duration, the seventh (7th) day (unless such day is not a Business Day, in which case the next Business Day) following receipt by the Tender Agent of notice from the Owner that such Owner has elected to tender bonds (as more fully described herein), and (iii) the Conversion Date.

This Bond shall bear interest as follows:

(a) Prior to the Conversion Date, this Bond shall bear interest at the Adjustable Rate (in any event, not to exceed 13% per annum), as hereinafter described. The Adjustable Rate for each Interest Period will be determined by the Remarketing Agent on the first day of each such Interest Period, as follows: the interest rate for each Interest Period shall be established at a rate equal to the interest rate per annum that, in the sole judgment of the Remarketing Agent, taking into account prevailing financial market conditions, would be the minimum interest rate required to sell the Bonds at a price of Par (as such term is defined in the Indenture), on the date of such determination. Upon determining the Adjustable Rate for each Interest Period, the Remarketing Agent shall notify the Trustee of such rate by telephone or such other manner as may be appropriate by not later than 2:00 P.M., New York City time on the date of such determination, which notice shall be promptly confirmed in writing. Notwithstanding the foregoing, no adjustment shall be made to the Adjustable Rate for an Interest Period commencing after the second (2nd) Business Day prior to any Interest Payment Date or a date fixed for redemption, and the Bonds shall bear interest during such Interest Period at the rate in effect during the immediately preceding Interest Period.

Pursuant to the Indenture, the Company is authorized to adjust the duration of the Interest Period and, in that connection, shall instruct the Remarketing Agent, not later than the fifth (5th) day prior to the Preliminary Rate

Determination Date, to compute the Adjustable Rate on the basis of an Interest Period of one week, one month, three months or six months. In the event the Company elects to adjust the duration of the Interest Period, the Company shall notify the Trustee in writing, on the date such instruction is provided to the Remarketing Agent, of such an election with respect to the Interest Period and of the Rate Determination Date on which such new Interest Period shall commence, and shall furnish to the Trustee, with such notification, an opinion of nationally recognized bond counsel ("Bond Counsel") to the effect that such change in duration will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds pursuant to the Internal Revenue Code of 1986 (the "Code") by reason of such change in duration.

Following receipt of instructions from the Company regarding the computation of the Adjustable Rate based upon a change in the duration of the Interest Period, the Remarketing Agent shall, on the Preliminary Rate Determination Date, determine the Preliminary Interest Rate for the Bonds. Upon determining the Preliminary Interest Rate, the Remarketing Agent shall notify the Trustee and the Company thereof by telephone or such other manner as may be appropriate by not later than 2:00 P.M. New York City time on the date of such determination, which notice shall be promptly confirmed in writing.

The Trustee shall then mail notice to the Owners of such Bonds, not more than two Business Days following the Preliminary Rate Determination Date, stating (i) that the duration of the Interest Period will be adjusted as of the first day of the next succeeding Interest Period and specifying the duration of the Interest Period and the date of the commencement of such Interest Period; (ii) the Preliminary Interest Rate; (iii) that the Remarketing Agent will determine the Adjustable Rate for such Interest Period on the Rate Determination Date and that in no event will such rate be lower than the Preliminary Interest Rate; (iv) that the date of commencement of such Interest Period is a Tender Date, and that the Owners of such Bonds shall be deemed to have tendered their Bonds on such Tender Date unless the Owners of such Bonds have directed the Trustee not to purchase their Bonds on such Tender Date by providing the notice described below; (v) that if such notice of election not to tender is given by the Owners to the Trustee within the period set forth in such notice, then the Owners of such Bonds will not be entitled to tender such Bonds until the next succeeding Tender Date; and (vi) that any election not to tender given in accordance with such procedure will be irrevocable.

Pursuant to the Indenture, the delivery by the Company to the Trustee of a letter from Bond Counsel confirming the opinion accompanying the Company notification described above on such Tender Date is a condition precedent to the change in duration of the Interest Period. In the event that the Company fails to deliver to the Trustee the letter of Bond Counsel referred to in the preceding sentence, such change in the duration of the Interest Period shall not take effect, and the Bonds shall continue to bear interest calculated in the method applicable prior to the proposed change.

As described above, the Owner of a Bond that is subject to mandatory tender because the Company has elected to change the duration of the Interest Period shall have the option to make an irrevocable election not to tender such Bond for purchase on the Tender Date. In order to exercise such option, the Owner of such Bond shall give to the Trustee on or prior to 12:30 P.M. New York City time, on the seventh (7th) day preceding such Tender Date (or, if such day is not a Business Day, the next preceding Business Day) telephonic (promptly confirmed in writing) or written notice stating (a) the principal of the Bonds which the Owner elects not to tender, (b) the number of such Bonds, (c) that such Owner irrevocably elects not to tender such Bonds on such Tender Date, and (d) that such Owner acknowledges that the duration of the next Interest Period will differ from the duration of the Interest Period then ending.

Owners of Bonds not providing the Trustee with the notice described above shall be required to tender their Bonds to the Tender Agent for purchase at the Purchase Price, and any such Bonds not so tendered on the Rate Determination Date ("Untendered Bonds") for which there has been irrevocably deposited in trust with the Trustee an amount of moneys sufficient to pay the Purchase Price of the Untendered Bonds, shall be deemed to have been purchased. IN THE EVENT OF A FAILURE BY AN OWNER OF BONDS (OTHER THAN AN OWNER OF BONDS WHO HAS GIVEN NOTICE AS PROVIDED ABOVE) TO TENDER ITS BONDS ON OR PRIOR TO THE RATE DETERMINATION DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE RATE DETERMINATION DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNTENDERED BONDS, AND ANY UNTENDERED BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE INDENTURE, EXCEPT FOR THE PURPOSE OF PAYMENT OF THE PURCHASE PRICE THEREFOR.

On the Rate Determination Date, the Remarketing Agent shall establish the Adjustable Rate for the Bonds for the Interest Period commencing on the Rate Determination Date, and shall notify the Trustee and the Company thereof by telephone or such other manner as may be appropriate by not later than 2:00 P.M. New York City time on the date of such

determination, which notice shall be promptly confirmed in writing. The Preliminary Interest Rate and the Adjustable Rate on the Bonds for such Interest Period shall be established at a rate equal to the interest rate per annum that, in the sole judgment of the Remarketing Agent, taking into account prevailing financial market conditions, would be the minimum interest rate required to sell the Bonds at a price of Par on the Rate Determination Date; provided, that the Adjustable Rate on the Bonds for such Interest Period shall in no event be less than the Preliminary Interest Rate. The Adjustable Rate determined by the Remarketing Agent for the Bonds will take effect on the first day of the Interest Period for which such rate was determined.

(b) From and after the Conversion Date, the Bonds shall bear interest at the Fixed Rate, determined as follows: commencing on the Conversion Date and thereafter through and including the maturity or prior redemption of the Bonds, the Fixed Rate shall be the interest rate per annum which, in the sole judgment of the Remarketing Agent, taking into account prevailing financial market conditions, would be the minimum interest rate required to sell such Bonds on the Conversion Date at a price equal to Par. The Fixed Rate shall be determined by the Remarketing Agent on or before the second (2nd) Business Day preceding the twentieth (20th) day preceding the Conversion Date, and the Remarketing Agent shall notify the Trustee and the Company thereof by telephone or such other manner as may be appropriate by not later than 2:00 P.M. New York City time on such date, which notice shall be promptly confirmed in writing.

Prior to the Conversion Date, interest on the Bonds shall be computed on the basis of (i) a 365- or 366-day year, as the case may be, actual number of days elapsed, and (ii) a 360-day year comprised of twelve 30-day months, so long as the Interest Period is three months or six months in duration. On and after the Conversion Date, interest on the Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The interest rate on the Bonds shall be converted from the Adjustable Rate to the Fixed Rate upon satisfaction of certain conditions and notice given by the Company and by the Trustee in accordance with the requirements of the Indenture, and upon the expiration or termination of the Letter of Credit, in the manner and subject to the provisions with respect thereto set forth in the Indenture, and the Bonds shall be subject to mandatory tender by the Owners thereof on the Conversion Date. On and after the Conversion Date the Demand Purchase Option will not be available to the Owners of the Bonds. Any Owner of Bonds who desires to retain Bonds after the Conversion Date must notify the Trustee in writing received no less than fifteen days prior to the Conversion Date in the form described in the notice given by the Company at

least twenty days but not more than thirty days prior to the Conversion Date; such notice shall be accompanied by the Bonds that such Owner desires to retain after the Conversion Date, which Bonds shall be exchanged for replacement bonds evidencing interest at the Fixed Rate. Owners of Bonds who do not provide the Trustee with said notice shall be required to tender their Bonds to the Tender Agent for purchase at the Purchase Price. Accrued interest on the Bonds will be payable on the Conversion Date to the Owners of Bonds as of the applicable Record Date. Any Bonds not so tendered on the Conversion Date ("Untendered Bonds"), for which there has been irrevocably deposited in trust with the Trustee an amount of moneys sufficient to pay the Purchase Price of the Untendered Bonds, shall be deemed to have been purchased at the Purchase Price. IN THE EVENT OF A FAILURE BY AN OWNER OF BONDS (OTHER THAN AN OWNER OF BONDS WHO HAS GIVEN NOTICE AS PROVIDED ABOVE) TO TENDER ITS BONDS ON OR PRIOR TO THE CONVERSION DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE CONVERSION DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNTENDERED BONDS, AND ANY UNTENDERED BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE INDENTURE, EXCEPT FOR THE PURPOSE OF PAYMENT OF THE PURCHASE PRICE THEREFOR.

Prior to the first Interest Payment Date following the Conversion Date, an Owner of Bonds who has given notice of its desire to continue to hold Bonds as provided above but who has failed to deliver Bonds held by such Owner for exchange, shall deliver this Bond to the Trustee or the Tender Agent, and upon such delivery, the Trustee or the Tender Agent shall exchange this Bond for a replacement Bond evidencing interest at the Fixed Rate.

This Bond shall be purchased, at the option of the Owner hereof ("Demand Purchase Option") at the Purchase Price, upon:

(a) delivery to the Tender Agent at its principal corporate trust office and to the Remarketing Agent at its principal office of a written notice (said notice to be irrevocable and effective upon receipt) which states (i) the aggregate principal amount and the numbers of Bonds to be purchased; and (ii) the date on which such Bonds are to be purchased, which date shall be a Tender Date not prior to the seventh (7th) day next succeeding the date of delivery of such notice and which date shall be prior to the Conversion Date; and

(b) delivery to the Tender Agent at its office designated below at or prior to 10:00 A.M., New York City time, on the third (3rd) Business Day preceding the date designated for purchase in the notice described in (a) above of such Bonds to be purchased with an appropriate endorsement for transfer or accompanied by a bond power endorsed in blank, and if such Bonds are to be purchased prior to the

next succeeding Interest Payment Date and after the Record Date in respect thereof, a due bill, payable to bearer, for interest due on such Interest Payment Date.

Any delivery of a notice required to be made to the Tender Agent at its principal corporate trust office pursuant to (a) above or otherwise shall be delivered to the Tender Agent at Trust Company Bank, 58 Edgewood Avenue, Room 210A, Atlanta, Georgia 30303, Attention: Corporate Trust Department, or to the office designated for such purpose by any successor Tender Agent; any delivery of a notice required to be made to the Remarketing Agent at its principal office pursuant to (a) above or otherwise shall be delivered to the Remarketing Agent at Trust Company Bank, 25 Park Place, 5th Floor, Atlanta, Georgia 30303, Attention: Investment Banking Division, or to the office designated for such purpose by any successor Remarketing Agent; and any delivery of Bonds required to be made to the Tender Agent pursuant to (b) above or otherwise shall be delivered to the Tender Agent at Trust Company Bank, 58 Edgewood Avenue, Room 210A, Atlanta, Georgia 30303, Attention: Corporate Trust Department, or to the office designated for such purpose by any successor Tender Agent.

This Bond is one of an authorized issue of Bonds limited in aggregate principal amount to \$6,500,000 (the "Bonds") issued for the purpose of refunding the outstanding principal amount of the \$6,500,000 in original principal amount Spartanburg County, South Carolina Industrial Development Revenue Bonds (Siemens-Allis, Inc. Project), Series 1983 (the "Series 1983 Bonds"). The proceeds from the sale of the Series 1983 Bonds were loaned by the Issuer to Siemens Energy & Automation, Inc. (formerly Siemens-Allis, Inc.), a Delaware corporation (the "Company") to finance the acquisition, construction and equipping of an existing industrial facility and the installation of an expansion thereto by the Company located in Spartanburg County, South Carolina (the "Project"). The proceeds from the sale of the Bonds have been lent by the Issuer to the Company under the terms of a Loan Agreement dated as of the date of the Indenture (which agreement, as from time to time amended and supplemented, is hereinafter referred to as the "Agreement"), to enable the Company to refund the Series 1983 Bonds. Pursuant to the terms of the Agreement and a related Note (the "Note"), the Company is obligated to pay amounts which are sufficient to pay the principal and Purchase Price of, premium, if any, and interest on the Bonds as the same shall become due in accordance with their terms and provisions and the terms and provisions of the Indenture.

The Bonds are all issued under and are equally and ratably secured by and entitled to the protection of the Indenture, pursuant to which all payments due from the Company to the Issuer under the Agreement and the Note (other than certain indemnification payments and the payment of certain expenses of the Issuer) are assigned to the Trustee to secure the payment of

the principal and Purchase Price of, and premium, if any, and interest on the Bonds. The Company has caused to be delivered to the Trustee an irrevocable letter of credit (together with any Substitute Letter of Credit, the "Letter of Credit") issued by Trust Company Bank (in such capacity, the "Bank") and dated the date of original issuance of the Bonds, which will expire, unless earlier terminated or extended, on September 15, 1994. Subject to certain conditions, the Letter of Credit may be replaced by a Substitute Letter of Credit of another commercial bank or savings and loan association. Under the Letter of Credit, the Trustee will be entitled to draw up to an amount sufficient to pay (a) the principal of the Bonds or the portion of the Purchase Price corresponding to the principal of the Bonds and (b) up to 55 days' accrued interest (at a maximum rate of 13% per annum) on the Bonds or the portion of the Purchase Price of the Bonds corresponding to accrued interest thereon.

This Bond is transferable by the registered Owner hereof in person or by his attorney duly authorized in writing, at the principal corporate trust office of the Trustee or at the principal corporate trust office of the Tender Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new registered Bond or Bonds of authorized denomination or denominations for the same aggregate principal amount will be issued to the transferee in exchange herefor. The Issuer, the Tender Agent and the Trustee may deem and treat the registered Owner hereof as the absolute Owner hereof (whether or not this Bond shall be overdue) for all purposes, and neither the Issuer, the Tender Agent nor the Trustee shall be bound by any notice or knowledge to the contrary.

Prior to the Conversion Date, the Bonds are issuable as fully registered bonds without coupons in the denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. From and after the Conversion Date, the Bonds shall be issuable as fully registered bonds without coupons in the denominations of \$5,000 or any integral multiple thereof.

The Bonds are callable for redemption in the event (1) the Project or any portion thereof is damaged or destroyed or taken in a condemnation proceeding to which Section 5.2(b) of the Agreement is applied, or (2) the Company shall exercise its option to cause the Bonds to be redeemed as provided in Section 9.2 of the Agreement, or (3) the Company shall be obligated to cause the Bonds to be redeemed as provided in Article X of the Agreement. If called for redemption at any time pursuant to (1) or (2) above, the Bonds shall be subject to redemption by the Issuer on the earliest practicable Interest Payment Date, in whole or (in the case of redemption pursuant to Section 5.2(b) of the Agreement) in part, less than all of such Bonds to be selected by lot or in such other manner as the Trustee may determine (except as otherwise

provided in the Indenture), at a redemption price of one hundred percent (100%) of the principal amount thereof plus accrued interest to the redemption date. If called for redemption at any time pursuant to (3) above, the Bonds shall be subject to redemption by the Issuer prior to maturity in whole on the earliest practicable Interest Payment Date after a "Determination of Taxability", as that term is defined in Article X of the Agreement, at one hundred percent (100%) of the aggregate principal amount of Bonds outstanding plus accrued interest to the redemption date. Reference is hereby made to Section 5.2 of the Agreement for a description of the circumstances under which the net proceeds of insurance or condemnation may be paid into the Bond Fund (as defined in the Indenture) for full or partial redemption of the Bonds and to Section 9.2 and Article X of the Agreement for a description of the circumstances under which the Company may cause or be required to cause the Bonds to be redeemed.

In addition, the Bonds are subject to mandatory redemption, in whole, on the Automatic Conversion Date, at 100% of the principal amount thereof, if (i) the Company has failed to provide the Trustee with an opinion of Bond Counsel in accordance with Section 4.04 of the Indenture to the effect that the proposed conversion of the interest rate on the Bonds to the Fixed Rate on the Automatic Conversion Date will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, or (ii) the Fixed Rate Conversion Date has not been established in accordance with the terms of the Indenture.

On or prior to the Conversion Date, the Bonds are subject to redemption by the Issuer, at the option of the Company, on or after March 1, 1990, in whole or in part on any Interest Payment Date, less than all of such Bonds to be selected by lot or in such other manner as the Trustee shall determine (except as otherwise provided in the Indenture), at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption.

After the Conversion Date, the Bonds are subject to redemption by the Issuer, at the option of the Company, on or after the First Optional Redemption Date (hereinafter defined), in whole at any time or in part on any Interest Payment Date, less than all of the Bonds to be selected by lot or in such other manner as the Trustee shall determine (except as otherwise provided in the Indenture), at the redemption prices (expressed as percentages of principal amount) set forth in the following table plus accrued interest to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
First Optional Redemption Date through the following August 31	102%
First Anniversary of the First Optional Redemption Date through the following August 31	101%
Second Anniversary of the First Optional Redemption Date and thereafter	100%

In the event any of the Bonds or portions thereof are called for redemption as aforesaid, notice of the call for redemption, identifying the Bonds or portions thereof to be redeemed, shall be given by the Trustee by mailing a copy of the redemption notice by first class mail at least fifteen (15) days (seven (7) days in the case of a mandatory redemption on an Automatic Conversion Date, as described above) but not more than sixty (60) days prior to the date fixed for redemption to the owner of each Bond to be redeemed in whole or in part at the address shown on the registration books. Any notice mailed as provided above shall be conclusively presumed to have been duly given, whether or not the owner receives the notice. Failure to mail any such notice, or the mailing of defective notice, to any Owner, shall not affect the proceeding for redemption as to any Owner to whom proper notice is mailed. No further interest shall accrue on the principal of any Bond called for redemption after the redemption date if Available Moneys (as defined in the Indenture) sufficient for such redemption have been deposited with the Trustee. Notwithstanding the foregoing, the notice requirements contained in the first sentence of this paragraph may be deemed satisfied with respect to a transferee of a Bond which has been purchased pursuant to the Demand Purchase Option after such Bond has previously been called for redemption, notwithstanding the failure to satisfy the notice requirements of the first sentence of this paragraph with respect to such transferee, as more fully provided in the Indenture.

The Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of South Carolina, including particularly Chapter 29 of Title 4 of the Code of Laws of South Carolina, 1976, as amended, (the "Act"), and by appropriate action duly taken by the Issuer which authorizes the execution and delivery of the Agreement and the Indenture. The Bonds have been issued under the provisions of the Act.

No owner of any Bond has the right to compel any exercise of taxing power of the Issuer to pay the Bonds or the interest thereon, and the Bonds do not constitute an indebtedness of the Issuer or a loan of credit thereof within the meaning of any constitutional or statutory provision.

C2077

Notwithstanding anything to the contrary contained herein or in the Indenture, the Agreement, or in any other instrument or document executed by or on behalf of the Issuer in connection herewith, no stipulation, covenant, agreement or obligation contained herein or therein shall be deemed or construed to be a stipulation, covenant, agreement or obligation of any present or future member, commissioner, director, trustee, officer, employee or agent of the Issuer, or of any incorporator, member, commissioner, director, trustee, officer, employee or agent of any successor to the Issuer, in any such person's individual capacity, and no such person, in his individual capacity, shall be liable personally for any breach or non-observance of or for any failure to perform, fulfill or comply with any such stipulations, covenants, agreements or the principal of, premium, if any, or interest on any of the Bonds or for any claim based thereon or on any such stipulation, covenant, agreement or obligation, against any such person, in his individual capacity, either directly or through the Issuer or any successor to the Issuer, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such person, in his individual capacity, is hereby expressly waived and released.

The Owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, unless certain circumstances described in the Indenture shall have occurred. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds issued under the Indenture and then outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Owners of the Bonds at any time by the Issuer with the consent of the Bank and the holders of two-thirds in aggregate principal amount of the Bonds at the time outstanding. Any such consent or any waiver by the Bank and the holders of two-thirds in the aggregate principal amount of the Bonds shall be conclusive and binding upon the Owner and upon all future Owners of this Bond and of any Bond issued in replacement hereof whether or not notation of such consent or waiver is made upon this Bond. The Indenture also contains provisions which, subject to certain conditions, permit or require the Trustee to waive certain past defaults under the Indenture and their consequences.

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; that the issuance of this Bond and the issue of which it forms a part, together with all other obligations of the Issuer, does not exceed or violate any constitutional or statutory limitation; and that the amounts payable under the Agreement and pledged to the payment of the principal of and premium, if any, and interest on this Bond and the issue of which it forms a part, as the same become due, will be sufficient in amount for that purpose.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the certificate of authentication hereon shall have been signed by the Trustee or the Tender Agent, as authenticating agent.

IN WITNESS WHEREOF, Spartanburg County, South Carolina has caused this Bond to be executed in its name by the manual or facsimile signature of its Chairman, and its corporate seal to be impressed or printed hereon and attested by the manual or facsimile signature of its Secretary.

SPARTANBURG COUNTY, SOUTH CAROLINA

By: _____
Title: _____

[SEAL]

Attest:

Title:

(Form of Certificate of Authentication)

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

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

TRUST COMPANY BANK,
as Authenticating Agent

TRUST COMPANY BANK,
as Trustee

OR

By: _____
Authorized Signatory

By: _____
Authorized Signatory

(Form for Transfer)

FOR VALUE RECEIVED, _____ the undersigned,
hereby sells, assigns and transfers unto _____
(Tax Identification or Social Security No. _____) the
within Bond and all rights thereunder, and hereby irrevocably
constitutes and appoints _____ attorney to
transfer the within Bond on the books kept for registration
thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

02080

No. R-_____

\$_____

EXHIBIT B

(FIXED RATE FORM OF BOND)

UNITED STATES OF AMERICA
SPARTANBURG COUNTY, SOUTH CAROLINA
REFUNDING REVENUE BOND
(SIEMENS ENERGY & AUTOMATION, INC. PROJECT)
SERIES 1989

Maturity Date: November 10, 2003

Dated Date: _____

Registered Owner: _____ CUSIP: _____

Principal Amount: _____

KNOW ALL MEN BY THESE PRESENTS that the SPARTANBURG COUNTY, SOUTH CAROLINA (the "Issuer"), for value received, promises to pay from the source and as hereinafter provided, to the Registered Owner identified above on the Maturity Date set forth above, upon surrender hereof, the Principal Amount set forth above, and in like manner to pay interest (calculated on the basis of a 360-day year of twelve 30-day months) on said sum at the rate of ____% per annum on March 1 and September 1 of each year, commencing _____ 1, _____, from the interest payment date next preceding the date of authentication hereof to which interest has been paid or duly provided for, unless the date of authentication hereof is an interest payment date to which interest has been paid or duly provided for, in which case from the date of authentication hereof or unless no interest has been paid or duly provided for on the Bonds (as hereinafter defined), in which case from the Dated Date of the Bonds until payment of the principal hereof has been made or duly provided for. Notwithstanding the foregoing, if the date of authentication of this Bond is after any date which is the fifteenth (15th) day of the month next preceding any interest payment date (a "Record Date") and before the following interest payment date, this Bond shall bear interest from such following interest payment date, provided, however, that if the Issuer shall default in the payment of interest due on such interest payment date, then this Bond shall bear interest from the next preceding interest payment date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for on the Bonds, from the Dated Date of the Bonds. The principal of this Bond is payable in lawful money of the United States of America at the principal corporate trust office of Trust Company Bank, as trustee (together with its successors in trust, the "Trustee") or at the duly designated office of any

successor Trustee under the Indenture of Trust dated as of August 1, 1989 between the Issuer and the Trustee (which Indenture, as from time to time amended and supplemented, is hereinafter referred to as the "Indenture"). Payment of interest on this Bond shall be made on each interest payment date to the registered Owner hereof as of the applicable Record Date and shall be paid by check mailed by the Trustee to such registered Owner at his address as it appears on the registration books of the Issuer or at such other address as is furnished to the Trustee in writing by such registered Owner, or in such other manner as may be mutually acceptable to the Trustee and the registered Owner of this Bond.

This Bond is one of an authorized issue of Bonds limited in aggregate principal amount to \$6,500,000 (the "Bonds") issued for the purpose of refunding the outstanding principal amount of the \$6,500,000 in original principal amount Spartanburg County, South Carolina Industrial Development Revenue Bonds (Siemens-Allis, Inc. Project), Series 1983, dated November 30, 1983 (the "Series 1983 Bonds"). The proceeds from the sale of the Series 1983 Bonds were loaned by the Issuer to Siemens Energy & Automation, Inc. (formerly Siemens-Allis, Inc.), a Delaware corporation (the "Company") to finance the acquisition, construction and equipping of an existing industrial facility and the installation of an expansion thereto by the Company located in Spartanburg County, South Carolina (the "Project"). The proceeds from the sale of the Bonds have been lent by the Issuer to the Company under the terms of a Loan Agreement dated as of the date of the Indenture (which agreement, as from time to time amended and supplemented, is hereinafter referred to as the "Agreement"), to enable the Company to refund the Series 1983 Bonds. Pursuant to the terms of the Agreement and a related Note (the "Note"), the Company is obligated to pay amounts which are sufficient to pay the principal and Purchase Price of, premium, if any, and interest on the Bonds as the same shall become due in accordance with their terms and provisions and the terms and provisions of the Indenture.

The Bonds are all issued under and are equally and ratably secured by and entitled to the protection of the Indenture, pursuant to which all payments due from the Company to the Issuer under the Agreement and the Note (other than certain indemnification payments and the payment of certain expenses of the Issuer) are assigned to the Trustee to secure the payment of the principal of and premium, if any, and interest on the Bonds. [The Company has caused to be delivered to the Trustee an irrevocable letter of credit (together with any Substitute Letter of Credit, the "Letter of Credit") issued by _____ (in such capacity, the "Bank") and dated _____, which will expire, unless earlier terminated or extended, on _____. Subject to certain conditions, the Letter of Credit may be replaced by a Substitute Letter of Credit of another commercial

bank or savings and loan association. Under the Letter of Credit, the Trustee will be entitled to draw up to an amount sufficient to pay (a) the principal of the Bonds and (b) up to ___ days' accrued interest on the Bonds.]

This Bond is transferable by the registered Owner hereof in person or by his attorney duly authorized in writing, at the principal corporate trust office of the Trustee but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new registered Bond or Bonds of authorized denomination or denominations for the same aggregate principal amount will be issued to the transferee in exchange herefor. The Issuer and the Trustee may deem and treat the registered Owner hereof as the absolute Owner hereof (whether or not this Bond shall be overdue) for all purposes, and neither the Issuer nor the Trustee shall be bound by any notice or knowledge to the contrary.

The Bonds shall be issuable as fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof.

The Bonds are callable for redemption in the event (1) the Project or any portion thereof is damaged or destroyed or taken in a condemnation proceeding to which Section 5.2(b) of the Agreement is applied, or (2) the Company shall exercise its option to cause the Bonds to be redeemed as provided in Section 9.2 of the Agreement, or (3) the Company shall be obligated to cause the Bonds to be redeemed as provided in Article X of the Agreement. If called for redemption at any time pursuant to (1) or (2) above, the Bonds shall be subject to redemption by the Issuer on the earliest practicable interest payment date, in whole or (in the case of redemption pursuant to Section 5.2(b) of the Agreement) in part, less than all of such Bonds to be selected by lot or in such other manner as the Trustee may determine (except as otherwise provided in the Indenture), at a redemption price of one hundred percent (100%) of the principal amount thereof plus accrued interest to the redemption date. If called for redemption at any time pursuant to (3) above, the Bonds shall be subject to redemption by the Issuer prior to maturity in whole on the earliest practicable interest payment date after a "Determination of Taxability," as that term is defined in Article X of the Agreement, at one hundred percent (100%) of the aggregate principal amount of Bonds outstanding plus accrued interest to the redemption date. Reference is hereby made to Section 5.2 of the Agreement for a description of the circumstances under which the net proceeds of insurance or condemnation may be paid into the Bond Fund (as defined in the Indenture) for full or partial redemption of the Bonds and to Section 9.2 and Article X of the Agreement for a description of the circumstances under which the

Company may cause or be required to cause the Bonds to be redeemed.

The Bonds are subject to redemption by the Issuer, at the option of the Company, on or after March 1, 1990, in whole at any time or in part on any interest payment date, less than all of the Bonds to be selected in such manner as the Trustee shall determine (except as otherwise provided in the Indenture), at the redemption prices (expressed as percentages of principal amount) set forth in the following table plus accrued interest to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
First Optional Redemption Date through the following August 31	102%
First Anniversary of the First Optional Redemption Date through the following August 31	101%
Second Anniversary of the First Optional Redemption Date and thereafter	100%

In the event any of the Bonds or portions thereof are called for redemption as aforesaid, notice of the call for redemption, identifying the Bonds or portions thereof to be redeemed, shall be given by the Trustee by mailing a copy of the redemption notice by first class mail at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption to the Owner of each Bond to be redeemed in whole or in part at the address shown on the registration books. Any notice mailed as provided above shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice. Failure to mail any such notice, or the mailing of defective notice, to any Owner, shall not affect the proceeding for redemption as to any Owner to whom proper notice is mailed. No further interest shall accrue on the principal of any Bond called for redemption after the redemption date if moneys sufficient for such redemption have been deposited with the Trustee.

The Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of South Carolina including particularly Chapter 29 of Title 4 of the Code of Laws of South Carolina, 1976, as amended (the "Act"), and by appropriate action duly taken by the Issuer which authorizes the execution and delivery of the Agreement and the Indenture. The Bonds have been issued under the provisions of the Act.

No Owner of any Bonds has the right to compel any exercise of taxing power of the Issuer to pay the Bonds or the interest thereon, and the Bonds do not constitute an indebtedness of the Issuer or a loan of credit thereof within the meaning of any constitutional or statutory provision.

Notwithstanding anything to the contrary contained herein or in the Indenture, the Agreement, or in any other instrument or document executed by or on behalf of the Issuer in connection herewith, no stipulation, covenant, agreement or obligation contained herein or therein shall be deemed or construed to be a stipulation, covenant, agreement or obligation of any present or future member, commissioner, director, trustee, officer, employee or agent of the Issuer, or of any incorporator, member, commissioner, director, trustee, officer, employee or agent of any successor to the Issuer, in any such person's individual capacity, and no such person, in his individual capacity, shall be liable personally for any breach or non-observance of or for any failure to perform, fulfill or comply with any such stipulations, covenants, agreements or obligations, nor shall any recourse be had for the payment of the principal of, premium, if any, or interest on any of the Bonds or for any claim based thereon or to any such stipulation, covenant, agreement or obligation, against any such person, in his individual capacity, either directly or through the Issuer or any successor to the Issuer, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such person, in his individual capacity, is hereby expressly waived and released.

The Owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, unless certain circumstances described in the Indenture shall have occurred. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds issued under the Indenture and then outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Owners of the Bonds at any time by the Issuer with the consent of the Owners of two-thirds in aggregate principal amount of the Bonds at the time outstanding. Any such consent or any waiver by the Owners of two-thirds in aggregate principal amount of the Bonds shall be conclusive and binding upon the Owner and upon all future Owners of this Bond and of any Bond issued in replacement

hereof whether or not notation of such consent or waiver is made upon this Bond. The Indenture also contains provisions which, subject to certain conditions, permit or require the Trustee to waive certain past defaults under the Indenture and their consequences.

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; that the issuance of this Bond and the issue of which it forms a part, together with all other obligations of the Issuer does not exceed or violate any constitutional or statutory limitation; and that the amounts payable under the Agreement and pledged to the payment of the principal of or premium, if any, and interest on this Bond and the issue of which it forms a part, as the same become due, will be sufficient in amount for that purpose.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the certificate of authentication hereon shall have been signed by the Trustee or a duly appointed authenticating agent pursuant to the Indenture.

IN WITNESS WHEREOF, Spartanburg County, South Carolina has caused this Bond to be executed in its name by the manual or facsimile signature of its Chairman, and its corporate seal to be impressed or printed hereon and attested by the manual or facsimile signature of its Secretary.

SPARTANBURG COUNTY, SOUTH CAROLINA

By: _____
Title:

[SEAL]

Attest:

Title:

(Form of Certificate of Authentication)

CERTIFICATE OF AUTHENTICATION

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

TRUST COMPANY BANK,
as Trustee

OR

By: _____
Authorized Signatory

(Form for Transfer)

FOR VALUE RECEIVED, _____ the under-
signed, hereby sells, assigns and transfers unto _____ (Tax
Identification or Social Security No. _____) the within Bond
and all rights thereunder, and hereby irrevocably constitutes and
appoints _____ attorney to transfer the within
Bond on the books kept for registration thereof with full power of
substitution in the premises.

Dated: _____

NOTICE: The signature to this as-
signment must correspond with the
name as it appears upon the face of
the within Bond in every particular,
without alteration or enlargement or
any change whatever.

62087

EXHIBIT "C"

FORM OF NOTICE FROM TRUSTEE TO OWNER
REGARDING CHANGE IN DURATION OF INTEREST PERIOD

[Name and address of Owner]

Re: \$6,500,000 Spartanburg County, South Carolina
Refunding Revenue Bonds (Siemens Energy & Automation,
Inc. Project), Series 1989

The undersigned officer of Trust Company Bank, as Trustee with respect to the captioned Bonds, pursuant to the provisions of Section 2.02(c)(ii) of that certain Indenture of Trust (the "Indenture"), dated as of August 1, 1989, by and between Spartanburg County, South Carolina and the Trustee, does hereby notify you as follows (capitalized terms used herein shall have the meanings provided in the Indenture):

(a) The duration of the Interest Period with respect to the Bonds will be adjusted on _____ 1, _____ (the "Rate Determination Date"). A new Interest Period, having a duration of [one week/one month/three months/six months], shall commence on the Rate Determination Date;

(b) The Preliminary Interest Rate for such Interest Period is _____ %;

(c) Trust Company Bank, as Remarketing Agent, will determine the Adjustable Rate for such Interest Period on the Rate Determination Date; in no event will such rate be lower than the Preliminary Interest Rate designated in paragraph (b) hereof;

(d) The date of commencement of such Interest Period is a Tender Date, and you shall be deemed to have tendered your Bonds on such Tender Date unless you shall have directed the Trustee not to purchase your Bonds on such Tender Date by providing the notice attached hereto to the Trustee on or prior to 12:30 P.M. New York City time on the seventh (7th) day preceding such Tender Date (or, if such day is not a Business Day, the next preceding Business Day);

(e) In the event you should provide the notice described in subparagraph (d), above, directing the Trustee not to purchase your Bonds, you will not be entitled to tender your bonds until the next succeeding Tender Date; and

(f) Any election not to tender given in accordance with the procedures described above is irrevocable.

02088

The Trustee has received an opinion of Bond Counsel to the effect that the adjustment of the duration of the Interest Period, as described above, will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds pursuant to the Internal Revenue Code of 1986, by reason of such change in duration. The delivery by Siemens Energy & Automation, Inc. to the Trustee of a letter from Bond Counsel confirming such opinion on the Tender Date is a condition precedent to the change in duration of the Interest Period. In the event that Siemens Energy & Automation, Inc. fails to deliver to the Trustee the letter of Bond Counsel referred to in the preceding sentence, such change in the duration of the Interest Period shall not take effect, and the Bonds shall continue to bear interest calculated by the method applicable prior to the proposed change.

This _____ day of _____, _____.

TRUST COMPANY BANK, as Trustee

Title:

ATTACHMENT TO EXHIBIT "C"

FORM OF OWNER ELECTION
TO RETAIN BONDS UPON
CHANGE IN DURATION OF INTEREST PERIOD

Trust Company Bank, [or Successor]
as Trustee
Attention: Corporate Trust Department
58 Edgewood Avenue, Room 235A
Atlanta, Georgia 30303

Re: \$6,500,000 Spartanburg County, South Carolina
Refunding Revenue Bonds (Siemens Energy & Automation,
Inc. Project), Series 1989

(Name and address of Registered Holder) hereby irrevocably
elects not to tender Bonds held by such owner for purchase on the
Tender Date as a result of a change in the duration of the
Interest Period and, in that connection, does hereby notify you as
follows:

(a) Principal amount of Bonds: _____;

(b) Bond numbers: _____;

(c) The undersigned hereby irrevocably elects not to
tender such Bonds on such Tender Date; and

(d) The undersigned acknowledges that the duration of
the next Interest Period will differ from the duration of the
current Interest Period.

[NAME OF REGISTERED HOLDER]

By: _____
Title:

Dated: _____

EXHIBIT "D"

NOTICE OF OPTIONAL CONVERSION

[Name and Address of Owner]

Re: \$6,500,000 Spartanburg County, South Carolina
Refunding Revenue Bonds (Siemens Energy & Automation,
Inc. Project), Series 1989

The undersigned officer of Trust Company Bank, as Trustee with respect to the captioned Bonds, pursuant to the provisions of Section 4.01 of that certain Indenture of Trust (the "Indenture"), dated as of August 1, 1989, by and between Spartanburg County, South Carolina and the Trustee, hereby notifies you that the interest rate borne by the captioned Bonds shall be converted from the Adjustable Rate to the Fixed Rate, as follows (capitalized terms used herein shall have the meanings provided in the Indenture):

1. The Conversion Date is _____;
2. The Fixed Rate which will take effect on the Conversion Date is _____ %;
3. From and after the Conversion Date, the Demand Purchase Option will not be available to Owners of the captioned Bonds;
4. All owners of Bonds who have not given notice of their desire to retain the Bonds by providing notice in the form attached hereto, to the Trustee no later than fifteen (15) days prior to the Optional Conversion Date, shall be deemed to have tendered their Bonds for purchase on the Conversion Date; and
5. The Letter of Credit will remain in effect on and after the Conversion Date [or the Company will cause a Substitute Letter of Credit of a commercial bank or savings and loan association having the same credit rating as the Bank on the expiring Letter of Credit to be issued on or before the Conversion Date].
6. The rating assigned to the Bonds based on the Letter of Credit or the Substitute Letter of Credit has been confirmed.

02091

The Trustee has received an opinion of Bond Counsel to the effect that the conversion of the interest rate borne by the Bonds from the Adjustable Rate to the Fixed Rate, as described above, will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds pursuant to the Internal Revenue Code of 1986, by reason of such conversion. The delivery by Siemens Energy & Automation, Inc. to the Trustee of a letter from Bond Counsel confirming such opinion on the Conversion Date is a condition precedent to the conversion of the interest rate borne by the Bonds from the Adjustable Rate to the Fixed Rate. In the event that Siemens Energy & Automation, Inc. fails to deliver to the Trustee the letter of Bond Counsel referred to in the preceding sentence, such interest rate conversion shall not take effect, and the Bonds shall continue to bear interest calculated by the method applicable prior to the proposed Conversion Date.

This ____ day of _____, _____.

_____, as Trustee

Title: _____

SUBSTITUTE PROVISIONS FOR NOTICE OF AUTOMATIC CONVERSION

[For Notice of Automatic Conversion, make appropriate changes to reflect Automatic, rather than Optional, Conversion as described in Section 4.02 of the Indenture, and substitute the following paragraphs for the corresponding paragraphs set forth above.]:

5. The Letter of Credit will expire fifteen (15) days after the Conversion Date.

6. The rating assigned to the Bonds based on the Letter of Credit may be reduced or withdrawn on and after the Conversion Date.

7. The Trustee has received an opinion of Bond Counsel to the effect that the conversion of the interest rate borne by the Bonds from the Adjustable Rate to the Fixed Rate, as described above, will not adversely affect the exclusion from gross income

for federal income tax purposes of interest on the Bonds pursuant to the Internal Revenue Code of 1986, by reason of such conversion. The delivery by Siemens Energy & Automation, Inc. to the Trustee of a letter from Bond Counsel confirming such opinion on the Conversion Date is a condition precedent to the conversion of the interest rate borne by the Bonds from the Adjustable Rate to the Fixed Rate. In the event that Siemens Energy & Automation, Inc. fails to deliver to the Trustee the letter of Bond Counsel referred to in the preceding sentence, such interest rate conversion shall not take effect, and the Bonds shall continue to bear interest calculated by the method applicable prior to the proposed Conversion Date; provided, however, that the Trustee shall immediately take all necessary steps to effectuate a mandatory redemption of the Bonds as described in the Indenture.

EXHIBIT
SEP 5 1989 NO. 1
STATE BUDGET & CONTROL BOARD

ATTACHMENT TO EXHIBIT "D"

FORM OF OWNER ELECTION
TO RETAIN BONDS UPON
OPTIONAL CONVERSION

Trust Company Bank, [or Successor]
as Trustee
Attention: Corporate Trust Department
58 Edgewood Avenue, Room 235A
Atlanta, Georgia 30303

Re: \$6,500,000 Spartanburg County, South Carolina
Refunding Revenue Bonds (Siemens Energy & Automation,
Inc. Project), Series 1989

(Name and address of Registered Holder) hereby irrevocably
elects to retain Bonds after the Optional Conversion Date and, in
that connection, does hereby notify you as follows:

(a) The Bond numbers and principal amounts of the Bonds
which the undersigned wishes to retain after the Conversion
Date are as follows:

_____;

(b) The undersigned recognizes that the events set
forth in the attached notice from the Trustee with respect to
the conversion of the interest rate from the Adjustable Rate
to the Fixed Rate will occur;

(c) The undersigned irrevocably elects to continue to
own the Bonds specified in subparagraph (a) above after the
Conversion Date; and

(d) Attached hereto are the Bonds referred to in subparagraph (a), above, which Bonds are to be exchanged for Bonds in substantially the form attached to the Indenture as Exhibit "B".

[NAME OF REGISTERED HOLDER]

By: _____
Title: _____

Dated: _____

In the event the foregoing Election pertains to an Automatic Conversion, the Notice should be modified to include the following paragraph: (e) The undersigned acknowledges that following the Conversion Date the Letter of Credit will expire and the rating assigned to the Bonds may be reduced or withdrawn.

EXHIBIT
SEP 5 1989 NO. 1
STATE BUDGET & CONTROL BOARD

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

SPARTANBURG COUNTY, SOUTH CAROLINA

AND

SIEMENS ENERGY & AUTOMATION, INC.

LOAN AGREEMENT

Dated as of August 1, 1989

The interest of SPARTANBURG COUNTY, SOUTH CAROLINA (the "Issuer") in this Loan Agreement and in the Note has been assigned (except for amounts payable under Sections 4.2(b), 7.2 and 8.4 hereof) pursuant to the Indenture of Trust dated as of the date hereof from the Issuer to TRUST COMPANY BANK, as trustee (the "Trustee"), and is subject to the security interest of the Trustee thereunder.

02096

EXHIBIT

SEP 5 1989 NO. 1

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LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of August 1, 1989, between SPARTANBURG COUNTY, SOUTH CAROLINA, a body politic and corporate and a political subdivision of the State of South Carolina (the "Issuer") and SIEMENS ENERGY & AUTOMATION, INC., a corporation organized and existing under the laws of the State of Delaware (the "Company");

W I T N E S S E T H:

That the parties hereto, intending to be legally bound hereby, and for and in consideration of the premises and the mutual covenants hereinafter contained, do hereby covenant, agree and bind themselves as follows: provided, that any obligation of the Issuer created by or arising out of this Agreement shall never constitute a debt or a pledge of the faith and credit or the taxing power of the Issuer or any political subdivision or taxing district of the State of South Carolina but shall be payable solely out of the Trust Estate (as defined in the Indenture), anything herein contained to the contrary by implication or otherwise notwithstanding:

EXHIBIT

ARTICLE I

SEP 5 1989 NO. 1

DEFINITIONS

STATE BUDGET & CONTROL BOARD

All capitalized, undefined terms used herein shall have the same meanings as used in Article I of the hereinafter defined Indenture. In addition, the following words and phrases shall have the following meanings:

"Act" means Chapter 29 of Title 4 of the Code of Laws of South Carolina, 1976, as amended, and all future acts supplemental thereto and amendatory thereof.

"Authorized Representative of the Company" means K.H. Diekroeger or William C. Reed, or any person who, from time to time, may be serving as Treasurer of the Company, or such additional Persons as, at the time, are designated to act in behalf of the Company by written certificate furnished to the Issuer and the Trustee, containing the specimen signature of each such Person and signed by the Company.

"Authorized Representative of the Issuer" means the then Chairman or any then Vice-Chairman of the Issuer, or the then Secretary or Assistant Secretary of the Issuer, or such additional Persons as, at the time, are designated to act in behalf of the Issuer by written certificate furnished to the Company and the Trustee, containing the specimen signature of each such Person and signed on behalf of the Issuer by the then Chairman or a then Vice-Chairman of the Issuer.

"Bank" means (i) Trust Company Bank, a state banking corporation organized and existing under the laws of the United States of America, and (ii) any Substitute Bank.

"Bond" or "Bonds" means, respectively, any bond or any bonds authorized, authenticated, and issued under the Indenture, including the Series 1989 Bonds.

"Bond Fund" means the fund so designated which is established pursuant to the provisions of Section 6.01 of the Indenture.

"Capital Expenditures" means capital expenditures within the meaning of Section 144(a)(4) of the Code, and the Income Tax Regulations relating thereto.

"Credit Agreement" means (i) the Letter of Credit Agreement, dated as of the date hereof, between the Company and

the Bank, and any amendments and supplements thereto, and (ii) the letter of credit agreement or reimbursement agreement between the Company and any Substitute Bank, and any amendments and supplements thereto.

"Default" means any Default under this Agreement as specified in and defined by Section 8.1 hereof.

"Indenture" means the Indenture of Trust dated as of this date between the Issuer and the Trustee, pursuant to which the Bonds are authorized to be issued, and any amendments and supplements thereto.

"Letter of Credit" means (i) that certain Letter of Credit, dated the date of issuance of the Bonds, issued by the Bank, and (ii) any substitute letter of credit.

"Local Facilities" means "facilities" (as the term "facilities" is used in Section 144(a)(2)(B) of the Code) of which the Company or a "related person" (within the meaning of Section 144(a)(3) of the Code) thereto is or will be the "principal user" (within the meaning of Section 144(a) of the Code) and which are located wholly within Spartanburg County, South Carolina. For purposes of this definition, a contiguous or integrated facility located on both sides of the border between any two or more political jurisdictions shall be considered as being located wholly within each such political jurisdiction.

"Mississippi Bonds" means the \$1,600,000 in principal amount Rankin County, Mississippi Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989.

"Net Proceeds," when used with respect to any insurance proceeds or any condemnation award, means the amount remaining after deducting all expenses (including attorneys' fees) incurred in the collection of such proceeds or award from the gross proceeds thereof.

"Net proceeds of the sale of the Bonds" means the proceeds of the Bonds reduced by amounts in a reasonably required reserve or replacement fund.

"Note" means the promissory note given by the Company pursuant to Section 4.1 of this Agreement, substantially in the form of Exhibit A hereto.

"Owner" means the person or persons in whose name or names a Bond shall be registered on the book of the Issuer kept for that purpose in accordance with provisions of the Indenture.

"Principal User" means, with respect to any "facilities" (as the term "facilities" is used in Section 144(a)(4)(B) of the Code), a "principal user" of such "facilities" within the meaning of Section 144(a)(2) of the Code.

"Project" means the land, buildings, machinery, equipment and related real and personal property financed with the proceeds of the Series 1983 Bonds (hereinafter defined).

"Rebate Fund" means the rebate fund created pursuant to Section 6.10 of the Indenture.

"Related Person", when used with reference to any Principal User, means a "related person" within the meaning of Section 144(a)(3) of the Code, and when used with respect to any Substantial User, means a "related person" within the meaning of Section 147(a)(2) of the Code.

"State" means the State of South Carolina.

"Substantial User" means, with respect to any "facilities" (as the term "facilities" is used in Section 144(a)(4)(B) of the Code), a "substantial user" of such "facilities" within the meaning of Section 147(a) of the Code.

"Tender Agent Agreement" means the Tender Agent Agreement dated as of this date among the Company, the Trustee and the Tender Agent and any amendments and supplements thereto.

"Term of Agreement" means the term of this Agreement as specified in Section 11.1 hereof.

EXHIBIT

SEP 5 1989 NO. 1

ARTICLE II

STATE BUDGET & CONTROL BOARD

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of the Issuer. The Issuer represents, covenants and warrants that:

(a) The Issuer is a body politic and corporate and a political subdivision of the State of South Carolina. Under the provisions of the Act, the Issuer is authorized to enter into the transactions contemplated by this Agreement and the Indenture and to carry out its obligations hereunder and thereunder. The Issuer has been duly authorized to execute and deliver this Agreement and the Indenture and to endorse the Note.

(b) The Issuer covenants that it will not pledge the amounts derived from this Agreement or the Note other than as contemplated by the Indenture.

Section 2.2. Representations, Covenants and Warranties of the Company. The Company represents, covenants and warrants that:

(a) The Company is a corporation validly organized and existing under the laws of the State of Delaware and is duly qualified to do business and is in good standing in the State of South Carolina. The Company is not in violation of any provision of its Articles of Incorporation, as amended, has the corporate power to enter into this Agreement and the Note, and has duly authorized the execution and delivery of this Agreement and the Note.

(b) The Company agrees that during the Term of Agreement it will maintain its existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another legal entity or permit one or more other legal entities to consolidate with or merge into it, unless the resulting or surviving entity is, directly or indirectly, a wholly owned subsidiary of the Guarantor, or unless the Company shall first obtain the prior written consent of the Bank and the Trustee.

(c) Neither the execution and delivery of this Agreement, the Note, the Indenture, the Remarketing Agreement, the Credit Agreement, the Tender Agent Agreement or the Pledge Agreement (collectively, the "Operative

Documents"), nor the consummation of the transactions contemplated hereby and thereby, nor the fulfillment of or compliance with the terms and conditions hereof or thereof conflicts with or results in a breach of the terms, conditions, or provisions of any agreement or instrument to which the Company is now a party or by which the Company is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance, except as created by the Operative Documents, whatsoever upon any of the property or assets of the Company under the terms of any such instrument or agreement.

(d) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending, or to the best of the Company's knowledge, threatened against or affecting the Company or any of its officers, nor to the best knowledge of the Company is there any basis therefor, wherein an unfavorable decision, ruling, or finding would materially adversely affect the transactions contemplated by this Agreement or which would adversely affect, in any way, the validity or enforceability of the Bonds, this Agreement, the Note, the Pledge Agreement, the Tender Agent Agreement, the Credit Agreement, the Remarketing Agreement, or any agreement or instrument to which the Company is a party, used or contemplated for use in the consummation of the transactions contemplated hereby.

(e) The proceeds from the sale of the Bonds will be loaned to the Company and will be used to refund the \$6,500,000 in aggregate principal amount of the Spartanburg County, South Carolina Industrial Development Revenue Bonds (Siemens-Allis, Inc. Project), Series 1983, dated November 30, 1983 (the "Series 1983 Bonds").

(f) The Company will cause the Project to be operated in accordance with the laws, rulings, regulations and ordinances of the State and the departments, agencies and political subdivisions thereof.

(g) The Company will fully and faithfully perform all the duties and obligations which the Issuer has covenanted and agreed in the Indenture to cause the Company to perform and any duties and obligations which the Company is required in the Indenture to perform. The foregoing shall not apply to any duty or undertaking of the Issuer which by its nature cannot be delegated or assigned.

Section 2.3. Tax-Exempt Status of the Bonds. The Company hereby represents, warrants and agrees that:

(a) Prior Issues. Except for the Series 1983 Bonds, no bonds, notes or other obligations of any state, territorial possession or any political subdivision of the United States of America or any political subdivision of any of the foregoing or of the District of Columbia have been issued since April 30, 1968, and are now outstanding, the proceeds of which have been or are to be used primarily with respect to the Local Facilities.

(b) Composite Issues. Other than the Mississippi Bonds, there are no other obligations heretofore issued or to be issued by or on behalf of any state, territory or possession of the United States, or political subdivision of any of the foregoing, or of the District of Columbia, for the benefit of the Company or any Related Person, which constitute "private activity bonds" within the meaning of Section 141 of the Code and which (i) were or are to be sold at substantially the same time as the Bonds, (ii) were or are to be sold at substantially the same interest rate as the interest rate of the Bonds, (iii) were or are to be sold pursuant to a common plan of marketing as the marketing plan for the Bonds, and (iv) are payable directly or indirectly by the Company or from the source from which the Bonds are payable.

(c) Capital Expenditures. The principal amount of the Bonds and the amount of all Section 144(a)(4) Capital Expenditures that were paid or incurred with respect to the Local Facilities during the six year period beginning three years prior to the date of issuance of the Series 1983 Bonds, other than from the proceeds of the sale of the Series 1983 Bonds, did not in the aggregate exceed the sum of \$10,000,000.

(d) Election Information. The information furnished by the Company to the Issuer in connection with the election which has been made by the Issuer pursuant to Section 144(a)(4)(A) and (E) of the Code was true and complete as of the date such election was made.

(e) I.R.S. Form 8038 Information. The information furnished by the Company and used by the Issuer in connection with preparing I.R.S. Form 8038, "Information Return for Private Activity Bond Issues", which has been filed by or on behalf of the Issuer with the Internal Revenue Service Center in Philadelphia, Pennsylvania, pursuant to Section 149(e) of the Code was true and complete as of the date of filing thereof.

(f) Limitation on Maturity. The weighted average maturity of the Bonds does not exceed the weighted average maturity of the Series 1983 Bonds.

(g) Aggregation of Issues for Single Project. The Project is not a part of a single building, an enclosed shopping mall, or a strip of offices, stores or warehouses using substantial common facilities, and with respect to which any other bonds, notes, or other obligations have been or will be issued under Section 144 of the Code.

(h) Aggregate Limit Per Taxpayer for Small Issue Exemption. Except to the extent permitted by the Code, the sum of the outstanding principal amount of Bonds, plus the portions of the aggregate amount of outstanding tax-exempt exempt facility bonds as defined in Section 142 of the Code, qualified small issue bonds as defined in Section 144(a) of the Code, qualified redevelopment bonds as defined in Section 144(c) of the Code and industrial development bonds as referenced in Section 144(a)(10)(B)(ii)(II) of the Code relating to facilities of which the Company or any other owner or Principal User of the Project or their Related Persons is an owner or a Principal User which are allocated to the Company and such other persons at any time during the three-year period beginning on the later of the date the Project is placed in service or the date of issuance and delivery of the Bonds shall not exceed \$40,000,000, all within the meaning of Section 144(a)(10) of the Code. The Company will not enter into any lease or other arrangement for ownership or use of any portion of the Project if such lease or other arrangement would cause the foregoing provisions to be violated.

(i) Federal Guaranty Prohibition. The Company shall take no action and shall not permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(j) Use of Proceeds. At no time were:

(i) more than 25% of the net proceeds of the sale of the Series 1983 Bonds used to provide a facility the primary purpose of which is one of the following: retail food and beverage services (including eating and drinking places, but excluding grocery stores), automobile sales or service, or the provision of recreation or entertainment; or

(ii) any portion of the net proceeds of the sale of the Series 1983 Bonds used to provide the following: any private or commercial golf course, country club, massage parlor, tennis club, skating facility (including roller skating, skateboard and ice skating), racquet sports facility (including any handball or racquetball court), hot tub facility, suntan facility or racetrack; or

(iii) any portion of the net proceeds of the sale of the Series 1983 Bonds used to provide any airplane, skybox, or other private luxury box, any health club facility, any facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises; or

(iv) any portion of the net proceeds of the sale of the Series 1983 Bonds used (directly or indirectly) for the acquisition of land (or an interest therein) to be used for farming purposes, or 25% or more of the net proceeds of the sale of the Series 1983 Bonds used (directly or indirectly) for the acquisition of land other than land to be used for farming purposes; or

(v) any portion of the net proceeds of the sale of the Series 1983 Bonds used for the acquisition of any property (or an interest therein), other than land or an interest in land, unless the first use of such property is pursuant to such acquisition; provided, however, that this limitation shall not apply with respect to any building (and the equipment therefor) if "Rehabilitation Expenditures" (as hereinafter defined) with respect to such building equal or exceed fifteen percent of the portion of the cost of acquiring such building (and equipment) financed with the net proceeds of the Series 1983 Bonds; and provided, further, that this limitation shall not apply with respect to any structure other than a building if Rehabilitation Expenditures with respect to such structure equal or exceed 100% of the portion of the cost of acquiring such structure financed with the net proceeds of the Series 1983 Bonds. The term "Rehabilitation Expenditures" means any amount properly chargeable to the capital account of the Company or a successor to the Company or by the seller under a sales contract with the Company for the property acquired in connection with the rehabilitation of such property, or in the case of property constituting equipment, in connection with the replacement of such equipment with equipment having substantially the same function, excluding, however, (A) expenditures described in

Section 48(g)(2)(B) of the Code and (B) amounts incurred after the date two years after the later of the date of acquisition of the property in question or the date of issuance and delivery of the Series 1983 Bonds.

Section 2.4 Covenants of Company and Issuer with Respect to Exemption of Interest from Federal Income Taxation. The Bonds are being issued by the Issuer in compliance with the conditions necessary for the interest income on the Bonds to be excluded from the gross income of the Owner thereof for federal income tax purposes pursuant to the provisions of Section 144(a)(4) of the Code relating to "qualified small issue bonds" issued as part of an issue the aggregate authorized face amount of which is \$10,000,000 or less and more than 95% of the proceeds of which are to be used for the acquisition, construction, reconstruction or improvement of land or property of a character subject to the allowance for depreciation under Section 167 of the Code, or for purpose of redeeming part or all of a prior issue which was issued for such purposes. It is the intention of the parties hereto that the interest on the Bonds be and remain excludable from gross income for Federal income tax purposes, and, to that end, the Issuer and the Company do hereby covenant with each other, the Trustee and each of the Owners, as follows:

(a) that during the three-year period immediately following the date of the issuance and delivery of the Series 1983 Bonds, neither of them has made or caused or permitted to be made any Section 144(a)(4) Capital Expenditures with respect to the Local Facilities which would cause the interest payable on the Bonds to be or become subject to inclusion in gross income for Federal income tax purposes;

(b) that should the circumstances set forth in Section 144(a)(4) of the Code occur or have occurred, either through the fault of the Company or through circumstances beyond the Company's control, causing a Determination of Taxability, the Company shall prepay all amounts payable under Section 4.2 and, subject to Section 4.2(b), cause such amounts to be applied by the Trustee to the redemption of all outstanding Bonds and otherwise as provided in Section 7.3;

(c) that, during the applicable three-year period and during the term of this Agreement, the Company has complied and will fully comply with all effective rules, rulings and regulations promulgated by the Department of the Treasury or the Internal Revenue Service, with respect to bonds issued

under Section 144(a)(4) of the Code so as to cause the interest payable on the Bonds to be excluded from gross income for federal income tax purposes; and

(d) that at no time during the three-year period beginning on the later of the date the Project was placed in service or the date of issuance and delivery of the Series 1983 Bonds did the Company permit any person to be an owner or Principal User of the Project if the sum of the authorized face amount of the Bonds allocable to such person, plus the portions of the aggregate amount of outstanding tax-exempt facility bonds as defined in Section 142 of the Code, qualified small issue bonds as defined in Section 144(a) of the Code, qualified redevelopment bonds as defined in Section 144(c) of the Code and industrial development bonds as referenced in Section 144(a)(10)(B)(ii)(II) of the Code allocable to such person exceed \$40,000,000.

Section 2.5. Notice of Determination of Taxability.
Promptly after the Company first becomes aware of any Determination of Taxability, the Company shall give written notice thereof to the Issuer and the Trustee.

EXHIBIT

SEP 5 1989 NO. 1

ARTICLE III

ISSUANCE OF THE BONDS

STATE BUDGET & CONTROL BOARD

Section 3.1. Agreement to Issue the Bonds; Application of Bond Proceeds. The Issuer, concurrently with the execution of this Agreement, will issue and sell the Bonds and apply the proceeds thereof, together with certain additional moneys available therefor provided by the Company, to the payment in full of the Series 1983 Bonds in accordance with the provisions of the Indenture.

As consideration for the issuance of the Bonds and the making of the loan to the Company by the Issuer, the Company agrees to execute and deliver the Note, in the form attached as Exhibit "A" hereto, in respect to the Bonds, and the Issuer will endorse the Note without recourse to the order of and pledge the Note to the Trustee, contemporaneously with the issuance of the Bonds. Notwithstanding anything to the contrary contained herein, the Company covenants for the benefit of the Issuer and the Owners of the Bonds that it will make the payments on the Note at such times and in such amounts to assure that payment of the principal of and premium, if any, and interest on, or Purchase Price with respect to, the Bonds shall be made when due.

Section 3.2. Special Arbitrage Certifications. The Company and the Issuer covenant not to cause or direct any moneys on deposit in any fund or account to be used in a manner which would cause the Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code, and the Company certifies and covenants to and for the benefit of the Issuer and the Owners of the Bonds that so long as there are any Bonds Outstanding, moneys on deposit in any fund or account in connection with the Bonds, whether such moneys were derived from the proceeds of the sale of the Bonds or from any other sources, will not be used in a manner which will cause the Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code.

EXHIBIT

SEP 5 1989 NO. 1

ARTICLE IV

LOAN PROVISIONS; SUBSTITUTE LETTER OF CREDIT

STATE BUDGET & CONTROL BOARD

Section 4.1. Loan of Proceeds. The Issuer agrees, upon the terms and conditions contained in this Agreement and the Indenture, to lend to the Company the proceeds received by the Issuer from the sale of the Bonds. Such proceeds shall be disbursed to or on behalf of the Company as provided in Section 3.1 hereof.

As consideration for the issuance of the Bonds and the making of the loan to the Company by the Authority, the Company agrees to execute and deliver the Note, in the form attached as Exhibit "A" hereto, in respect to the Bonds, and the Authority will endorse the Note without recourse to the order of and pledge the Note to the Trustee, contemporaneously with the issuance of the Bonds. Notwithstanding anything to the contrary contained herein, the Company covenants for the benefit of the Authority and the holders of the Bonds that it will make the payments on the Note at such times and in such amounts to assure that payment of the principal of and premium, if any, and interest on, or Purchase Price with respect to, the Bonds shall be made when due.

Section 4.2. Amounts Payable.

(a) The Company hereby covenants and agrees to repay the loan in accordance with the Note, as follows: on or before any interest payment date for the Bonds or any other date that any payment of interest, premium, if any, or principal or Purchase Price is required to be made in respect of the Bonds pursuant to the Indenture, until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, in immediately available funds, a sum which, together with any Available Moneys available for such payment in any account of the Bond Fund, will enable the Trustee to pay the amount payable on such date as Purchase Price or principal of (whether at maturity or upon redemption or acceleration or otherwise), premium, if any, and interest on the Bonds as provided in the Indenture; provided, however, that the obligation of the Company to make any payment hereunder shall be deemed satisfied and discharged to the extent of the corresponding payment made by the Bank to the Trustee under the Letter of Credit. It is understood and agreed that the Note and all payments payable by the Company under the Note and otherwise as described in this subsection (a) are assigned by the Issuer to the Trustee for the benefit of the Owners of the Bonds. The Company assents to such

assignment. The Issuer hereby directs the Company and the Company hereby agrees to pay to the Trustee at the Principal Office of the Trustee all payments payable by the Company pursuant to the Note and this subsection.

(b) The Company will also pay the reasonable expenses of the Issuer related to the issuance of the Bonds and incurred upon the written request of the Company.

(c) The Company will also pay the reasonable fees and expenses of the Trustee under the Indenture and all other amounts which may be payable to the Trustee under Section 10.02 of the Indenture, such amounts to be paid directly to the Trustee for the Trustee's own account as and when such amounts become due and payable.

(d) The Company covenants, for the benefit of the Owners of the Bonds, to pay or cause to be paid, to the Tender Agent, such amounts as shall be necessary to enable the Tender Agent to pay the Purchase Price of Bonds delivered to it for purchase, all as more particularly described in Sections 4.01, 4.02 and 4.06 of the Indenture; provided, however, that the obligation of the Company to make any such payment under this subsection (d) shall be reduced by the amount of moneys available for such payment described in subsections (i) or (ii) of Section 4.07 of the Indenture; and provided, further, that the obligation of the Company to make any payment under this subsection (d) shall be deemed to be satisfied and discharged to the extent of the corresponding payment made by the Bank under the Letter of Credit.

(e) In the event the Company should fail to make any of the payments required under the Note or in this Section 4.2, the item or installment so in default shall continue as an obligation of the Company until the amount in default shall have been fully paid, and the Company agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due, at the rate of interest borne by the Bonds.

Section 4.3. Obligations of Company Unconditional. The obligations of the Company to make the payments required under the Note and in Section 4.2 and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach by the Issuer or the Trustee of any obligation to the Company, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing to the Company by the Issuer or the Trustee, and, until such time as the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the

Company (i) will not suspend or discontinue any payments provided for in Section 4.2 hereof, (ii) will perform and observe all other agreements contained in this Agreement and the Note and (iii) except as provided in Article IX hereof, will not terminate the Term of Agreement for any cause, including, without limiting the generality of the foregoing, failure of the Company to complete the acquisition, construction, improving and equipping of the Project, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, the taking by eminent domain of title to or temporary use of any or all of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Issuer or the Trustee 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 Issuer from the performance of any of the agreements on its part herein contained, and in the event the Issuer or the Trustee should fail to perform any such agreement on its part, the Company may institute such action against the Issuer or the Trustee as the Company may deem necessary to compel performance so long as such action does not abrogate the obligations of the Company contained in the first sentence of this Section.

Section 4.4. Substitute Letter of Credit. The Company may provide for the delivery to the Trustee of a Substitute Letter of Credit. Any Substitute Letter of Credit shall be delivered to the Trustee not less than sixty (60) days prior to the expiration of the Letter of Credit it is being issued to replace; provided, however, that on or before the date of such delivery of a Substitute Letter of Credit to the Trustee, the Company shall furnish to the Trustee written evidence from each rating agency by which the Bonds are then rated, to the effect that such rating agency has reviewed the proposed Substitute Letter of Credit and that the substitution of the proposed Substitute Letter of Credit will not, by itself, result in the reduction of the then applicable rating(s) of the Bonds.

EXHIBIT

SEP 5 1989 NO. 1

ARTICLE V

STATE BUDGET & CONTROL BOARD

DAMAGE, DESTRUCTION AND CONDEMNATION

Section 5.1. Damage, Destruction and Condemnation.

Unless the Company shall have exercised its option to terminate this Agreement pursuant to the provisions of Section 9.2(a) or Section 9.2(b) hereof, if prior to full payment of the Bonds (or prior to provision for payment thereof having been made in accordance with the provisions of the Indenture) (i) the Project or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty or (ii) title to or any interest in, 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 Company shall be obligated to continue to pay the amounts specified in Section 4.2 hereof.

Section 5.2. Application of Net Proceeds.

The Net Proceeds of any insurance proceeds or condemnation award resulting from any events described in Section 5.1 hereof shall be deposited in a separate trust fund to be held by the Trustee. All Net Proceeds so deposited shall be applied in one or more of the following ways as shall be elected by the Company in a written notice to the Trustee:

(a) To the prompt repair, restoration, modification or improvement of the Project, and the Issuer has, in the Indenture, authorized and directed the Trustee to make disbursements from such separate trust fund for such purposes. Such disbursements shall be made by the Trustee only upon receipt of proper Requisitions therefor. Any balance of the Net Proceeds remaining after such work has been completed shall be transferred into the General Account of the Bond Fund to be applied in accordance with subsection (b) below, or if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture), any balance remaining in such separate trust fund shall be paid in accordance with Section 6.08 of the Indenture.

(b) At such time as such funds constitute Available Moneys, to the redemption of Bonds on the earliest practicable redemption date as specified in a written notice by the Company to the Trustee, provided that no part of such Net Proceeds may be applied for such redemption unless (1) all of the Bonds are to be redeemed in accordance with the Indenture upon termination of this Agreement pursuant to Section 9.2(a) or Section 9.2(b) hereof or (2) in the event

that less than all of the Bonds are to be redeemed, the Company shall furnish to the Bank and the Trustee a certificate of a Company Representative stating that (i) the property forming the part of the Project that was damaged or destroyed by such casualty or was taken by such condemnation proceedings is not essential to the use or possession of the Project by the Company or (ii) the Project has been repaired, restored, modified or improved to operate as designed.

Section 5.3. Insufficiency of Net Proceeds. If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement referred to in Section 5.2(a) hereof, the Company will nonetheless complete the work and will pay any cost in excess of the amount of the Net Proceeds held by the Trustee. The Company agrees that if by reason of any such insufficiency of the Net Proceeds, the Company shall make any payments pursuant to the provisions of this Section, the Company shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or the Owners of any of the Bonds, nor shall the Company be entitled to any diminution of the amounts payable under the Note or Section 4.2 hereof.

EXHIBIT

ARTICLE VI

SEP 5 1989 NO. 1

SPECIAL COVENANTS STATE BUDGET & CONTROL BOARD

Section 6.1. No Warranty of Condition or Suitability by Issuer. THE ISSUER MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE PROJECT OR THE CONDITION THEREOF, OR THAT THE PROJECT WILL BE SUITABLE FOR THE PURPOSES OR NEEDS OF THE COMPANY. THE ISSUER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, THAT THE COMPANY WILL HAVE QUIET AND PEACEFUL POSSESSION OF THE PROJECT. THE ISSUER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE MERCHANTABILITY, CONDITION OR WORKMANSHIP OF ANY PART OF THE PROJECT OR ITS SUITABILITY FOR THE COMPANY'S PURPOSES.

Section 6.2. Access to the Project. The Company agrees that the Issuer, the Bank, the Trustee and their duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right to inspect the Project at all reasonable times and on reasonable notice. The Issuer, the Bank, the Trustee and their duly authorized agents shall also be permitted, at all reasonable times, to examine the books and records of the Company with respect to the Project.

Section 6.3. Further Assurances and Corrective Instruments. The Issuer and the Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the expressed intention of this Agreement.

Section 6.4. Issuer and Company Representatives. Whenever under the provisions of this Agreement the approval of the Issuer or the Company is required or the Issuer or the Company is required to take some action at the request of the other, such approval or such request shall be given for the Issuer by an Issuer Representative and for the Company by a Company Representative. The Trustee shall be authorized to act on any such approval or request.

Section 6.5. Financial Reports. After the Conversion Date, so long as any of the Bonds are Outstanding, the Company shall cause to be furnished to the Trustee the following information:

(a) Within one hundred and twenty (120) days after the close of each fiscal year of Siemens Corporation, the consolidated financial statements of Siemens Corporation, including the consolidated balance sheet as of the end of

such fiscal year and statements of income and surplus for such fiscal year, each prepared in accordance with generally accepted accounting principles consistently applied, in reasonable detail and certified by certified public accountants of recognized standing.

(b) Within one hundred and eighty (180) days after the close of each fiscal year of the Guarantor, the Annual Report of the Guarantor prepared in accordance with generally accepted accounting principles consistently applied, in reasonable detail and certified by certified public accountants of recognized standing.

Section 6.6. Financing Statements. The Company agrees to execute and file or cause to be executed and filed any and all financing statements or amendments thereof or continuation statements necessary to perfect and continue the perfection of the security interests granted in the Indenture. The Company shall pay all costs of filing such instruments.

EXHIBIT

SEP 5 1989 NO. 1

ARTICLE VII

STATE BUDGET & CONTROL BOARD

ASSIGNMENT, SELLING, LEASING; INDEMNIFICATION; REDEMPTION

Section 7.1. Assignment, Selling and Leasing. This Agreement may be assigned and the Project may be sold or leased, as a whole or in part, with the prior written consent of the Bank, but without the necessity of obtaining the consent of either the Issuer or the Trustee; provided, however, that no such assignment, sale or lease shall, in the opinion of Bond Counsel, result in interest on any of the Bonds becoming includable in gross income for federal income tax purposes, or shall otherwise violate any provisions of the Act; provided further, however, that no such assignment, sale or lease shall relieve the Company of any of its obligations under this Agreement.

Section 7.2. Release and Indemnification Covenants.

(a) The Company shall and hereby agrees to indemnify and save the Issuer and the Trustee (the "Indemnified Parties") harmless against and from all claims by or on behalf of any person, firm, corporation or other legal entity arising from the conduct or management of, or from any work or thing done on, the Project during the Term of Agreement, including without limitation, (i) any condition of the Project, (ii) any breach or default on the part of the Company in the performance of any of its obligations under this Agreement, (iii) any act or negligence of the Company or of any of its agents, contractors, servants, employees or licensees or (iv) any act or negligence of any assignee or lessee of the Company, or of any agents, contractors, servants, employees or licensees of any assignee or lessee of the Company. The Company shall indemnify and save the Indemnified Parties harmless from any such claim arising as aforesaid, or in connection with any action or proceeding brought thereon, and upon notice from the Issuer or the Trustee, the Company shall defend them or either of them in any such action or proceeding. In case any action shall be brought against them or either of them based upon any of the above and in respect of which indemnity may be sought against the Company, such Indemnified Parties shall promptly notify the Company in writing, enclosing a copy of all papers served, but the omission so to notify the Company of any such action shall not relieve it of any liability which it may have to any Indemnified Party otherwise than under this Section. In case any such action shall be brought against any Indemnified Party and it shall notify the Company of the commencement thereof, the Company shall be entitled to participate in and, to the extent that it shall wish to assume the defense thereof with counsel reasonably satisfactory to such Indemnified Party. The

Indemnified Party shall have the right to employ its own counsel in any such action but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the employment of counsel by such Indemnified Party has been authorized by the Company, (ii) the Indemnified Party shall have reasonably concluded, based upon an opinion of counsel reasonably satisfactory to the Company, that there may be a conflict of interest between the Company, as the case may be, and the Indemnified Party in the conduct of the defense of such action (in which case the Company shall not have the right to direct the defense of such action on behalf of the Indemnified Party, it being understood, however, that the Company shall not be liable for the fees and expenses of more than one separate counsel for all Indemnified Parties), or (iii) the Company shall not in fact have employed counsel reasonably satisfactory to the Indemnified Party to assume the defense of such action. The Company shall not be liable for any settlement of any action or claim effected without its consent.

(b) Notwithstanding the fact that it is the intention of the parties hereto that the Issuer shall not incur any pecuniary liability by reason of the terms of this Agreement or the undertakings required of the Issuer hereunder, by reason of the issuance of the Bonds, by reason of the execution of the Indenture or by reason of the performance of any act requested of the Issuer by the Company, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulation pertaining to the foregoing; nevertheless, if the Issuer should incur any such pecuniary liability, then in such event the Company shall indemnify and hold the Issuer harmless against all claims, demands or causes of action whatsoever, by or on behalf of any person, firm or corporation or other legal entity arising out of the same or out of any offering statement or lack of offering statement in connection with the sale or resale of the Bonds 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 Issuer, the Company shall defend the Issuer in any such action or proceeding. All references to the Issuer in this Section 7.2 shall be deemed to include its commissioners, directors, officers, employees, and agents.

Notwithstanding anything to the contrary contained herein, the Company shall have no liability to indemnify the Issuer against claims or damages resulting from the Issuer's own negligence or willful misconduct.

Section 7.3. Redemption of Bonds. The Company shall have and is hereby granted the option to cause all or a portion of the Bonds to be redeemed at the times permitted by the Indenture.

The Issuer, at the request of the Company, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the Outstanding Bonds, as may be specified by the Company, on the date established for such redemption.

Section 7.4. Issuer to Grant Security Interest to Trustee. The parties hereto agree that pursuant to the Indenture, the Issuer shall assign to the Trustee, in order to secure payment of the Bonds, all of the Issuer's right, title, and interest in and to this Agreement, except for the Issuer's rights under Sections 4.2(b), 7.2 and 8.4 hereof.

Section 7.5. Indemnification of Trustee. The Company shall and hereby agrees to indemnify the Trustee for, and hold the Trustee harmless against, any loss, liability or expense (including the costs and expenses of defending against any claim of liability) incurred without negligence or willful misconduct by the Trustee and arising out of or in connection with its acting as Trustee under the Indenture.

EXHIBIT

SEP 5 1989 NO. 1

ARTICLE VIII

STATE BUDGET & CONTROL BOARD

DEFAULTS AND REMEDIES

Section 8.1. Defaults Defined. The following shall be "Defaults" under this Agreement and the term "Default" shall mean, whenever it is used in this Agreement, any one or more of the following events:

(a) Failure by the Company to pay any amount required to be paid under subsection (a) or (d) of Section 4.2 hereof.

(b) Failure by the Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in Section 8.1(a), for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied shall have been given to the Company by the Issuer or the Trustee, unless the Issuer and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Company within the applicable period and diligently pursued until such failure is corrected.

(c) The dissolution or liquidation of the Company, except as authorized by Section 2.2 hereof, or the voluntary initiation by the Company of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Company of any such proceeding which shall remain undismissed for sixty (60) days, or failure by the Company to promptly have discharged any execution, garnishment or attachment of such consequence as would impair the ability of the Company to carry on its operations at the Project, or assignment by the Company for the benefit of creditors, or the entry by the Company into an agreement of composition with its creditors or the failure generally by the Company to pay its debts as they become due.

(d) The occurrence of a Default under the Indenture or the Guaranty.

The provisions of subsection (b) of this Section are subject to the following limitation: if by reason of force majeure the Company is unable in whole or in part to carry out any of its agreements contained herein (other than its obligations contained

in Article IV hereof), the Company 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 or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or of any of their departments, agencies or officials, or of any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; and any other cause or event not reasonably within the control of the Company. The Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreement, provided that the settlement of strikes and other industrial disturbances shall be entirely within the discretion of the Company and the Company shall not be required to settle 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 Company unfavorable to the Company.

Section 8.2. Remedies on Default. Whenever any Default referred to in Section 8.1 hereof shall have happened and be continuing, the Trustee, or the Issuer with the written consent of the Trustee, may take one or any combination of the following remedial steps:

(a) If the Trustee has declared the Bonds immediately due and payable pursuant to Section 9.02 of the Indenture, by written notice to the Company, declare an amount equal to all amounts then due and payable on the Bonds, whether by acceleration of maturity (as provided in the Indenture) or otherwise, to be immediately due and payable as liquidated damages under this Agreement and the Note and not as a penalty, whereupon the same shall become immediately due and payable;

(b) Have reasonable access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Company during regular business hours of the Company if reasonably necessary in the opinion of the Trustee; or

(c) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement and the Note.

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.

Section 8.3. No Remedy Exclusive. Subject to Section 9.02 of the Indenture, no remedy herein conferred upon or reserved to the Issuer or the Trustee 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. No delay or omission to exercise any right or power accruing upon any Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee 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 required in this Article. Such rights and remedies as are given the Issuer hereunder shall also extend to the Trustee, and the Trustee and the Owners of the Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 8.4. Agreement to Pay Attorneys' Fees and Expenses. In the event the Company should default under any of the provisions of this Agreement and the Issuer should employ attorneys or incur other expenses for the collection of payments required hereunder or the enforcement of performance or observance of any obligation or agreement on the part of the Company herein contained, the Company agrees that it will on demand therefor pay to the Issuer the reasonable fee of such attorneys and such other expenses so incurred by the Issuer.

Section 8.5. 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.

EXHIBIT

SEP 5 1989 NO. 1

ARTICLE IX STATE BUDGET & CONTROL BOARD

OPTIONS TO TERMINATE AGREEMENT

Section 9.1. Option to Terminate At Any Time After Letter of Credit Termination Date. On or after the Letter of Credit Termination Date, the Company shall have, and is hereby granted, the option to terminate its obligations under Section 4.2 hereof at any time prior to full payment of the Bonds by providing for payment of all Outstanding Bonds in accordance with Section 8.02 of the Indenture.

Section 9.2. Option to Terminate Upon the Occurrence of Certain Events. The Company shall have, and is hereby granted, the option to terminate its obligations under Section 4.2 hereof 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 either of the events set forth below shall occur:

(a) The Project shall have been damaged or destroyed (i) to such extent that it cannot, in the Company's judgment, be reasonably restored within a period of six (6) months to the condition thereof immediately preceding such damage or destruction, or (ii) to such extent that the Company is thereby prevented, in the Company's judgment, from carrying on its normal operations at the Project for a period of six (6) months or more.

(b) Title to, or the temporary use for a period of six (6) months or more of, all or substantially all the Project, or such part thereof as shall materially interfere, in the Company'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 Company being thereby prevented from carrying on its normal operations at the Project for a period of six (6) months or more).

To exercise such option, the Company shall within ninety (90) days following the event authorizing such termination, give written notice to the Issuer, the Bank and the Trustee and shall specify therein the date of redemption of Bonds pursuant to Section 3.01 of the Indenture, which date shall be the next interest payment date in respect of the Bonds for which the required notice of redemption can practicably be given, and shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption. In order to exercise such option, the Company

shall pay, or cause to be paid, on or prior to the applicable redemption date, to the Trustee, an amount equal to the sum of the following:

(1) An amount of money which, when added to the amount then on deposit and available in the Bond Fund, will be sufficient to retire and redeem all the Outstanding Bonds on the earliest possible redemption date after notice as provided in the Indenture, including, without limitation, the principal amount thereof, all interest to accrue to said redemption date, and the applicable redemption premium, if any, plus

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

(3) An amount of money equal to the Issuer's fees and expenses under this Agreement accrued and to accrue until such final payment and redemption of the Bonds.

The Company's obligation to make any payments under this Section 9.2 shall be deemed satisfied and discharged to the extent of the corresponding payment made by the Bank under the Letter of Credit upon reimbursement by the Company to the Bank in full for such payment pursuant to the terms of the Credit Agreement.

EXHIBIT

SEP 5 1989 NO. 1

ARTICLE X

STATE BUDGET & CONTROL BOARD

OBLIGATION TO TERMINATE AGREEMENT UPON DETERMINATION OF TAXABILITY

The Company shall be obligated to cause the Bonds to be redeemed on the earliest practicable Interest Payment Date after a Determination of Taxability (as defined below) shall have occurred by paying or causing to be paid to the Trustee an amount which, when added to other funds on deposit in the Bond Fund and available for such purpose, is equal to (a) one hundred percent (100%) of the aggregate principal amount of the Bonds Outstanding on the redemption date plus accrued interest to the redemption date, plus (b) an amount of money equal to the Trustee's fees and expenses under the Indenture accrued and to accrue until such redemption of the Bonds, plus (c) an amount of money equal to all other sums due to the Issuer under this Agreement.

A "Determination of Taxability" shall be deemed to have occurred if a final decree or judgment of any federal court or a final action of the Internal Revenue Service determines that interest paid or payable on any Bond is or was includable in the gross income of an Owner of the Bonds for federal income tax purposes under the Code (other than an Owner who is a substantial user or related person within the meaning of Section 144(a) of the Code). No such decree, judgment, or action will be considered final for this purpose, however, unless the Company has been given written notice and, if it is so desired and is legally allowed, has been afforded the opportunity to contest the same, either directly or in the name of any Owner of a Bond, and until conclusion of any appellate review, if sought; provided, however, that the Company shall not be permitted to contest the same unless and until it shall have provided the Trustee with a letter of credit, surety bond, or other security acceptable to the Trustee, indemnifying the Owners from any liability arising out of or resulting from any such Determination of Taxability. If the Trustee receives written notice from any Owner of Bonds stating that the Owner of Bonds has been notified in writing by the Internal Revenue Service that it proposes to include the interest on any Bond in the gross income of such Owner of Bonds for the reasons described herein or any other proceeding has been instituted against such Owner of Bonds which may lead to a final decree, judgment, or action as described herein, then the Trustee shall promptly give notice thereof to the Company, the Issuer, the Bank and the Owner of each Bond Outstanding. The Trustee shall thereafter coordinate any similar requests or notices it may have received from other Owners of Bonds and shall keep them informed of the progress of any administrative proceedings or litigation. If a Determination of Taxability is made, the Trustee shall give

notice of the redemption of the Bonds at the earliest practicable date, but not later than the date specified in this Article, and in the manner provided by Section 3.03 of the Indenture.

EXHIBIT

SEP 5 1989 NO. 1

ARTICLE XI

STATE BUDGET & CONTROL BOARD

MISCELLANEOUS

Section 11.1 Term of Agreement. This Agreement shall remain in full force and effect from the date here of to and including November 10, 2003 or until such time as all of the Bonds and the fees and expenses of the Issuer and the Trustee and all amounts payable to the Bank under the Credit Agreement shall have been fully paid or provision made for such payments, whichever is later; provided, however, that this Agreement may be terminated prior to such date pursuant to Section 9.1 of this Agreement.

Section 11.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered mail, postage prepaid, addressed as follows: if to the Issuer, to Spartanburg County, South Carolina, Spartanburg County Courthouse, Spartanburg, South Carolina 29301, Attention: Administrator, if to the Trustee, to Trust Company Bank, 58 Edgewood Avenue, Room 235A, Atlanta, Georgia 30303, Attention: Corporate Trust Department; if to the Company, to Siemens Energy & Automation, Inc., 3333 State Bridge Road, Alpharetta, Georgia 30201, Attention: Treasurer's Department; if to the Bank, to Trust Company Bank, 25 Park Place, 10th Floor, Atlanta, Georgia 30303, Attention: International Division, with a copy to Trust Company Bank, 711 Fifth Avenue, 5th Floor, New York, New York 10022, Attention: Randy Havens; or to the issuer of a Substitute Letter of Credit at its address designated in writing to the Trustee; if to the Remarketing Agent, to its Principal Office; if to the Tender Agent, to Trust Company Bank, 58 Edgewood Avenue, Room 235A, Atlanta, Georgia 30303, Attention: Corporate Trust Department; if to Moody's, to Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, Attention: Municipal Department, Structured Finance Group; and if to S & P, to Standard & Poor's Corporation, 25 Broadway, New York New York 10004, Attention: Corporation Finance Department. A duplicate copy of each notice, certificate or other communication given hereunder by the Issuer or the Company shall also be given to the Trustee and the Bank. The Issuer, the Company, the Trustee, and the Bank may, by written notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.3 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company, the Bank, the Trustee, the Owners of Bonds and their respective successors and assigns, subject, however, to the limitations contained in Section 2.2(b) hereof.

Section 11.4. 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 11.5. Amounts Remaining in Funds. Subject to the provisions of Section 6.08 of the Indenture, it is agreed by the parties hereto that any amounts remaining in any account of the Bond Fund or any other fund (other than the Rebate Fund) created under the Indenture upon expiration or earlier termination of this Agreement, as provided in this Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the fees and expenses of the Trustee in accordance with the Indenture, shall belong to and be paid to the Company by the Trustee.

Section 11.6. Amendments, Changes and Modifications. Subsequent to the issuance of Bonds and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), and except as otherwise herein expressly provided, neither this Agreement nor the Note may be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee and the Company and, prior to the Letter of Credit Termination Date and payment of all amounts payable to the Bank under the Credit Agreement, the consent of the Bank, in accordance with the provisions of the Indenture.

Section 11.7. Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State.

Section 11.9. Captions. The captions and headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Agreement.

IN WITNESS WHEREOF, the Issuer and the Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

(SEAL)

SPARTANBURG COUNTY, SOUTH
CAROLINA

Attest:

By: _____
Title:

Title:

(CORPORATE SEAL)

SIEMENS ENERGY & AUTOMATION, INC.

By: _____
Title:

EXHIBIT
SEP 5 1989 NO. 1
STATE BUDGET & CONTROL BOARD

EXHIBIT

SEP 5 1989 NO. 1

EXHIBIT A

STATE BUDGET & CONTROL BOARD

AFTER THE ENDORSEMENT OF THIS NOTE AS HEREON PROVIDED, THIS NOTE MAY NOT BE ASSIGNED, PLEDGED, ENDORSED OR OTHERWISE TRANSFERRED EXCEPT TO A SUCCESSOR OF THE TRUSTEE UNDER THE INDENTURE OF TRUST REFERRED TO IN THE LOAN AGREEMENT REFERRED TO HEREIN

PROMISSORY NOTE

\$6,500,000

September __, 1989

FOR VALUE RECEIVED, SIEMENS ENERGY & AUTOMATION, INC. (the "Company"), a corporation duly organized and validly existing under the laws of the State of Delaware, for value received, promises to pay to SPARTANBURG COUNTY, SOUTH CAROLINA (the "Authority"), on November 10, 2003, the principal sum of SIX MILLION AND FIVE HUNDRED THOUSAND DOLLARS (\$7,500,000), subject to the prepayment of such amount pursuant to the terms of the mandatory sinking fund described in the hereinafter mentioned Indenture, and to pay premium, if any, and interest on the unpaid balance of such principal sum from and after the date of the Endorsement attached hereto, as hereinafter provided, until the payment of the principal sum, such premium, if any, and interest has been made or provided for.

This Promissory Note (the "Note") has been executed and delivered by the Company to the Trustee pursuant to the Loan Agreement between the Authority and the Company, dated as of August 1, 1989 (the "Loan Agreement"). Under the Loan Agreement, the Authority has loaned the Company the proceeds received from the sale of the Authority's \$6,500,000 Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989, dated as of the date hereof (the "Bonds") to be used by the Company to cause the refunding of the Authority's \$6,500,000 Industrial Revenue Bonds (Siemens-Allis, Inc. Project), Series 1983, dated November 30, 1983. The Bonds have been issued, concurrently with the execution and delivery of this Note, pursuant to, and are secured by the Indenture of Trust between the Authority and Trust Company Bank (the "Trustee") dated as of August 1, 1989 (the "Indenture"). The Bonds bear interest at the Adjustable Rate prior to the Conversion Date and at the Fixed Rate on and subsequent to the Conversion Date. Such interest is payable on each Interest Payment Date. Unless otherwise defined herein, all capitalized terms used herein shall have the meanings assigned to such terms in the Loan Agreement and the Indenture.

To provide funds to pay the principal of and interest and any premium on the Bonds as and when due as above specified, the

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Company shall make as payments on this Note payments on such dates set forth above and in such amounts as shall be necessary to pay when due all principal, premium (if any) and interest and all other amounts required to be paid under the Bonds or the Indenture, including any amounts necessary to purchase the Bonds under the Indenture.

This Note is subject, in the event of the acceleration of the payments due hereunder pursuant to the Loan Agreement, to mandatory prepayment, and is subject to optional prepayment in whole or in part, at the times, in the amounts, with the premium and upon the conditions that the Bonds are subject to redemption under the Indenture. In accordance with the terms of the Loan Agreement, the Company shall furnish any moneys required by the Indenture to be deposited with the Trustee or otherwise paid by the Authority in connection with any of the foregoing purposes.

Anything in this Note to the contrary notwithstanding, if payment, or provision for payment in accordance with the Indenture, is made in respect of the principal, premium (if any) and interest from moneys other than payments under this Note, including from moneys drawn by the Trustee under the Letter of Credit, this Note shall be deemed paid to the extent such payment or provision for payment of the Bonds has been made. Subject to the foregoing, all payments under this Note shall be in the full amount required hereunder.

All payments under this Note shall be payable in lawful money of the United States of America which are immediately available and shall be made to the Trustee at its corporate trust offices in Atlanta, Georgia and deposited in the Bond Fund created in the Indenture. Except as otherwise provided in the Indenture, such payments shall be used by the Trustee to pay all amounts payable with respect to the Bonds as and when due. The obligation of the Company to make the payments required hereunder shall be absolute and unconditional and shall not be subject to cancellation, termination or diminution by setoff, recoupment, counterclaim, abatement or otherwise for any reason.

Whenever an Event of Default under of the Indenture shall have occurred and, as a result thereof, the principal of and premium on all Bonds then outstanding, and interest accrued thereon, shall have been declared to be immediately due and payable pursuant to the Indenture, the unpaid principal amount and any premium and accrued interest on this Note shall also be due and payable on the date on which the principal of and such premium and interest on the Bonds shall have been declared due and payable; provided that the annulment of a declaration of acceleration with respect to the Bonds shall also constitute an annulment of any corresponding declaration with respect to this Note.

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The obligation of the Company to make the payments required hereunder shall be absolute and unconditional without any defense, recoupment or right of setoff by reason of any default by the Authority under the Loan Agreement or for any other reason.

The Company hereby promises to pay all costs of collection, including reasonable attorneys' fees and disbursements, without regard to any statutory presumption, in the case of a default under this Note or the Loan Agreement. The Company hereby waives presentment, protest and notice of protest or dishonor.

This Note shall be construed in accordance with the laws of the State of South Carolina.

IN WITNESS WHEREOF, this Company has caused this instrument to be executed in its corporate name by its duly authorized officers and its corporate seal to be affixed hereto all as of the date first above written.

(Corporate Seal)

SIEMENS ENERGY & AUTOMATION, INC.

Attest:

By: _____
Title: _____

Title:

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

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ENDORSEMENT

Pay to the order of Trust Company Bank, as Trustee for the benefit of the Bondholders under the Indenture of Trust dated as of August 1, 1989 between the Authority and the Trustee, without recourse. This endorsement is given and made without any warranty as to the authority and genuineness of the signature of the maker of the foregoing Promissory Note.

This the ____ day of August, 1989.

SPARTANBURG COUNTY, SOUTH CAROLINA

By: _____
Chairman

EXHIBIT

SEP 5 1989

NO. 1

BOARD

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EXHIBIT

SEP 5 1989

NO. 1

LIMITED OFFERING MEMORANDUM STATE BUDGET & CONTROL BOARD

NEW ISSUE

Moody's: _____
(See "RATING" herein)

In the opinion of Bond Counsel, the interest on the Bonds is not includable in gross income for federal income tax purposes under existing law, and is exempt from taxation under the laws of the State of South Carolina, except under certain conditions described herein under "Tax Exemption."

\$6,500,000
Spartanburg County, South Carolina
Refunding Revenue Bonds
(Siemens Energy & Automation, Inc. Project),
Series 1989

Dated: September __, 1989

Due: November 10, 2003

Price: 100%

The Bonds will be payable (except to the extent payable from certain Bond proceeds and other moneys pledged therefor) from, and are secured by, a pledge of payments to be made to Spartanburg County, South Carolina (the "Issuer") under a Loan Agreement (the "Agreement") between the Issuer and Siemens Energy & Automation, Inc., a Delaware corporation (the "Company") and a related Promissory Note. The Bonds also will be payable from an irrevocable direct-pay Letter of Credit (the "Letter of Credit") issued by

TRUST COMPANY BANK

(the "Bank"). The Letter of Credit will expire, unless earlier terminated, on September 15, 1994. The Letter of Credit may be replaced by a substitute irrevocable letter of credit (the "Substitute Letter of Credit") of a commercial bank or savings and loan association other than the Bank, as described herein.

The Bonds initially will bear interest at the Adjustable Rate, as more fully described herein, determined on the first day of each Interest Period (as defined herein), and payable on the first Business Day (as defined herein) of each month, or on the first Business Day of each Interest Period, if such Interest Period is longer than a month, commencing October 1, 1989. Commencing on the Conversion Date, the Bonds will bear interest at the Fixed Rate, as more fully described herein. The Adjustable

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Rate and the Fixed Rate will be determined by Trust Company Bank, as Remarketing Agent, on the basis of prevailing financial market conditions, and the duration of each Interest Period will be determined at the election of the Company, subject to certain conditions set forth in the Indenture of Trust.

The Bonds will be issuable as fully registered Bonds in denominations of \$100,000 each and integral multiples of \$5,000 in excess thereof (except that after the Conversion Date, the Bonds are issuable in denominations of \$5,000 or any integral multiple thereof). The principal of the Bonds is payable at the principal corporate trust office of Trust Company Bank, as Trustee. The interest on the Bonds shall be paid by check and mailed by the Trustee to the person in whose name the Bond is registered on the registration books kept by the Trustee at the close of business on the second (2nd) Business Day next preceding such interest payment date so long as the bonds bear interest at the Adjustable Rate (herein called the "Record Date").

The Bonds are subject to mandatory and optional redemption, purchase, and tender as provided in the Indenture and as described herein.

THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE BONDS OR THE INTEREST THEREON EXCEPT FROM THE REVENUES AND THE PROCEEDS PLEDGED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE ISSUER OR OF THE STATE OF SOUTH CAROLINA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

The Bonds are being offered in a nonpublic offering to a limited number of prospective investors who qualify as "accredited investors" under any of the following categories at the time of the sale of Bonds to that person or entity:

(i) A bank, as defined in Section 3(a)(2) of the federal Securities Act of 1933 (the "Securities Act"), or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity;

(ii) A broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934;

(iii) An insurance company, as defined in Section 2(13) of the Securities Act;

(iv) An investment company registered under the Investment Company Act of 1940;

(v) An organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$5,000,000;

(vi) A natural person whose individual net worth, or joint net worth with that person's spouse at the time of his purchase, exceeds \$1,000,000;

(vii) A natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and who has a reasonable expectation of reaching the same income level in the current year; and

(viii) A trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Bonds, whose purchase is directed by a sophisticated person as described in 17 C.F.R. § 230.506(b)(2)(ii) promulgated under the Securities Act.

The Bonds are not deemed to be suitable investments for anyone other than an "accredited investor."

The Bonds are offered subject to prior sale, when, as and if issued by the Issuer, subject to the approving opinion of King & Spalding, Atlanta, Georgia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Company by its Counsel, Michael S. Williamson, Alpharetta, Georgia; for the Issuer by its Counsel, Roy McBee Smith, Spartanburg County Attorney, Spartanburg, South Carolina; and for the Bank, as issuer of the Letter of Credit, by its Counsel, King & Spalding, Atlanta, Georgia.

TRUST COMPANY BANK,
as Placement Agent

September __, 1989

This Limited Offering Memorandum does not constitute an offering of any security other than the original offering of the Bonds identified on the cover hereof. No dealer, broker, salesman or other person has been authorized by the Issuer, the Company, the Bank or Trust Company Bank, as Placement Agent, to give any information or to make any representation with respect to the Bonds other than those contained in this Limited Offering Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Limited Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the Company, the Bank and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Placement Agent or the Issuer. The information herein is subject to change without notice and neither the delivery hereof nor any sale hereunder at any time implies that information herein is correct as of any time subsequent to its date.

Upon issuance, the Bonds will not be registered by the Issuer under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy hereof or approved the Bonds for sale (except that the Issuer has authorized the issuance and sale of the Bonds).

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

EXHIBIT

LIMITED OFFERING MEMORANDUM SEP 5 1989 NO. 1

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STATE BUDGET & CONTROL BOARD

(The Table of Contents for this Limited Offering Memorandum is for convenience of reference only and is not intended to define, limit or describe the scope or intent of any provisions of this Limited Offering Memorandum.)

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EXHIBIT

SEP 5 1989

NO. 1

\$6,500,000
Spartanburg County, South Carolina
Refunding Revenue Bonds
(Siemens Energy & Automation, Inc. Project),
Series 1989

BY BOARD

INTRODUCTORY STATEMENT

This Limited Offering Memorandum is provided to furnish certain information in connection with the original issuance and sale by Spartanburg County, South Carolina (the "Issuer") of \$6,500,000 in aggregate principal amount of its Refunding Revenue Bonds (Siemens Energy & Automation, Inc. Project), Series 1989 (the "Bonds").

The Bonds will be issued under an Indenture of Trust, dated as of September 1, 1989 (the "Indenture"), between the Issuer and Trust Company Bank, as Trustee (the "Trustee"). The Bonds will be limited obligations as described under the caption "THE BONDS -- Special Obligations." The Issuer will loan the net proceeds of the sale of the Bonds to Siemens Energy & Automation, Inc. (formerly Siemens-Allis, Inc.) (the "Company"), a Delaware corporation, pursuant to a Loan Agreement, dated as of September 1, 1989 (the "Agreement") between the Issuer and the Company in order to enable the Company to refund the outstanding principal amount of the Issuer's \$6,500,000 Spartanburg County, South Carolina Industrial Development Revenue Bonds (Siemens-Allis, Inc. Project), Series 1983 (the "Series 1983 Bonds"). The proceeds of the Series 1983 Bonds were loaned to the Company to finance the acquisition of an existing industrial facility and the installation of improvements and an expansion thereto by the Company located within Spartanburg County, South Carolina (the "Project"), as described under the caption "THE PROJECT." All of the Issuer's rights under the Agreement and in the related Promissory Note (the "Note") will be assigned to the Trustee as security for the payment of the principal of, premium, if any, and interest on the Bonds, except for certain rights to fees and indemnification payments.

Concurrently with, and as a condition to, the issuance of the Bonds, the Company will cause Trust Company Bank, Atlanta, Georgia (the "Bank"), to deliver an irrevocable direct-pay Letter of Credit (the "Letter of Credit"), a form of which is attached hereto as Appendix B, to the Trustee. The Trustee will be entitled under the Letter of Credit to draw amounts up to (a) the principal amount of the Bonds or the portion of the Purchase Price of the Bonds corresponding to the principal of the Bonds and (b) up to 55 days' accrued interest on the Bonds (at a maximum

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rate of 13% per annum) or that portion of the Purchase Price of the Bonds corresponding to the accrued interest thereon. The Letter of Credit will be issued pursuant to a Letter of Credit Agreement, dated as of September 1, 1989, by and between the Company and the Bank (the "Credit Agreement"), as described under the caption "THE LETTER OF CREDIT". The Company will agree in the Credit Agreement to reimburse the Bank for drawings made under the Letter of Credit and to make certain other payments.

In order to provide for the remarketing of the Bonds under certain circumstances, the Company and Trust Company Bank (in such capacity, the "Remarketing Agent") will enter into a Remarketing Agreement, dated as of September 1, 1989 (the "Remarketing Agreement").

Brief descriptions of the Issuer, the Company, the Guarantor, the Project and the Bonds, follow. A brief description of the Bank is included as Appendix A hereto. The descriptions herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each specific document being described, copies of all of which are available for inspection at the principal corporate trust office of the Trustee at 58 Edgewood Avenue, Room 235A, Atlanta, Georgia 30201, Attention: Corporate Trust Department. The form of the Letter of Credit is attached hereto as Appendix B. Terms not defined herein have the meanings set forth in the respective documents. See "MISCELLANEOUS" for obtaining more information and for obtaining copies of the documents.

Although the Issuer has consented to the use of this Limited Offering Memorandum in connection with the offer and the sale of the Bonds, it has not participated in the preparation hereof and it makes no representation as to its accuracy or completeness.

THE ISSUER

The Issuer is a body politic and corporate and a public subdivision of the State of South Carolina. Pursuant to Chapter 29 of Title 4 of the Code of Laws of South Carolina, 1976 (the "Act"), the Issuer is authorized to issue the Bonds to refund the Series 1983 Bonds and to secure the Bonds by an assignment of the amounts to be received under the Agreement. In order to accomplish the foregoing, the Issuer is authorized to enter into and/or accept delivery of the Indenture and the Agreement and to endorse the Note.

The Bonds will be limited obligations of the Issuer as described under the caption "THE BONDS -- Special Obligations."

EXHIBIT

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THE COMPANY

STATE BUDGET & CONTROL BOARD

Siemens Energy & Automation, Inc. was established on January 1, 1978 under the name Siemens-Allis by Siemens AG of West Germany and Allis-Chalmers Corporation of Milwaukee, Wisconsin, to specialize in standard engineered electrical equipment for electric utilities and general industry. In September, 1985, Siemens exercised its option to purchase Allis-Chalmers' remaining interest in the Company and in February, 1986, the Company's name was changed to reflect Siemens' full ownership. The Company serves the OEM (Original Equipment Manufacturer)/industrial, construction and utility markets with a wide variety of electrical and electronic equipment and systems that protect, regulate, control and distribute electric power; convert electric power to mechanical energy; and automate various power generation and industrial processes. In addition, the service arm of the Company teams repair and field personnel for the maintenance, repair and installation of all Company products, and provides training programs in the installation, operation and repair of Siemens' programmable controllers, electronic drivers and hi-tech control products.

Capabilities added since the Company's inception include the U. S. marketing of products and systems manufactured by the parent company, Siemens AG; the establishment of a totally integrated systems business to serve specific industries; greater emphasis on factory automation through the marketing and application of programmable controllers; training facilities for hi-technology systems equipment; and the overseas marketing of Company products manufactured in the United States. In addition, the acquisition of the I-T-E electrical products business in 1983 brought to the Company a major distribution system and service capability, enabling it to become a major supplier to all construction market segments requiring electrical equipment and systems.

The Company currently reports \$700,000,000 in annual sales, 7,500 employees, 26 production facilities and 200 sales and service locations. The Company is a subsidiary of Siemens Corporation. The Siemens family of companies, subsidiaries, affiliates and joint ventures in the United States provides a broad spectrum of products, systems and services for business and professional areas that include: electronic components, medical electronics, power engineering and automation, and public and private telecommunications networks.

Siemens Corporation is a subsidiary of Siemens AG, which is the sixth largest electrical/electronic manufacturer, and the

25th largest industrial company, in the world. Its manufacturing operations encompass components, energy and automation, electrical installations and automotive systems, communication and information systems, medical engineering, and telecommunication networks and security systems.

THE PROJECT

The proceeds from the Bonds will be used to refund the Series 1983 Bonds. The proceeds of the Series 1983 Bonds have been applied to finance the acquisition of an approximately 132,000 square foot manufacturing facility at Highway 221 and Old Georgia Road in Spartanburg County, the construction of an approximately 38,400 square foot expansion thereto, and the installation of certain equipment therein, for use in the manufacture of electrical busway systems, electrical panelboards and switchboards.

THE BONDS

a. Dates, Denominations and Payment Information

The Bonds will be dated the date of the original issuance thereof and will mature on November 10, 2003. The principal of, premium, if any, and interest on, and the Purchase Price of, the Bonds are payable at the place and in the manner specified in this Limited Offering Memorandum. So long as the Bonds bear interest at the Adjustable Rate, the Bonds will be issued as fully registered bonds in denominations of \$100,000 or integral multiples of \$5,000 in excess thereof; Bonds bearing interest at the Fixed Rate may be issued in denominations of \$5,000 and integral multiples thereof. Subject to certain limitations, the Bonds may be transferred or exchanged for other Bonds of authorized denominations at the principal corporate trust office of the Trustee, as Bond Registrar, without charge other than any tax or other governmental charge.

b. Special Obligations

No owner of any Bond has the right to compel any exercise of the taxing power of the State of South Carolina or of any political subdivision or instrumentality thereof, including the Issuer, to pay the Bonds, the interest thereon or any other amount due with respect thereto. The Bonds are not general obligations of the State of South Carolina or of any political subdivision or instrumentality thereof, including the Issuer, but are special obligations payable solely from certain amounts

payable by the Company under the Agreement and the Note and other moneys pledged therefor under the Indenture. Neither the Issuer, the State of South Carolina nor any political subdivision or instrumentality thereof, has any obligations with respect to the purchase of the Bonds.

c. General Definitions

The following definitions shall apply to the terms used in this Limited Offering Memorandum:

The term "Automatic Conversion Date" means the Interest Payment Date immediately preceding the Letter of Credit Termination Date (as defined in the Indenture).

The term "Bond Counsel" means the firm of bond attorneys whose opinion is set forth on the Bonds, or their successors appointed by the Issuer.

The term "Business Day" means a day on which the principal corporate trust office of the Trustee and commercial banks located in Atlanta, Georgia are open for the purpose of conducting a commercial banking business.

The term "Code" means the Internal Revenue Code of 1986, as amended from time to time, including, when appropriate, the statutory predecessor of the Code, and all applicable regulations thereunder whether proposed, temporary or final, including regulations issued and proposed pursuant to the statutory predecessor of the Code, and, in addition, all official rulings and judicial determinations applicable to the Bonds under the Code and under the statutory predecessor of the Code and any successor provisions to those Sections or regulations.

The term "Conversion" means the conversion of the interest rate borne by the Bonds from the Adjustable Rate to the Fixed Rate as permitted under the Indenture.

The term "Conversion Date" means the earlier to occur of either the Optional Conversion Date or the Automatic Conversion Date.

The term "Demand Purchase Option" means the option granted to the Owners of Bonds, while the Bonds bear interest at the Adjustable Rate, to require that Bonds be purchased prior to the Conversion Date pursuant to Section 4.06 of the Indenture.

The term "First Optional Redemption Date" means the September 1 occurring in the year which is a number of years

(carried to one decimal place) after the Conversion Date equal to the number of years (carried to one decimal place) between the September 1 immediately following the Conversion Date (unless the Conversion Date is September 1, in which case from such September 1) and November 10, 2003, multiplied by 1/2 and rounded up to the nearest whole number.

The term "Interest Payment Date" means (i) so long as the Bonds bear interest at the Adjustable Rate, the Interest Payment Date for each Interest Period shall be the first day of the next succeeding Interest Period; provided, that so long as the Interest Period is one week in duration, the term Interest Payment Date shall mean the first day of each calendar month, and (ii) so long as the Bonds bear interest at the Fixed Rate, March 1 and September 1 in each year, commencing on the March 1 or September 1 next succeeding the Conversion Date.

The term "Interest Period" means the period from the date of issuance and delivery of the Bonds to and including the next succeeding Tuesday (unless the Bonds are issued and delivered on a Tuesday, in which case the first Interest Period shall include only such Tuesday), and each period of one week's duration thereafter, commencing on Wednesday of each week and continuing through Tuesday of the following week. At the option of the Company, the duration of the Interest Period may be adjusted, in which event the term "Interest Period" shall mean (i) for any period of time of one week's duration, the period commencing Wednesday of each week and continuing through Tuesday of the following week, (ii) for any period of time of one month's duration, the period commencing on the first day of each calendar month and terminating on the last day of such month, (iii) for any period of time of three month's duration, the period commencing on the first day of the first calendar month and terminating on the last day of the third calendar month, and (iv) for any period of time of six month's duration, the period commencing on the first day of the first calendar month and terminating on the last day of the sixth calendar month. Under no circumstances shall the Interest Period exceed six months in duration. The duration of the Interest Period may be adjusted effective only on the day following the last day of the preceding Interest Period; provided, however, that an Interest Period of one week's duration may be adjusted to any other authorized duration only on the first day of each calendar month. In the event the duration of the Interest Period is to be adjusted from one week to another authorized duration pursuant to the provisions of Section 2.02(c)(ii) of the Indenture, and the expiration of the last Interest Period prior to the first calendar day of the month does not occur on the last day of a calendar month, then in such event the duration of such Interest Period shall be increased or decreased at the discretion of the Remarketing Agent, by not more than six (6) days, in order

to cause the expiration of such Interest Period to occur on the last day of the calendar month.

The term "Optional Conversion Date" means the Interest Payment Date on or after March 1, 1990, which shall be a Business Day, from and after which the interest rate borne by the Bonds is converted from the Adjustable Rate to the Fixed Rate as a result of the exercise by the Company of the conversion option granted to the Company in Section 4.01 of the Indenture.

The term "Owner" means the person or persons in whose name or names a Bond shall be registered on the books of the Issuer kept for that purpose in accordance with the provisions of the Indenture.

The term "Preliminary Interest Rate" means the preliminary interest rate required to be determined by the Remarketing Agent upon any change in the duration of the Interest Period.

The term "Preliminary Rate Determination Date" means the fifteenth (15th) day next preceding the Rate Determination Date (or if such date is not a Business Day, then the Business Day immediately preceding such date).

The term "Purchase Price" means an amount equal to 100% of the principal amount of any Bond tendered or deemed tendered pursuant to Section 2.02(c)(ii), 4.01, 4.02 or 4.06 of the Indenture, plus, in the case of purchase pursuant to Section 4.06 of the Indenture, accrued and unpaid interest to the date of purchase.

The term "Rate Determination Date" means the first day of each Interest Period that has a duration different from the preceding Interest Period, on which date the Remarketing Agent shall establish the Adjustable Rate for such Interest Period (or if such date is not a Business Day, then the Business Day immediately preceding such date).

The term "Record Date" means (i) so long as the Bonds bear interest at the Adjustable Rate, that day which is the second (2nd) Business Day next preceding any Interest Payment Date, and (ii) so long as the Bonds bear interest at the Fixed Rate, the fifteenth (15th) day of the month next preceding any Interest Payment Date.

The term "Remarketing Agent" means Trust Company Bank, 25 Park Place, Atlanta, Georgia 30303, Attention: Investment Banking Division, and its successors and assigns.

The term "Substitute Bank" means a commercial bank or savings and loan association which has issued a Substitute Letter of Credit.

The term "Substitute Letter of Credit" means a letter of credit delivered to the Trustee, with the written consent of the Bank, in accordance with Section 4.4 of the Agreement (i) issued by the Bank or a Substitute Bank (as defined in the Indenture), (ii) replacing any existing Letter of Credit, (iii) dated as of a date prior to the expiration date of the Letter of Credit for which the same is to be substituted, (iv) which shall expire on a date which is 15 days after an Interest Payment Date for the Bonds and (v) issued on substantially identical terms and conditions as the then existing Letter of Credit, except that the Substitute Letter of Credit may expire on a date which is later than the expiration date of the Letter of Credit being replaced, and except that the stated amount of the Substitute Letter of Credit shall equal the sum of (A) the aggregate principal amount of Bonds at the time Outstanding, plus (B) an amount equal to at least 55 days' interest (computed at the maximum interest rate applicable to the Bonds, so long as the Bonds bear interest at the Adjustable Rate) on all Bonds at the time Outstanding.

The term "Tender Agent" means Trust Company Bank, 58 Edgewood Avenue, Room 235A, Atlanta, Georgia 30303, Attention: Corporate Trust Department, and its successors and assigns.

The term "Tender Date" means (i) during any Interest Period of other than one week's duration, any Interest Payment Date, (ii) during any Interest Period of one week's duration, the seventh (7th) day (unless such day is not a Business Day, in which case the next Business Day) following receipt by the Tender Agent of notice from the Owner of a Bond that such Owner has elected to tender Bonds (as more fully described in the section entitled "Tender Provisions" herein), and (iii) the Conversion Date.

d. Determination of Adjustable Rate.

Prior to the Conversion Date, the Bonds shall bear interest at the Adjustable Rate. The Adjustable Rate for each Interest Period will be determined by the Remarketing Agent on the first day of each such Interest Period in the manner described below. Interest at the Adjustable Rate shall be paid on each Interest Payment Date and shall be computed on the basis of (i) actual days elapsed in a 365 or 366-day year, as the case may be, so long as the Interest Period is one week or one month in duration, and (ii) a 360-day year consisting of twelve 30-day months, so long as the Interest Period is three months or six months in duration.

The Adjustable Rate for each Interest Period shall be established at a rate equal to the interest rate per annum that, in the sole judgment of the Remarketing Agent, taking into account prevailing financial market conditions, would be the minimum interest rate required to sell the Bonds at a price of 100% of the principal amount thereof ("Par"), on the date of such determination. The Adjustable Rate shall not exceed the rate on similar bonds of entities of equal creditworthiness. Upon determining the Adjustable Rate for each Interest Period, the Remarketing Agent shall notify the Trustee of such rate by telephone or such other manner as may be appropriate by not later than 2:00 P.M. New York City time on the date of such determination, which notice shall be promptly confirmed in writing. Notwithstanding the foregoing, no adjustment shall be made to the Adjustable Rate for an Interest Period commencing after the second (2nd) Business Day prior to any Interest Payment Date or a date fixed for redemption, and the Bonds shall bear interest during such Interest Period at the rate in effect during the immediately preceding Interest Period.

Pursuant to the Indenture, the Company is authorized to adjust the duration of the Interest Period prior to the Conversion Date and, in that connection, shall instruct the Remarketing Agent, not later than the fifth (5th) day prior to the Preliminary Rate Determination Date, to compute the Adjustable Rate on the basis of an Interest Period of one week, one month, three months or six months. In the event the Company elects to adjust the duration of the Interest Period, the Company shall notify the Trustee, on the date such instruction is provided to the Remarketing Agent, of such an election with respect to the Interest Period and of the Rate Determination Date on which such new Interest Period shall commence, and shall furnish to the Trustee in writing, with such notification, an opinion of Bond Counsel to the effect that such change in duration will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds pursuant to the Code by reason of such change of duration. Following receipt of instructions from the Company regarding the computation of the Adjustable Rate based upon a change in the duration of the Interest Period, the Remarketing Agent shall, on the Preliminary Rate Determination Date, determine the Preliminary Interest Rate for the Bonds. Upon determining the Preliminary Interest Rate, the Remarketing Agent shall notify the Trustee and the Company thereof by telephone or such other manner as may be appropriate by not later than 2:00 P.M. New York City time on the date of such determination, which notice shall be promptly confirmed in writing.

The Trustee shall then mail notice to the Owners of such Bonds, not more than two Business Days following the Preliminary

Rate Determination Date, stating (i) that the duration of the Interest Period will be adjusted as of the first day of the next succeeding Interest Period and specifying the duration of the Interest Period and the date of the commencement of such Interest Period; (ii) the Preliminary Interest Rate; (iii) that the Remarketing Agent will determine the Adjustable Rate for such Interest Period on the Rate Determination Date and that in no event will such rate be lower than the Preliminary Interest Rate; (iv) that the date of commencement of such Interest Period is a Tender Date, and that the Owners of such Bonds shall be deemed to have tendered their Bonds on such Tender Date unless the Owners of such Bonds have directed the Trustee not to purchase their Bonds on such Tender Date by providing the notice described below; (v) that if such notice not to tender is given by the Owners to the Trustee within the period set forth in such notice, then the Owners of such Bonds will not be entitled to tender such Bonds until the next succeeding Tender Date; and (vi) that any election not to tender given in accordance with such procedure will be irrevocable.

Pursuant to the Indenture, the delivery by the Company to the Trustee of a letter from Bond Counsel confirming the opinion accompanying the Company notification described above on such Tender Date is a condition precedent to the change in duration of the Interest Period. In the event that the Company fails to deliver to the Trustee the letter of Bond Counsel referred to in the preceding sentence, such change in the duration of the Interest Period shall not take effect and the Bonds shall continue to bear interest calculated by the method applicable prior to the proposed change.

As described above, the Owner of a Bond that is subject to mandatory tender because the Company has elected to change the duration of the Interest Period shall have the option to make an irrevocable election not to tender such Bond for purchase on the Tender Date. In order to exercise such option, the Owner of such Bond shall give to the Trustee on or prior to 12:30 P.M. New York City time, on the seventh (7th) day preceding such Tender Date (or, if such day is not a Business Day, the next preceding Business Day) telephonic (which the Owner shall promptly confirm in writing) or written notice stating (a) the principal of the Bonds which the Owner elects not to tender, (b) the Bond numbers of such Bonds, (c) that such Owner irrevocably elects not to tender such Bonds on such Tender Date, and (d) that such Owner acknowledges that the duration of the next Interest Period will differ from the duration of the Interest Period then ending.

Owners of Bonds not providing the Trustee with the notice described above shall be required to tender their Bonds to the Tender Agent for purchase at the Purchase Price, and any such

Bonds not so tendered on the Rate Determination Date ("Untendered Bonds") for which there has been irrevocably deposited in trust with the Trustee an amount of moneys sufficient to pay the Purchase Price of the Untendered Bonds, shall be deemed to have been purchased pursuant to the Indenture. IN THE EVENT OF A FAILURE BY AN OWNER OF BONDS (OTHER THAN AN OWNER OF BONDS WHO HAS GIVEN NOTICE AS PROVIDED ABOVE) TO TENDER ITS BONDS ON OR PRIOR TO THE RATE DETERMINATION DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE RATE DETERMINATION DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNTENDERED BONDS, AND ANY UNTENDERED BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE INDENTURE, EXCEPT FOR THE PURPOSE OF PAYMENT OF THE PURCHASE PRICE THEREFOR.

On the Rate Determination Date, the Remarketing Agent shall establish the Adjustable Rate for the Bonds for the Interest Period commencing on the Rate Determination Date, and shall notify the Trustee and the Company thereof by telephone or such other manner as may be appropriate by not later than 2:00 P.M. New York City time on the date of such determination, which notice shall be promptly confirmed in writing. The Preliminary Interest Rate and the Adjustable Rate on the Bonds for such Interest Period shall be established at a rate equal to the interest rate per annum that, in the sole judgment of the Remarketing Agent, taking into account prevailing financial market conditions, would be the minimum interest rate required to sell the Bonds at a price of Par on the Rate Determination Date; provided, that the Adjustable Rate on the Bonds for such Interest Period shall in no event be less than the Preliminary Interest Rate. The Adjustable Rate determined by the Remarketing Agent for the Bonds will take effect on the first day of the Interest Period for which such rate was determined.

e. Demand Purchase Option.

Any Bond bearing interest at the Adjustable Rate shall be purchased at the Purchase Price from the Owner thereof upon:

(i) delivery to the Tender Agent at 58 Edgewood Avenue, Room 235A, Atlanta, Georgia 30303, Attention: Corporate Trust Department (its "Principal Office") and to the Remarketing Agent at 25 Park Place, 5th Floor, Atlanta, Georgia 30303, Attention: Investment Banking Division (its "Principal Office") of a notice (said notice to be irrevocable and effective upon receipt) which (1) states the aggregate principal amount and Bond numbers of the Bonds to be purchased; and (2) states the date on which such Bonds are to be purchased, which date shall be a Tender Date not prior to the seventh (7th) day next succeeding the date of delivery of such notice and which date shall be prior to the Conversion Date; and

(ii) delivery to the Tender Agent at 58 Edgewood Avenue, Room 235A, Atlanta, Georgia 30303, Attention: Corporate Trust Department (its "Delivery Office") at or prior to 10:00 A.M., New York City time, on the third Business Day preceding the date designated for purchase in the notice described in (i) above, of such Bonds to be purchased, with an appropriate endorsement for transfer or accompanied by a bond power endorsed in blank, and if such Bonds are to be purchased prior to the next succeeding Interest Payment Date and after the Record Date in respect thereof, a due bill, payable to bearer, for interest due on such Interest Payment Date.

f. Conversion of Interest Rate on Optional Conversion Date.

The interest rate on the Bonds shall be converted from the Adjustable Rate to the Fixed Rate upon the exercise by the Company of the Conversion Option, and the Bonds shall be subject to mandatory tender for purchase by the Owners thereof on the Optional Conversion Date. To exercise the Conversion Option, the Company shall deliver or mail by first class mail a notice to the Trustee with respect to the determination of the Company to convert the interest rate on the Bonds from the Adjustable Rate to the Fixed Rate together with written evidence from Moody's or S&P, as applicable, that the rating assigned to the Bonds based on the Letter of Credit or Substitute Letter of Credit will not be reduced or withdrawn, which notice shall be delivered to the Trustee at least thirty (30) days but not more than forty-five (45) days prior to the Optional Conversion Date. The Trustee shall then deliver or mail by first class mail a notice at least twenty (20) days but not more than thirty (30) days prior to the Optional Conversion Date to the Owner of each Bond at the address shown on the registration books of the Issuer. Any notice given by the Trustee as provided in the preceding sentence shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice. Failure to mail any such notice, or the mailing of defective notice, to any Owner, shall not affect the proceeding for redemption as to any Owner to whom proper notice is mailed. Said notice shall state in substance the following:

1. The Conversion Date.
2. The Fixed Rate which will take effect on the Conversion Date.
3. That from and after the Conversion Date the Demand Purchase Option will not be available to Owners of Bonds.

4. That all Owners of Bonds who have not given notice of their desire to retain Bonds as provided in this Section shall be deemed to have tendered their Bonds for purchase on the Conversion Date.

5. That the Letter of Credit will remain in effect after the Conversion Date, or, if applicable, that the Company will cause a Substitute Letter of Credit of a commercial bank or savings and loan association having the same credit rating as the Bank on the expiring Letter of Credit to be issued on or before the Conversion Date.

6. That the rating assigned to the Bonds based on the Letter of Credit or the Substitute Letter of Credit has been confirmed.

Any Owner of Bonds desiring to retain Bonds after the Optional Conversion Date must notify the Trustee in writing, which notice must be accompanied by the Bonds that such Owner desires to retain after the Optional Conversion Date, which Bonds shall be exchanged for Bonds evidencing interest at the Fixed Rate, and must be received no later than fifteen (15) days prior to the Optional Conversion Date. Said notice shall state in substance the following:

(a) The Bond numbers and principal amounts of the Bonds which the Owner thereof wishes to retain after the Conversion Date;

(b) That the Owner thereof recognizes that the events set forth in 1 through 6 above will occur; and

(c) That the Owner thereof irrevocably elects to continue to own the Bonds specified in (a) above after the Conversion Date.

Owners of Bonds not providing the Trustee with the notice described above shall be required to tender their Bonds to the Tender Agent for purchase at the Purchase Price, and any such Bonds not so tendered on the Optional Conversion Date ("Untendered Bonds"), for which there has been irrevocably deposited in trust with the Trustee an amount of moneys sufficient to pay the Purchase Price of the Untendered Bonds, shall be deemed to have been purchased pursuant to Section 4.01 of the Indenture. IN THE EVENT OF A FAILURE BY AN OWNER OF BONDS (OTHER THAN AN OWNER OF BONDS WHO HAS GIVEN NOTICE AS PROVIDED ABOVE) TO TENDER ITS BONDS ON OR PRIOR TO THE OPTIONAL CONVERSION DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE OPTIONAL CONVERSION DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNTENDERED BONDS, AND ANY UNTENDERED BONDS

SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE INDENTURE, EXCEPT FOR THE PURPOSE OF PAYMENT OF THE PURCHASE PRICE THEREFOR.

As a condition to the giving of notice as provided above, the Company shall provide the Trustee with an opinion of Bond Counsel to the effect that the proposed Conversion of the interest rate on the Bonds will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes. The delivery by the Company to the Trustee of a letter from Bond Counsel confirming the opinion required prior to the notification described above on such Conversion Date is a condition precedent to any such Conversion. In the event that the Company fails to deliver to the Trustee the letter of Bond Counsel referred to in the preceding sentence, such Conversion shall not take place, and the Bonds shall continue to bear interest calculated by the method applicable prior to the proposed Conversion.

g. Conversion of Interest Rate on Automatic Conversion Date.

The interest rate on the Bonds shall be converted from the Adjustable Rate to the Fixed Rate on the Automatic Conversion Date if a Substitute Letter of Credit has not been delivered in accordance with Section 4.4 of the Agreement, and the Bonds shall be subject to mandatory tender for purchase by the Owners thereof on the Automatic Conversion Date. The Trustee shall deliver or mail by first class mail a notice, conforming to the requirements set forth in the preceding section, except that, with respect to the information contained in items (5) and (6) thereof, the notice shall provide that the Letter of Credit will expire fifteen (15) days after the Conversion Date, and that the rating assigned to the Bonds may be reduced or withdrawn on and after the Conversion Date, at least twenty (20) days but not more than thirty (30) days prior to the Automatic Conversion Date to the Owner of each Bond at the address shown on the registration books of the Issuer. Any notice given as provided in this subsection shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice. Failure to mail any such notice, or the mailing of defective notice, to any Owner, shall not affect the proceeding for redemption as to any Owner to whom proper notice is mailed.

Any Owner of Bonds desiring to retain Bonds after the Automatic Conversion Date must notify the Trustee in writing, which notice must be received no later than fifteen (15) days prior to the Automatic Conversion Date. Said notice shall conform to the requirements set forth in the preceding section as to the acknowledgment of items (1) through (4) thereof, but in substitution for the acknowledgment of the information contained in items (5) and (6) thereof, shall require that the Owner acknowledge that following the Conversion Date the Letter of

Credit will expire and the rating assigned to the Bonds may be reduced or withdrawn. Owners of Bonds not providing the Trustee and the Company with the notice described above shall be required to tender their Bonds to the Tender Agent for purchase at the Purchase Price, and any such Bonds not so tendered on the Automatic Conversion Date ("Untendered Bonds"), for which there have been irrevocably deposited in trust with the Trustee an amount of moneys sufficient to pay the Purchase Price of the Untendered Bonds, shall be deemed to have been purchased pursuant to Section 4.02 of the Indenture. IN THE EVENT OF A FAILURE BY AN OWNER OF BONDS (OTHER THAN AN OWNER OF BONDS WHO HAS GIVEN NOTICE AS PROVIDED ABOVE) TO TENDER ITS BONDS ON OR PRIOR TO THE AUTOMATIC CONVERSION DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE AUTOMATIC CONVERSION DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNTENDERED BONDS, AND ANY UNTENDERED BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE INDENTURE, EXCEPT FOR THE PURPOSE OF PAYMENT OF THE PURCHASE PRICE THEREFOR.

As a condition to the giving of notice as provided above, the Company shall provide the Trustee with an opinion of Bond Counsel to the effect that the proposed Conversion of the interest rate on the Bonds will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes. The delivery by the Company to the Trustee of a letter from Bond Counsel confirming the opinion required prior to the notification described above on such Conversion Date is a condition precedent to any such Conversion. In the event that the Company fails to deliver to the Trustee the letter of Bond Counsel referred to in the preceding sentence, such Conversion shall not take place, and the Bonds shall continue to bear interest calculated by the method applicable prior to the proposed Conversion, provided however, that the Trustee shall immediately take all steps necessary to effectuate a mandatory redemption as described in Section 3.01 of the Indenture.

h. Optional Redemption Provisions.

On or prior to the Conversion Date, the Bonds are subject to redemption by the Issuer, at the option of the Company, on any Interest Payment Date on or after March 1, 1990, in whole or in part, less than all of such Bonds to be selected by lot or in such other manner as the Trustee shall determine (except as otherwise provided in Section 3.07 of the Indenture), at the redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date.

After the Conversion Date, the Bonds are subject to redemption by the Issuer, at the option of the Company, on or

after the First Optional Redemption Date, in whole at any time or in part on any Interest Payment Date, less than all of such Bonds to be selected by lot or in such other manner as the Trustee shall determine (except as otherwise provided in Section 3.07 of the Indenture), at the redemption prices (expressed as percentages of principal amount) set forth in the following table plus accrued interest to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
First Optional Redemption Date through the following August 31	102%
First Anniversary of the First Optional Redemption Date through the following August 31	101%
Second Anniversary of the First Optional Redemption Date and thereafter	100%

i. Extraordinary and Mandatory Redemption Provisions.

The Bonds are callable for redemption in the event (1) the Project or any portion thereof is damaged or destroyed or taken in a condemnation proceeding to which Section 5.2(b) of the Agreement is applied, (2) the Company shall exercise its option to cause the Bonds to be redeemed as provided in Section 9.2 of the Agreement, or (3) the Company shall be obligated to cause the Bonds to be redeemed upon the occurrence of a "Determination of Taxability", as provided in Article X of the Agreement. If called for redemption at any time pursuant to (1) or (2) above, the Bonds shall be subject to redemption by the Issuer on the earliest practicable Interest Payment Date, in whole or (in the case of redemption pursuant to Section 5.2(b) of the Agreement) in part, less than all of such Bonds to be selected by lot or in such other manner as the Trustee may determine (except as otherwise provided in Section 3.07 of the Indenture), at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date. If called for redemption at any time pursuant to (3) above, the Bonds shall be subject to redemption by the Issuer prior to maturity in whole on the earliest practicable Interest Payment Date after a "Determination of Taxability", as that term is defined in Article X of the Agreement, at one hundred percent (100%) of the aggregate principal amount of Bonds Outstanding plus accrued interest to the redemption date.

In addition, the Bonds are subject to mandatory redemption, in whole, on the Automatic Conversion Date, at a redemption

price equal to 100% of the principal amount thereof, if (i) the Company has failed to provide the Trustee with an opinion of Bond Counsel, as described above, to the effect that the proposed Conversion on the Automatic Conversion Date will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds, or (ii) the Fixed Rate has not been established in accordance with Section 2.02(d) of the Indenture.

j. Determination of Fixed Rate.

On and after the Conversion Date, the interest rate shall be the Fixed Rate (determined as hereinafter provided) until maturity, or redemption prior to maturity. The interest rate borne by the Bonds shall be converted from the Adjustable Rate to the Fixed Rate upon the earlier to occur of the Optional Conversion Date or the Automatic Conversion Date. Interest on the Bonds bearing interest at the Fixed Rate shall be paid on each Interest Payment Date with respect thereto and shall be computed on the basis of a 360-day year, consisting of twelve 30-day months.

Commencing on the Conversion Date and thereafter through and including the maturity or prior to redemption of the Bonds, the Fixed Rate shall be the interest rate per annum which, in the sole judgment of the Remarketing Agent, taking into account prevailing financial market conditions, would be the minimum interest rate required to sell such Bonds on the Conversion Date at a price equal to Par. The Fixed Rate shall be determined by the Remarketing Agent on or before the second Business Day preceding the 20th day preceding the Conversion Date and the Remarketing Agent shall notify the Trustee and the Company thereof by telephone or such manner as may be appropriate by not later than 2:00 P.M. New York City time on such date, which notice shall be promptly confirmed in writing.

k. Acceleration of the Bonds; Defaults and Remedies under the Indenture.

Any of the following events will constitute a "Default" under the Indenture:

(a) Default in the due and punctual payment of interest on any Bond;

(b) Default in the due and punctual payment of the principal of or premium, if any, on any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;

(c) Default in the due and punctual payment of the Purchase Price of any Bond at the time required by Section 2.02(c)(ii), 4.01, 4.02 or 4.06 of the Indenture;

(d) At any time prior to the Letter of Credit Termination Date, receipt by the Trustee, within 10 Business Days following a drawing under the Letter of Credit, to pay interest or the portion of the Purchase Price corresponding to interest on the Bonds, of written notice from the Bank that the Letter of Credit will not be reinstated (in respect of interest) to an amount equal to at least 55 days' interest on all Outstanding Bonds;

(e) Receipt by the Trustee of written notice from the Bank that an "Event of Default" has occurred under the Credit Agreement and instructing the Trustee to accelerate the Bonds;

(f) At any time after the Letter of Credit Termination Date, the occurrence of a Default under the Agreement;

(g) At any time after the Letter of Credit Termination Date, default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer in the Indenture or in the Bonds contained and failure to remedy the same after notice thereof pursuant to Section 9.12 of the Indenture.

Upon the occurrence of (i) any Default under subsection (a), (b), (c), (f) or (g) above, the Trustee may, and at the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds shall, or (ii) any Default under subsection (d) or (e) above, the Trustee shall, by notice in writing delivered to the Issuer and the Company, declare the principal of all Bonds and the interest accrued thereon to the date of such acceleration immediately due and payable. Upon any declaration of acceleration under the Indenture, the Trustee shall immediately declare the payments required to be made by the Company under Section 4.2 of the Agreement to be immediately due and payable and, prior to the Letter of Credit Termination Date, shall draw moneys under the Letter of Credit to pay the principal of all Outstanding Bonds and the accrued interest thereon to the date of acceleration to the extent required by the Indenture.

Subject to certain conditions set forth in the Indenture, the Trustee may waive any Default under the Indenture and its consequences and rescind any declaration of acceleration.

EXHIBIT

SEP 5 1989 NO. 1

THE LETTER OF CREDIT STATE BUDGET & CONTROL BOARD

The Letter of Credit will be an irrevocable direct-pay obligation of Trust Company Bank which will expire at the close of the Bank's business on September 15, 1994, unless terminated earlier in accordance with its terms, to pay to the Trustee, upon request and in accordance with the terms thereof, an amount sufficient to pay (i) the principal of the Bonds or the portion of the Purchase Price corresponding to the principal of the Bonds (at maturity or upon acceleration or redemption prior to maturity) and (ii) 55 days' accrued interest (at a maximum rate of 13% per annum) on such Bonds or that portion of the Purchase Price corresponding to the interest accrued thereon. The form of the Letter of Credit is attached hereto as Appendix B, to which reference is hereby made.

Pursuant to Section 4.4 of the Agreement, the Company may provide for the delivery to the Trustee of a Substitute Letter of Credit. Any substitute Letter of Credit must be delivered to the Trustee not less than sixty (60) days prior to the expiration of the Letter of Credit it is being issued to replace; provided, however, that on or before the date of such delivery of a Substitute Letter of Credit to the Trustee, the Company shall furnish to the Trustee written evidence from each rating agency by which the Bonds are then rated, to the effect that such rating agency has reviewed the proposed Substitute Letter of Credit and that the substitution of the proposed Substitute Letter of Credit will not, by itself, result in the reduction or withdrawal of the then applicable rating(s) of the Bonds.

THE TRUSTEE

Trust Company Bank, Atlanta, Georgia, is the Trustee under the Indenture. A successor trustee may be appointed in accordance with the terms of the Indenture. The principal corporate trust office of the Trustee is located at 58 Edgewood venue, Room 235A, Atlanta, Georgia, Attention: Corporate Trust Department.

THE TENDER AGENT

Trust Company Bank, Atlanta, Georgia, will serve as the Tender Agent under the Indenture and, in addition to other administrative functions, will receive delivery of Bonds from the owners thereof pursuant to the exercise of such owners' tender option. A successor Tender Agent may be appointed in accordance with the terms of the Indenture. The principal corporate trust office of the Tender Agent is located at 58 Edgewood Avenue,

Room 235A, Atlanta, Georgia 30303, Attention: Corporate Trust Department.

THE PLACEMENT AGENT

Trust Company Bank has been appointed Placement Agent for the initial placement of the Bonds. The Company has paid the Placement Agent a fee of \$48,750 for such placement services.

THE REMARKETING AGENT

Trust Company Bank is the Remarketing Agent under the Remarketing Agreement. A successor Remarketing Agent may be appointed in accordance with the terms of the Remarketing Agreement. The principal office of the Remarketing Agent is located at 25 Park Place, 5th Floor, Atlanta, Georgia 30303, Attention: Investment Banking Division.

MISCELLANEOUS

The Bonds are intended to be exempt securities under the Securities Act of 1933, as amended (the "Act"), and the offer, sale and delivery of the Bonds do not require registration under the Act or qualification of the Indenture under the Trust Indenture Act of 1939, as amended. The Company has agreed that, during the course of the transaction and prior to the sale of the Bonds, you may ask questions of and receive answers from its representatives concerning the terms and conditions of the offering and that you may obtain from it any additional information necessary to verify the accuracy of the information furnished, in each case to the extent it possesses such information or can acquire it without unreasonable efforts or expense. Any request for information or for copies of documents may be directed to John P. Adams, Jr., First Vice President, at Trust Company Bank, Investment Banking Division, 25 Park Place, 5th Floor, Atlanta, Georgia 30303 (Telephone No.: (404) 588-7956). Copies of documents will also be available for inspection during normal business hours at the principal corporate trust office of the Trustee.

RATING

Based on the support for payment of principal, Purchase Price and interest provided by the Letter of Credit issued by Trust Company Bank, the Bonds have been rated "Aal" by Moody's Investors Service, Inc. ("Moody's"). Such rating reflects only the view of Moody's and any explanation of the significance of

such rating must be obtained from Moody's. There is no assurance that any such rating will continue for any given period of time or that it will not be revised or withdrawn entirely if, in the judgment of Moody's, circumstances so warrant.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met concurrently with, and subsequent to, the issuance of the Bonds, in order that the interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. At the time of issuance and delivery of the Bonds, the Issuer, the Company and the Trustee will make certain representations, certifications and covenants which are intended to evidence and assure that the interest on the Bonds is and will be excluded from gross income for federal income tax purposes. In the event of the inaccuracy of such representations and certifications, or the non-compliance with such covenants, interest on the Bonds may be required to be included in the gross income of the recipients thereof retroactively to the date of issuance of the Bonds.

On the date of issuance and delivery of the Bonds, King & Spalding, Atlanta, Georgia, Bond Counsel, will deliver their opinion to the effect that the interest on the Bonds, under existing statutes, regulations and judicial decisions, is excluded from gross income for federal income tax purposes, except for interest on any Bond during any period while it is held by a "substantial user" of the Project or a "related person" as those terms are used in Section 147(a) of the Code. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although such interest is taken into account for purposes of computing the alternative minimum tax imposed on corporations. No opinion will be expressed with respect to any other federal tax consequences of the receipt or accrual of interest on the Bonds. The opinion of Bond Counsel will state that it assumes the accuracy of the representations and certifications of the Issuer, the Company and the Trustee, and the continued compliance with the covenants related to the exclusion of interest on the Bonds from gross income.

Under the Code, the receipt by certain persons of interest on obligations (such as the Bonds) which is excluded from gross income can have certain adverse federal income tax consequences to such persons, including the following:

1. Banks and thrift institutions will be unable to deduct any portion of the interest cost of purchasing or

carrying the Bonds if such interest costs are incurred, accrued or continued with respect to or allocable to the Bonds in taxable years ending after December 31, 1986.

2. Property and casualty insurance companies are required for taxable years beginning after December 31, 1986 to reduce the amount of their deductible underwriting losses by 15% of the amount of tax-exempt interest received or accrued on the Bonds. If the amount of this reduction exceeds the amount otherwise deductible as losses incurred, such excess may be includable in income.

3. Interest on the Bonds must be included in the "adjusted net book income" of corporations for taxable years beginning in 1987, 1988 and 1989, and such corporations are required to include in their calculation of alternative minimum taxable income 50% of the excess of "adjusted net book income" over alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses). For taxable years beginning after 1989, the use of "adjusted net book income" is to be replaced with "adjusted current earnings" over alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

4. Certain recipients of social security benefits and railroad retirement benefits are required to include a portion of such benefits within gross income by reason of receipt of interest on tax-exempt obligations, including the Bonds.

5. Interest on certain tax-exempt obligations, including the Bonds, is a factor in calculating an environmental tax imposed on corporations by the Superfund Amendments and Reauthorization Act, effective for taxable years beginning after December 31, 1986, and ending for taxable years beginning after December 31, 1991. The amount of this environmental tax is equal to 0.12% of the excess of the alternative minimum taxable income (determined without regard to net operating losses and the deduction for the environmental tax) over \$2 million. This tax is imposed whether or not the taxpayer is subject to alternative minimum tax, but is deductible from gross income.

6. For foreign corporations operating branches in the United States, Section 884 of the Code imposes a branch-level tax on certain earnings and profits in tax years beginning after December 31, 1986. Interest on tax-exempt obligations, such as the Bonds, may be included in the determination of

such domestic branches' taxable base on which this tax is imposed.

7. Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for subchapter S corporations which have subchapter C earnings and profits at the close of the taxable year and if greater than 25% of the gross receipts of the subchapter S corporation is passive investment income.

The foregoing is not intended to be an exhaustive list of all possible federal tax consequences of ownership of the Bonds. Purchasers of the Bonds should consult their tax advisors with respect to the matters described above.

Interest on the Bonds may or may not be subject to state or local income taxation in jurisdictions under applicable state or local tax laws. Each purchaser of the Bonds should consult his or her own tax advisor regarding the taxable status of the Bonds in a particular state or local jurisdiction.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incidental to the authorization, issuance and sale by the Issuer of the Bonds and with regard to the tax-exempt status thereof will be passed upon by King & Spalding, Atlanta, Georgia, Bond Counsel. Copies of Bond Counsel's approving opinion will be available at the time of delivery of the Bonds. Certain legal matters will be passed upon for the Company by its Counsel, Michael S. Williamson, Alpharetta, Georgia; for the Issuer by its Counsel, Roy McBee Smith, Spartanburg County Attorney, Spartanburg, South Carolina; and for the Bank, as issuer of the Letter of Credit, by its Counsel, King & Spalding, Atlanta, Georgia.

EXHIBIT

SEP 5 1989

NO. 1

APPENDIX "A"

STATE BUDGET & CONTROL BOARD

TRUST COMPANY BANK

The information contained in this Appendix "A" to the Limited Offering Memorandum has been obtained from Trust Company Bank ("TCB") and is not to be construed as a representation by the Authority or the Company.

Trust Company Bank, a Georgia banking corporation, is the lead bank of Trust Company of Georgia ("TCG"), a multi-bank holding company based in Atlanta, Georgia. As of December 31, 1988, TCG had 18 full service, commercial banks in the major population and economic growth markets in Georgia. TCG, Sun Banks, Inc., a Florida multi-bank holding company, and Third National Corporation, a Tennessee multi-bank holding company, are the principal subsidiaries of SunTrust Banks, Inc., a regional bank holding company headquartered in Atlanta, Georgia with consolidated assets of approximately \$29.2 billion as of December 31, 1988.

As of June 30, 1989, as reported by TCB in the "Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices -- FFIEC 031" (the "Consolidated Report"), TCB had total assets of \$_____, total deposits of \$_____, total equity capital of \$_____, total loans and leases, net of unearned income, allowance and reserve, of \$_____, and net income of \$_____, for the six month period ended June 30, 1989.

Further financial information with respect to TCB is contained in the Consolidated Report attached hereto.

SunTrust Banks, Inc. is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). The file number of SunTrust Banks, Inc. with the Commission is No. 1-8918. Such reports, proxy statements and other information can be inspected and copied at the Public Reference Section of the Commission, Room 2120, 450 Fifth Street, N.W., Judiciary Plaza, Washington, D. C. 20549, and at the Commission's Regional Offices in Chicago (Room 1204, Everett McKinley Dirksen Building, at 219 South Dearborn Street, Chicago, Illinois 60604), and New York (Room 1100, 26 Federal Plaza, New York, New York 10278). Copies of such material can be obtained from the Public Reference Section of the Commission, Washington, D. C. 20549 at prescribed rates.

The following document of SunTrust Banks, Inc. filed with the Commission by SunTrust Banks, Inc. is incorporated herein by reference as of their respective dates:

(a) The Annual Report on Form 10-K of SunTrust Banks, Inc. for the year ended December 31, 1988; and

(b) The Quarterly report on Form 10-Q for the quarter ended March 31, 1989.

All documents filed by SunTrust Banks, Inc. pursuant to Sections 13(a), 113(c), 14 and 15(d) of the Securities and Exchange Act of 1934 subsequent to the date of this Limited Offering Memorandum and prior to the termination of the offering hereunder shall be deemed to be incorporated by reference into this Appendix A and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be modified or superseded for purposes of this Limited Offering Memorandum to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Limited Offering Memorandum.

SunTrust Banks, Inc. has agreed, upon request, to provide without charge to each person to whom a copy of this has been delivered, upon written or oral request of such person, a copy of any or all of the documents which have been or may be incorporated in this Appendix A by reference. Any such request should be directed to:

SunTrust Banks, Inc.
Post Office Box 4418
Atlanta, Georgia 30302
Attention: Thomas C. Duer, Secretary
Telephone: 404/588-8912

Further financial information with respect to the Bank is contained in the Consolidated Report attached hereto.

APPENDIX "B"

IRREVOCABLE LETTER OF CREDIT

EXHIBIT

SEP 5 1989 NO. 1

STATE BUDGET & CONTROL BOARD

B-1

02168

EXHIBIT

SEP 5 1989 **EX - 2**

STATE BUDGET AND CONTROL BOARD **STATE BUDGET & CONTROL BOARD**
MEETING OF September 5, 1989 REGULAR SESSION
ITEM NUMBER 2

AGENCY: Executive Director

SUBJECT: Foreign Travel

Budget and Control Board approval is requested for the following foreign travel involving \$2,000 or more of State-appropriated funds:

- A. Jobs-Economic Development Authority: Elliott E. Franks, III, to Japan and Korea during the October 2-14, 1989, period at an estimated cost of \$6,500 State funds to participate in the Fourteenth Annual Joint Meeting of the Southeast United States - Japan and Japan - United States Southeast Associations and the Fourth Annual Joint Meeting of the Southeast United States - Korea Economic Committee and Korea - United States Economic Council, Incorporated.
- B. State Board for Technical and Comprehensive Education:
 1. Dr. James R. Morris to Japan and Korea during the September 29 - October 13, 1989, period at an estimated cost of \$7,500 State funds to participate in the Fourteenth Annual Joint Meeting of the Southeast United States - Japan and Japan - United States Southeast Associations and the Fourth Annual Joint Meeting of the Southeast United States - Korea Economic Committee and Korea - United States Economic Council, Incorporated; and
 2. Wallace F. Starnes and Charles D. Maury, Economic Development Special Schools engineers, to England during the September 14-24, 1989 period at an estimated cost of \$4,182.50 each to visit Holset Engineering, Ltd., to develop skills training to complete the program for turbo charger manufacturing plant, and to make a presentation on South Carolina Special Schools to the Engineering Technology Training Board at a technical college in Leeds.
- C. Development Board:
 1. Wayne L. Sterling; Frank S. Newman, Jr.; Victor M. Robertson, Jr.; and Doug McKay to London, Taiwan, Japan and Korea during the September 16 - October 13, 1989, period at an estimated cost of \$8,000 per person (State funds) to attend the Southeast-US/Japan Association meeting, the Southeast-US/Korea Association meeting, and to make contact with foreign dignitaries and international companies.
 2. Earle E. Morris, Jr.; Richard E. Greer; Deborah R. Bass; Mark Elam; Ginny Wolfe; Hunter Howard; William Sigmon; and April Marchant to Japan and Korea during the September 29 - October 14, 1989, period at an estimated cost of \$6,500 per person (State funds) to participate in the Southeast-US/Japan Association meeting and the Southeast-US/Korea Association meeting.
- D. State Law Enforcement Division: Capt. Joseph A. Holley and Lt. Carl Alston to the Far East during the September 29 - October 10, 1989, period at an estimated cost of \$9,865 per person (State funds) to accompany the Governor and the First Lady on a trade mission.

02169

EXHIBIT

SEP 5 1989

NO. 2

STATE BUDGET AND CONTROL BOARD MEETING OF September 5, 1989 STATE BUDGET & CONTROL BOARD REGULAR SESSION NUMBER 2, Page 2

AGENCY: Executive Director

SUBJECT: Foreign Travel

E. Highway Department: Cpl. Michael Gardner to the Far East during the September 29 - October 10, 1989, period at an estimated cost of \$6,950 (State funds) to accompany the Governor and the First Lady on a trade mission.

BOARD ACTION REQUESTED:

Approve the following foreign travel involving \$2,000 or more of State-appropriated funds:

- A. Jobs-Economic Development Authority: Elliott E. Franks, III, to Japan and Korea during the October 2-14, 1989, period at an estimated cost of \$6,500 State funds.
- B. State Board for Technical and Comprehensive Education:
1. Dr. James R. Morris to Japan and Korea during the September 29 - October 13, 1989, period at an estimated cost of \$7,500 State funds.
 2. Wallace F. Starnes and Charles D. Maury to England during the September 14-24, 1989 period at an estimated cost of \$8,365 State funds.
- C. Development Board:
1. Wayne L. Sterling; Frank S. Newman, Jr.; Victor M. Robertson, Jr.; and Doug McKay to London, Taiwan, Japan and Korea during the September 16 - October 13, 1989, period at an estimated cost of \$8,000 per person (State funds); and
 2. Earle E. Morris, Jr.; Richard E. Greer; Deborah R. Bass; Mark Elam; Ginny Wolfe; Hunter Howard; William Sigmon; and April Marchant to Japan and Korea during the September 29 - October 14, 1989, period at an estimated cost of \$6,500 per person (State funds).
- D. State Law Enforcement Division Capt. Joseph A. Holley and Lt. Carl Alston to the Far East during the September 29 - October 10, 1989, period at an estimated cost of \$9,865 per person (State funds).
- E. Highways and Public Transportation Cpl. Michael Gardner to the Far East during the September 29 - October 10, 1989, period at an estimated cost of \$6,950 (State funds).

ATTACHMENTS:

Franks August 15 letter to McInnis; Shealy August 17 and 21 letters to McInnis; Sterling August 29 letters to McInnis; Holley August 29 memo to Stewart; Holley August 30 memo to Lanier

02170

AUG 16 1989

South Carolina Jobs-Economic Development Authority



EXHIBIT

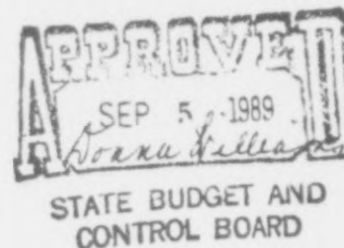
SEP 12 1989

NO. 2

STATE BUDGET & CONTROL BOARD

August 15, 1989

Mr. William A. McInnis
Deputy Executive Director
Budget and Control Board
State of South Carolina
Wade Hampton Office Building
Columbia, South Carolina 29211



Dear Bill:

This letter is a formal request of the South Carolina Jobs-Economic Development Authority for Budget and Control approval of foreign travel for me, Elliott E. Franks, III. The specific event is to participate in the The Fourteenth Annual Joint Meeting of the Southeast United States - Japan and Japan - United States Southeast Associations in Tokyo and the Fourth Annual Joint Meeting of the Southeast United States - Korea Economic Committee and Korea - United States Economic Council, Incorporated in Seoul, Korea.

My presence will encompass the period Monday, October 2, 1989, through Saturday, October 14, 1989. Estimated costs to include travel, lodging, meals, and ground transportation is approximately \$6500.00.

If there are any questions which you may have with regard to this request, kindly give me a call. Your attention to and assistance with the facilitation of this request is sincerely appreciated.

Thanking you in advance, I am

Yours sincerely,

Elliott E. Franks, III

EEF:mgm

*Being from JED, address 50% State Funds, 50% Other Funds.
DW
8/17/89*

02171

AUG 18 1989



EXHIBIT

SEP 12 1989

NO. 2

STATE BUDGET & CONTROL BOARD

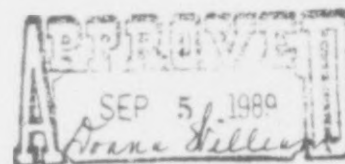
STATE BOARD FOR TECHNICAL AND COMPREHENSIVE EDUCATION

JAMES R. MORRIS, JR.
EXECUTIVE DIRECTOR

August 17, 1989

111 EXECUTIVE CENTER DRIVE
COLUMBIA, S. C. 29210

Mr. William A. McInnis
Deputy Executive Director
Budget and Control Board
612 Wade Hampton Office Building
Post Office Box 12444
Columbia, South Carolina 29211



STATE BUDGET AND
CONTROL BOARD

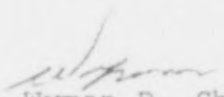
Dear Bill:

Dr. James R. Morris has been invited by the Governor to be a member of South Carolina's official delegation to the Fourteenth Annual Joint Meeting of the Southeast United States - Japan and the Japan - United States Southeast Associations in Tokyo, Japan, from October 5 through October 7, 1989. Further, the delegation will attend the Fourth Annual Joint Meeting of the Southeast United States - Korea Economic Committee and the Korea - United States Economic Council, Inc., in Seoul, South Korea on October 11th and 12, 1989. The estimated cost of the trip will be approximately \$7,500. *(State funds)*

Would you please take whatever action is necessary to approve out-of-country travel for Dr. Morris during the period September 29 through October 13, 1989. Your early consideration would be greatly appreciated.

With kind personal regards,

Sincerely,


Wyman D. Shealy
Deputy Executive Director

:bg

02172

AUG 22 1989



EXHIBIT

SEP 12 1989 NO. 2

STATE BUDGET & CONTROL BOARD

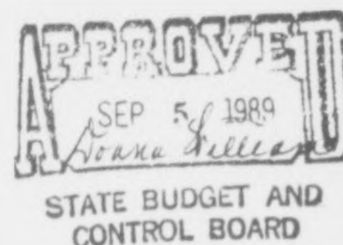
STATE BOARD FOR TECHNICAL
AND
COMPREHENSIVE EDUCATION

JAMES R. MORRIS, JR.
EXECUTIVE DIRECTOR

111 EXECUTIVE CENTER DRIVE
COLUMBIA, S. C. 29210

August 21, 1989

Mr. William A. McInnis
Deputy Executive Director
612 Wade Hampton Office Building
Columbia, South Carolina 29201



Dear Bill:

Holset Engineering, Ltd., a wholly owned subsidiary of Cummins Engine Company, has invited two of Tech's Division of Economic Development Special Schools engineers to visit its home office, research facility and manufacturing operation in Huddersfield, England. A major part of the trip will involve the development of clearly defined skills training to complete the Special Schools program for the turbo charger manufacturing plant to be located in North Charleston, South Carolina. Along with the company tours, the engineers have been asked to visit a local technical college in Leeds, England. A presentation on South Carolina Special Schools will be made to the Engineering Technology Training Board, an organization similar to South Carolina's State Board. The Engineering Technology Training Board is involved with the coordination efforts of the "Europe 1992" project.

The following two engineers were asked to participate:

Wallace F. Starnes		
Estimated Cost	\$4,182.50	(State Funds)
Charles D. Maury		
Estimated Cost	\$4,182.50	(State Funds)

(Depart on September 14 and return on September 24, 1989.)

Would you please take whatever action is necessary to approve out-of-country travel for Messrs. Starnes and Maury. Your early consideration would be greatly appreciated.

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Mr. William A. McInnis
August 21, 1989
Page 2

EXHIBIT

SEP 12 1989 NO. 2

STATE BUDGET & CONTROL BOARD

With kind personal regards,

Sincerely,



Wyman D. Shealy
Deputy Executive Director

WDS:bhc

02174



SOUTH CAROLINA
STATE DEVELOPMENT BOARD

AUG 29 1989

EXHIBIT

SEP 12 1989

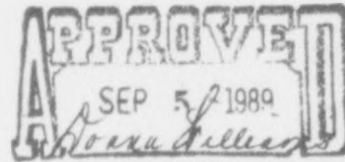
NO. 2

STATE BUDGET & CONTROL BOARD

Wayne L. Sterling
Director

August 29, 1989

Mr. William A. McInnis
Deputy Executive Director
Budget and Control Board
Post Office Box 12444
Columbia, SC 29211



STATE BUDGET AND
CONTROL BOARD

Dear Mr. McInnis:

Budget and Control Board approval is requested for international travel associated with an investment trip to London, Taiwan, Japan and Korea departing Saturday, September 16 and returning Friday, October 13, 1989.

Approval is requested for the following state employees to participate in this trip:

Wayne L. Sterling, State Development Board
Frank S. Newman, Jr., State Development Board
Victor M. Robertson, Jr., State Development Board
Doug McKay, Governor's Office

The purpose of this trip is to attend the Southeast-US/Japan Association meeting, the Southeast-US/Korea Association meeting, and to make contact with foreign dignitaries and international companies which have expressed an interest in South Carolina.

The estimated budget cost for this mission will be approximately \$8,000.00 per person and will be paid from state government funds.

Kindest regards,

Wayne L. Sterling
Director

WLS/jet

02175



SOUTH CAROLINA
STATE DEVELOPMENT BOARD

AUG 29 1989

EXHIBIT

SEP 12 1989

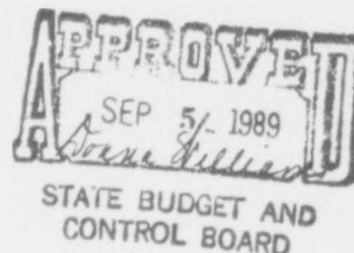
NO. 2

STATE BUDGET & CONTROL BOARD

Wayne L. Sterling
Director

August 29, 1989

Mr. William A. McInnis
Deputy Executive Director
Budget and Control Board
Post Office Box 12444
Columbia, SC 29211



Dear Mr. McInnis:

Budget and Control Board approval is requested for international travel associated with the Governor's Mission to Japan and Korea departing Friday, September 29 and returning Saturday, September 14, 1989.

The purpose of this mission is to participate in the Southeast-US/Japan and the Southeast-US/Korea Economic Committee Association meetings.

Approval is requested for the following state employees:

Earle E. Morris, Jr.	Comptroller General's Office
Richard E. Greer	Coordinating Council
Deborah R. Bass	Coordinating Council
Mark Elam	Governor's Office
Ginny Wolfe	State Development Board
Hunter Howard	Tax Commission
William Sigmon	Parks, Recreation & Tourism
April Marchant	State Development Board

The estimated budget cost for this mission is \$6,500.00 per person and will be paid from state government funds.

Kindest regards,

Wayne L. Sterling
Director

WLS/jet

SOUTH CAROLINA LAW ENFORCEMENT DIVISION

CARROLL A. CAMPBELL, JR.
Governor



ROBERT M. STEWART

EXHIBIT

SEP 12 1989

NO. 2

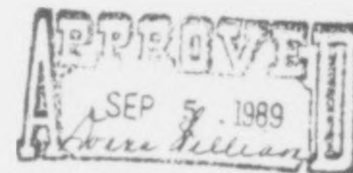
STATE BUDGET & CONTROL BOARD

4400 Broad River Road (J.P. Strom Boulevard) • Mail: P.O. Box 21398
Columbia, South Carolina 29221-1398 • Phone: 803/737-9000

DATE: August 30, 1989
TO: Colonel J. H. Lanier
FROM: Captain J. A. Holley *JAH*
RE: Far East Trade Mission

It will be necessary for Cpl. Michael Gardner to accompany the Governor and First Lady of South Carolina on a Far East trade mission which will begin September 29, 1989 and will conclude on October 10, 1989.

Total out of country time will be ten days. Air travel is at a discounted rate because of booking through the State Development Board for the South Carolina delegation. Airline travel cost should not exceed \$3,000.00. Cost of meals is \$1,750.00. Cost of lodging is \$2,200.00. These figures are plus or minus incidental expenses, such as laundry, taxi fares, FAX messages, etc., which cannot be anticipated.



STATE BUDGET AND
CONTROL BOARD

02177

SOUTH CAROLINA LAW ENFORCEMENT DIVISION

CARROLL A. CAMPBELL, JR.
Governor



EXHIBIT ROBERT M. STEWART
Chief

SEP 12 1989 NO. 2

STATE BUDGET & CONTROL BOARD

4400 Broad River Road (J.P. Strom Boulevard) • Mail: P.O. Box 21398
Columbia, South Carolina 29221-1398 • Phone: 803/737-9000

August 29, 1989

TO: Chief Robert M. Stewart
FROM: Captain Joseph A. Holley *JAH*
RE: Far East Trade Mission



It will be necessary for Lt. Carl Alston and this writer to accompany the Governor and First Lady of South Carolina on a Far East Trade Mission which will begin on September 29, 1989, and will conclude on October 10, 1989.

In order to complete travel arrangements and review the activities pertaining to this mission, Lt. Alston and this writer will depart on September 22, 1989, for the purpose of completing our advance assignments.

Total out of country time for each agent will be seventeen (17) days. Air travel is at a discounted rate because of booking through the State Development Board for the South Carolina delegation. Each ticket should not exceed \$3,150.00. Cost of meals is \$2,975.00 per agent. Cost of lodging is \$3,740.00 per agent. These figures are plus or minus incidental expenses such as laundry, taxi fares, Fax messages, etc., which cannot be anticipated.

JAH:bbm

02178

EXHIBIT

SEP 5 1989

NO. 3

STATE BUDGET AND CONTROL BOARD
MEETING OF SEPTEMBER 5, 1989

REGULAR SESSION

ITEM NUMBER

3

AGENCY: Executive Director

SUBJECT: Ethics Commission Release of Disposition of Complaints Filed
Against Board Staff

The Board is asked to receive as information a report that the Ethics Commission, in response to the allegations relating to the fishing trip in which three Board staff members and a local developer were involved, has determined "...that there was not probable cause demonstrated supporting the allegations..." The Ethics Commission further advised that it "...has therefore dismissed the complaint and the matter shall now be stricken from public record..."

Details are attached.

BOARD ACTION REQUESTED:

Consider and take whatever action is deemed appropriate.

ATTACHMENTS:

Baker April 28, 1989, letter to Griswold transmitting copy of Rep. Waites' complaint; Ethics Commission Duryea's July 21, 1989, letters to Griswold, Smith and Vaughn.

02179

COMMISSIONERS
EDWARD E. DURYEA, 1ST DISTRICT
CHAIRMAN
RICHARD C. JONES, 5TH DISTRICT
VICE-CHAIRMAN



COMMISSIONERS
EMILY C. PHILLIPS, 2ND DISTRICT
DR. D.H. DANIEL, 3RD DISTRICT
WILLIAM A. COATES, 4TH DISTRICT
JAMES C. McLEOD, JR., 6TH DISTRICT

EXHIBIT

SEP 5 1989 NO. 3

State of South Carolina

STATE BUDGET & CONTROL BOARD

State Ethics Commission

GARY R. BAKER
EXECUTIVE DIRECTOR

April 28, 1989

(803) 734-1227
1122 Lady Street, Ste. 930
P.O. Box 11926
Columbia, S.C. 29211

CERTIFIED MAIL

Mr. J. Samuel Griswold
BUDGET & CONTROL BOARD
612 Wade Hampton Building
Post Office Box 112444
Columbia, South Carolina 29211

RE: COMPLAINT SEC C-89-019
CANDY Y. WAITES, COMPLAINANT
VS.
J. SAMUEL GRISWOLD, RESPONDENT

Dear Mr. Griswold:

In accordance with Section 8-13-120(f)(1) of the State Ethics Act, we are providing you with a copy of the complaint filed against you by Candy Y. Waites.

This complaint will be reviewed by the State Ethics Commission in Executive Session at its next meeting on May 17, 1989, in accordance with the procedures delineated in the State Ethics Act, Section 8-13-120 to determine if facts are sufficient to constitute a violation of the State Ethics Act. Any determinations and investigations relevant to the complaint are confidential until the final disposition is rendered by the State Ethics Commission.

I am enclosing a copy of the State Ethics Complaint Manual which details the conduct of investigations concerning complaints filed with the State Ethics Commission. While no party to this action may be present during this Executive Session, we shall keep you informed of the status of this complaint.

Sincerely,

A handwritten signature in dark ink, appearing to read "Gary R. Baker".
Gary R. Baker
Executive Director

GRB:ms1
Enclosures

02180

EXHIBIT

SEP 5 1989

NO. 3

State of South Carolina
State Ethics Commission

DOCKET#

SEC# C89-019

STATE BUDGET & CONTROL BOARD

COMPLAINT FORM

NOTICE

(1) S.C. Code Section 8-13-1010 provides in part as follows:

any person who violates any provision of the chapter shall be deemed guilty of a misdemeanor and upon conviction shall be fined not more than one thousand dollars or be imprisoned for not more than ninety days or both.

(2) S.C. Code Section 8-13-120(e) provides in part as follows:

If, in the opinion of the Commission, the complaining party was motivated by malice or reason contrary to the spirit of this chapter, in filing the complaint without just cause, the finding shall be reported to the appropriate law-enforcement authorities. The wilful filing of a complaint without just cause or with malice shall be punishable as misdemeanor. Any person filing a complaint under such circumstances shall be deemed guilty of misdemeanor and upon conviction shall be fined not more than two thousand dollars [\$2,000] or be imprisoned for not more than two years or both.

(3) All complaints, proceedings and documents relating to complaints and hearings thereon, shall be private. No persons whomsoever in any way connected with a complaint before the Commission, including complainant, respondent, counsel, counsel's secretaries, Commission members and employees, reporters and investigators, shall mention the existence of any such proceeding, nor disclose any information pertaining thereto except to persons directly involved, and then only to such extent as necessary for a proper disposition of the complaint. Ethics Commission Rule. See Code Section 8-13-120.

(4) A copy of this complaint shall promptly be sent to the person alleged to have committed the violation [Code Section 8-13-120 (f) (1)]

COMPLAINANT:

NAME: Representative
Candy Y. WaitesADDRESS: 818 Gregg Street
Columbia, S.C. 29201TELEPHONE NUMBER: 799-7977 (h)
734-2959 (a)

RESPONDENT:

NAME: J. Samuel Griswold

ADDRESS: Budget and Control Board
612 Wade Hampton Building
P.O. Box 12444
Columbia, S.C. 29211TITLE: Deputy Executive Director
Budget and Control Board

Set forth in detail specific facts upon which you base your complaint against above-named respondent (only detailed, clear factual allegations will be considered.) (If additional space is needed, attach supplemental sheets).

Complainant Candy Waites has been informed through various newspaper articles (see attachment) that R. Phil Roof, Chairman of Architectural Engineering Associates, Inc., that recently was awarded a state contract to design a new \$45 million state prison, paid for a vacation trip to Freeport, Bahamas for State Auditor Edgar Vaughn, J. Samuel Griswold, Deputy Executive Director of the Budget and Control Board, and Charles Smith, Legislative liason for the Budget and Control Board.

Complainant believes that the above three public employees went on the said trip approximately one week prior to the award of said contract. Complainant further believes that the Budget and Control Board played a direct role in the award of the said contract.

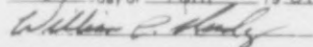
Complainant would ask the S.C. State Ethics Commission whether the above conduct by these public employees violated S.C. Code of Laws Sections 8-13-420 and/or 8-13-520.

STATE OF SOUTH CAROLINA

COUNTY OF Richland

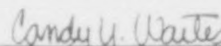
Candy Waites

Personally appeared before me _____ who, first being duly sworn, says that he has read and knows the contents of the above complaint and that the allegations contained therein, are true and correct to the best of her own knowledge, except for those matters therein based upon information and belief, and as to those he believes them to be true.

Sworn to and subscribed before me this
27 day of April 19 89

Notary Public for South Carolina

My Commission expires 7-27-98



COMPLAINANT'S SIGNATURE

02181

SEC-7 (rev. 02-87)

Ethics inquiry opened

Trip paid by CCI architect
is questioned by governor

By LEVONA PAGE

Senior Writer

4/26/84

Gov. Carroll Campbell called Tuesday for an inquiry into trips provided for state officials by the contractor whose firm got the job this month of designing the new Central Correctional Institution in Lee County.

The governor asked the State Budget and Control Board's attorney, Joseph Shine, to get the facts and ask for an advisory opinion from the State Ethics Commission.

The request came after news reports of trips provided for state officials by Columbia contractor Phil Roof shortly before his firm got a \$2.7 million contract to design the new CCI.

Roof used his plane and picked up the bills for a four-day fishing trip in early March to the Bahamas for the state auditor and two Budget and Control Board officials. A division of the board, the state engineer's office, has the final say on architectural and engineering contracts.

Roof also flew corrections department officials to see prisons in Illinois and Florida shortly before he got the CCI contract and another prison construction job.

The State Ethics Commission has said on several occasions since 1979 that state employees should not take trips at the expense of vendors with whom they do business. A 1980 commission opinion said "acceptance of air transportation had the appearance, if not the effect, of influencing the public official in his actions."

State Auditor Edgar Vaughn said he intends to pay for his portion of the trip to the Bahamas, but said he has not received a bill. "I think Phil wanted to pay," Vaughn said. "He's just that kind of person."

He said the group went in Roof's plane and Roof paid the bills for the hotel, the deep-sea fishing boat and some meals. "I have budgeted my share at about \$700," Vaughn said.

Dr. Jesse Coles, director of the Budget and Control Board, said he was told by his staff members, Deputy Director Sam Griswold and legislative liaison Charles Smith, that they intend to reimburse Roof.

Coles went on a fishing trip to Cancun, Mexico, last year with a group that included Roof, but he said they traveled by commercial airliner and everyone paid his own way.

Roof, whose construction and design firms are young

See Contract, 6-A

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Contract

From 1-A

but fast-growing, is known in political circles as a big contributor to Republican candidates. He and his firm gave at least \$11,000 to Campbell's campaign for governor in 1986.

The call Tuesday for inquiries into the trips crossed political lines. While the Republican governor asked for the facts, Richland County Democratic Rep. Candy Waites said she will file a complaint with the Ethics Commission. The commission said last week it would not take action unless it gets a formal complaint.

Rep. Waites said at a news conference she will ask that the contract with Roof be held up until an inquiry is complete.

The contract is now in the state engineer's office for final approval.

The flap over the trips is not expected to hold up the contract, said Rick Kelly, director of the Division of General Services, which includes the state engineer's office.

"From all I can understand, this contract is okay," Kelly said.

He said his agency was asking the Department of Corrections for additional information as late as Tuesday afternoon.

Specifically, the corrections agency was asked about the criteria used to select Roof's firm and what tipped the decision in the firm's favor.

The list of selection criteria given Tuesday to the Division of General Services differed from the list that was given to the corrections board in a memo dated March 13.

In the memo to the board, the selection committee said one of the seven criteria was "the firm the committee felt had the best interest of the department at heart."

BOARD MEMO

The following considerations of the selection committee were listed in a March 13 memorandum from William H. Harmon to Parker Ewalt. They were discussed by the committee after interviews of the 10 firms submitting proposals and were listed on the memorandum in the following order.

- Value of current and previous architectural and engineering work with the corrections department.
- Performance on current and previous work with the department.
- Experience with tilt-up/precast concrete in prison design and construction.
- Qualification of key personnel in primary firm and consulting firms.
- Current workload and the ability to expedite design.
- Quality of presentation.
- Firm the committee felt had the best interest of the corrections department at heart.

That item was not included in the seven criteria given to the General Services.

William H. Harmon, director of the corrections departments' engineering office and chairman of the selection committee, said the "best interest" criteria probably should not have been listed in the memo to the board.

OTHER MEMO

In a form submitted to the Division of General Services of the State Budget and Control Board, the selection committee listed the following provisions in order:

- Previous and related design experience.
- Recent, current and projected work loads of firms.
- Ability to design within budget.
- Professional personnel qualifications of persons assigned to this project.
- Ability to meet time requirements.
- Past performance.
- Location.

"That probably should have been in the narrative rather than in the stated criteria, in hindsight," Harmon said. "That's not a stated criteria in the procurement code. It is a

criteria we look at as a group when we make the selection. . . . There's nothing in the code that says you can't look at other criteria."

Last week, General Services attorney Wayne Rush said the "best interest" criteria was unusual and "capable of being subjective."

Staff Writer Bobby Bryant contributed to this report.

EXHIBIT

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STATE BUDGET & CONTROL BOARD

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Trip

Continued from Page 1A

the trip said they have nothing to do with the prison project.

During interviews with *The News* about the trip, Griswold and Vaughn said they planned to pay for their trip expenses. Smith said he will pay for his expenses if he receives a bill.

Gary Baker, the executive director of the State Ethics Commission, said the commission previously has advised state officials not to accept trips from private firms or people doing business with the state.

"The commission has advised against receiving travel and accommodations from vendors or potential vendors," Baker said.

Vaughn, Griswold and Smith said they presumed they eventually would be billed for their part of the Bahamas trip.

When told that Roof had said he had paid for the expenses, Griswold said, "If that's his understanding, I need to contact him."

"When I go on a trip, I sort of anticipate paying my share and that's kind of an understanding I go on," he said.

"We live in kind of a public environment here and if you have people giving you free trips, you could be subject to some criticism. On the other hand, I don't believe my personal recreational activity is subject to an awful lot of scrutiny because I consider that separate from my regular state operations," said Griswold.

Griswold, Vaughn, Roof and Jesse Coles, the executive director of the Budget and Control Board, went to Cancun, Mexico on a fishing trip more than a year ago, said Roof and the officials.

On that trip, said the officials and Roof, each paid their own expenses.

"I didn't know him (Roof) before that trip," Coles said. "He joined the group. I love to go deep-sea fishing. It was really a recreational trip. Any business that was talked had nothing to do with state business."

Coles said he would not comment on the Bahamas trip because he did not know enough details about it.

Roof also said he took several state corrections officials on trips to Illinois and Florida to see prison sites before his company was selected for the prison project.

Roof said he gave his daughter 51 percent control of the company, although he is its chairman. The company was selected for the CCI project by a panel of state prison officials on March 9, according to state records.

The State Engineer's Office, which is under the control of the Budget and Control Board, is currently negotiating with Roof on the firm's design fee and other contract details, said Parker Ewalt, the director of the state prison system.

Ewalt said once the engineer's office completes the negotiations

and approves the contract, it will be reviewed by attorneys in his office. He said contract approval is not required by the corrections board or the full Budget and Control Board.

Ewalt said he does not think his trip with Roof to Marion, Ill., late last year or other corrections department officials' trips with Roof to Florida prison sites were improper. He said he will not reimburse Roof for the expenses.

But Ewalt said that because he is now aware of the earlier ethics commission rulings, he would not accept such trips again.

Roof, who said the fee being negotiated for the CCI project will be about \$2.7 million, added that he has asked that the work be divided into four parts to allow in-state contractors to bid on each part.

He said the fee for the job could be higher if that process is approved.

Roof said he is aware some of his competitors on the CCI project have complained privately about his company's selection. He said such complaints were "sour grapes."

He said the chief reason his firm was selected was because of its experience in a "tilt-up, pre-cast" method of building design.

In that method, concrete wall panels are poured at the job site and lifted into place. Roof's firm said the process, rather than traditional masonry or having the walls shipped, saves at least 10 percent of the cost of conventional construction.

According to records of the state prison system, Roof's company was selected over nine firms competing for the project, including six other South Carolina firms.

The records indicated the company was chosen because of its experience in the tilt-up design.

The records also show the company was selected, in part, because it is owned by a woman — Roof's daughter — and its selection would help the corrections department achieve the governor's goal of "giving work to minority/female-owned firms."

The records also cited Roof's previous experience in repairing damage at the Kirkland Correctional Institute in Columbia.

Ewalt said prison officials felt the tilt-up design was the most advanced design for prisons. He said other construction methods had caused delays and other problems.

He said he was aware that competitors for the project have voiced dissatisfaction about Roof's firm being chosen, but he said the complaints have not been made to the corrections department.

"I really think it's sour grapes," said Ewalt. "But I can't do anything about that."

02184

The News

Sunny
Mid-80s

TUESDAY, APRIL 25, 1989

(c)1989 THE GREENVILLE NEWS-PIEDMONT CO.

Contractor says he paid for state officials' Bahamas trip

By Tim Smith
News staff writer

COLUMBIA — The state auditor and two officials of the state Budget and Control Board went on a fishing trip to the Bahamas last month paid for by the chairman of a company later

on, the company chairman and the officials said Monday.

The specifics of the contract and the fee for the design project currently are being negotiated by an arm of the Budget and Control Board, officials said. The chairman of the design com-

lion.

R. Phil Roof, chairman of Architectural Engineering Associates Inc. of Columbia, said he paid for the expenses of those attending the trip, taken a week before state prison officials chose his firm to design the new

The officials, said Roof, who went on the trip were: State Auditor Edgar Vaughn; J. Samuel Griswold, the deputy executive director of the Budget and Control Board; and Charles Smith, the board's legislative liaison.

Roof said he flew the group in

charges. He said he did not know how much the trip cost.

Roof said the trip was not an effort to influence the awarding of state contracts and that such a suggestion would be "ludicrous."

The state officials who went on

Campbell asks for review of officials' Bahamas trip

By Tim Smith 4/26/89
News staff writer Greenville

COLUMBIA — Gov. Carroll Campbell said Tuesday he has asked for a review of a Bahamas fishing trip taken by three state officials that was paid for by the chairman of a company later awarded a design contract for a new state prison.

The governor, following a 90-minute executive session of the state Budget and

Control Board, said his request was prompted by an article published in *The News* Tuesday about the trip to the Bahamas taken by State Auditor Edgar Vaughn, J. Samuel Griswold, the deputy executive director of the Budget and Control Board, and Charles Smith, the board's legislative liaison.

The specifics of the design contract and the fee currently are being negotiated by an arm of the Budget and Control

Board, officials said.

Campbell said he asked the state attorney general's liaison to the Budget and Control Board to review the trip and seek an advisory opinion from the State Ethics Commission.

"The policy of this board is, has been, and shall remain that no employee of the board should take any kind of gratuity from any person over which they have any decision-making authority in a pro-

ject with respect to them," the governor said.

A Democratic House member from Richland County, Rep. Candy Waites, said she plans to file a formal complaint with the ethics commission about the trip. Formal complaints, under the commission's guidelines, are investigated and the findings can be forwarded to the attorney

See Campbell, Page 8A

Campbell

Continued from Page 1A

general.
R. Phil Roof, the chairman of Architectural Engineering Associates Inc. of Columbia, told *The News* Monday that he paid the expenses for the trip after flying the group to the Bahamas in his private plane.

He said Tuesday that he would bill the officials for their part of the expenses.

Roof was one of Campbell's more generous political supporters in his 1986 race for governor, contributing more than \$8,000 to Campbell's campaign, according to campaign finance records.

The executive director of the state Democratic Party, Henry "Hap" Connors, said in a statement that "it just seems very ironic and very wrong that this guy is being awarded big government contracts."

A spokesman for the governor said late Tuesday that Campbell was not available to respond to questions about the prison contract. Tucker Eskew, the spokesman, said Campbell had said he had nothing to do with the selection of the design firm for the new prison.

Roof told *The News*, "It's funny that the one time a Republican gets a government contract, everybody complains that it was politics that got it. I got this contract the old fashioned way — I earned it."

Also Tuesday, 5th Circuit Solicitor Jim Anders said he was ordering a criminal investigation of the trip.

Roof's firm was chosen about a week after the trip by a panel of state corrections department officials to design a new \$45 million state prison that will be built in Lee County. Roof said his company's fee for the job will be about \$2.7 million.

Roof and Parker Ewart, the director of the state prison system, said politics played no role in the contract. Ewart said Campbell has contacted him only twice in the last two years and neither occasion concerned prison contracts.

Roof also said any suggestion that his firm's selection for the design contract was influenced by the Bahamas trip was "ludicrous."

Vaughn, Griswold and Smith said Monday they believed they eventually would be billed for the trip. Vaughn and Griswold said they planned to pay their expenses, and Smith said he would if he received a bill.

Gary Baker, the executive director of the Ethics Commission, said the commission previously has advised state officials not to accept trips from vendors or potential vendors.

Roof also said he paid the travel expenses for state corrections department officials, including Ewart's, for trips taken last year to view prisons in Illinois and Florida.

EXHIBIT

SEP 5 1989

NCL 3

STATE BUDGET & CONTROL BOARD

02185

Thursday, April 27, 1989

editorials

This expression of the newspaper's opinion is restricted to this page and its staff. Views offered in the column below are the opinion of the company and publisher. Other opinion, often contrasting, is offered in adjoining columns.

William deB. Mebane
Publisher

Thomas P. Inman
Editor, Editorial Page

Ethics concerns lost on indifferent officials

LAST month the state auditor and two officials of the South Carolina Budget and Control Board flew down to the Bahamas for a few days of relaxation and fishing, courtesy of the chairman of a Columbia architectural firm. That's nice recreation if you can get it, and apparently no one involved saw any problem with it. After all, what could be wrong with a few good ol' boys getting together to fish?

But, as reported by *The News*, the head of the firm paying for the fun was R. Phil Roof, who was bidding for a state contract to design a new prison. And it was also disclosed that Roof had paid for several trips for state prison officials to look at prison sites around the country.

The Department of Corrections later selected Roof's firm to design the new prison in Lee County, and an office of the Budget and Control Board is negotiating contract terms for the \$45 million project. Roof's company reportedly will receive about \$2.7 million for its part in the project.

Public officials on the trip — State Auditor Edgar Vaughan, Budget and Control Board Deputy Director Sam Griswold and agency lobbyist Charles Smith — all said they had no role in the prison project. They said they had expected to be billed for their share of the trip expenses, though none were. Furthermore, Griswold said he didn't think his recreational activity should be subject to public scrutiny.

Corrections Commissioner Parker Evatt, for his part, said he didn't see anything wrong with Roof paying for public officials to visit other prisons. But, when informed that the state Ethics Commission advises against accepting free trips from companies doing business with the state, Evatt said he wouldn't do it again.

What is so appalling in all of this is not the appearance of an attempt being made to influence the prison decision, but the casual attitude of state officials about behavior that any informed person on the public payroll should regard as ethically dubious.

Evatt's response is disappointing because he spent 13 years in the Legislature before being appointed to the prison post. He certainly should be aware of Ethics Commission rulings on possible conflicts of interest involving public officials, not to mention the controversies that have arisen when such conflicts were reported in the past. Evatt surely knows that the integrity of the state's contract award process depends on avoiding even the appearance that influence is being exerted.

And Griswold's description of the trip as private recreation apart from his state job is curious at best. The level of ethical awareness in state government must be low indeed if officials at his level can accept free vacation trips from a contractor doing business with the state, and express surprise when questions are asked about it.

The Bahamian trip is simply more proof that cozy relationships existing on or just outside ethical boundaries often are winked at in state government. An occasional controversy pops up, and the Ethics Commission issues rulings and advisories. But rarely is punitive action taken against those who undermine the public's trust. The conclusion to be drawn from

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SEP 5 1989

NO. 3

STATE BUDGET & CONTROL BOARD

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Chairman

Continued from Page 1A

Roof's company.

Roof told *The News* that Harmon served as co-pilot on the flight that carried some of Roof's clients to Cincinnati.

The disclosure followed reports by *The News* this week of a Bahamas fishing trip taken by the state auditor and two officials of the state Budget and Control Board that was paid for by Roof. The trip was taken a week before the contract was awarded.

The specifics of the design contract and the fee for the job currently are being negotiated by a division of the Budget and Control Board. Roof said his fee for the job would be about \$2.7 million.

Harmon and Roof said Wednesday they saw nothing wrong in Harmon serving as a co-pilot aboard Roof's private twin-engine plane. Harmon said he was not paid for the flight.

"I just don't think of it in terms of doing something wrong," Harmon said. "If I even have an inkling of doing something wrong I wouldn't do it. I just love to fly. People call me up from time to time and say, 'Would you like to go fly on the right seat on a trip,' and I say sure."

Harmon also said that the pilot of Roof's plane is a friend.

Roof said Harmon co-piloted the December flight to help his pilot transport business clients to Ohio. He said Harmon took the flight because "he likes to get (flight) time in."

A spokesman for Eagle Aviation in Columbia said it would cost about \$225 an hour to rent a twin-engine Cessna, a plane similar to the one flown in December. The spokesman said a flight to Cincinnati and back to Columbia would take about four hours.

Following the disclosure of the Bahamas trip, Gov. Carroll Campbell asked the assistant attorney general who serves as the liaison to the Budget and Control Board to review the trip and seek an advisory opinion from the State Ethics Commission.

Roof was one of Campbell's major political supporters in Campbell's 1986 race for governor. Roof and his companies contributed more than \$12,000 to Campbell's 1986 campaign, state campaign finance records show.

Also on Wednesday, a member of the State Board of Corrections, Nick Ziegler of Florence, said he was told by architects in the state about two months ago that "we can tell you in advance who's going to get the bid" for the prison design project.

Ziegler said no names were mentioned at the time. He said he sought and received assurances from state prison officials that the selection process would be fair.

Ziegler said the corrections board will review the trips at its regular meeting next month. He said Wednesday that he believes the contract was awarded fairly.

Roof said he was aware of dissatisfaction among some architects in the state about the contract, but he described it as "sour grapes."

A Democratic House member from Richland County also said she planned to file a formal complaint with the ethics commission about the Bahamas trip, and 5th Circuit Solicitor Jim Anders said he would start an investigation.

Harmon said he also flew as co-pilot with Roof's pilot in 1987 to a football game in Miami but the trip was not taken in Roof's plane.

Roof said his firm was selected last fall to begin preparing a proposal for developers to bid on the prison project in a lease-purchase plan.

He said the lease-purchase proposal was scrapped in November when the Budget and Control Board voted to finance the project in a different manner.

The board decided at that time to use a traditional construction process of selecting an architect and building contractors.

The state advertised for architectural services on Jan. 24, according to state records, and the selection committee Harmon chaired selected Roof's firm March 9.

Harmon said Wednesday, "the selection process was very fair."

Harmon said he received his private pilot's license in 1978 and his commercial license in 1984.

He said he frequently rents planes since he does not own one.

He said he has spent at least \$500 to rent planes to use on state business and that he has not sought reimbursement.

A week before his company was awarded the design contract, Roof said he paid the expenses for a Bahamas fishing trip taken by State Auditor Edgar Vaughn, J. Samuel Griswold, the deputy executive director of the Budget and Control Board, and Charles Smith, the board's legislative liaison.

Roof said he flew the officials to Freeport, Bahamas on his pri-

vate plane and paid their hotel charges.

Following the disclosure of the trip, Roof said he would bill the officials for their expenses. The three officials said they believed they eventually would be billed for the trip.

Vaughn and Griswold said they planned to pay their expenses, and Smith said he would if he was billed.

Roof also said he paid the travel expenses for state corrections department officials for trips taken last year to view prisons in Illinois and Florida.

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Panel chairman says he flew as co-pilot on contractor's plane

By Tim Smith

News staff writer

COLUMBIA — The chairman of a state panel that awarded a design contract last month for a \$45 million state prison served as a co-pilot in December aboard a plane owned by the chairman of the company that received the contract, the official and the company chairman said Wednesday.

William H. Harmon, the direc-

tor of construction, engineering and maintenance for the state prison system, acknowledged to *The News* that he co-piloted the plane owned by R. Phil Roof, the chairman of Architectural Engineering Associates Inc. of Columbia.

Harmon served as chairman of a state selection panel that awarded the design contract to

See Chairman, Page 15A

EXHIBIT

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STATE BUDGET & CONTROL BOARD

02187

COMMISSIONERS
EDWARD E. DURYEA, 1ST DISTRICT
CHAIRMAN
RICHARD C. JONES, 5TH DISTRICT
VICE-CHAIRMAN



COMMISSIONERS
EMILY C. PHILLIPS, 2ND DISTRICT
DR. D.H. DANIEL, 3RD DISTRICT
WILLIAM A. COATES, 4TH DISTRICT
JAMES C. McLEOD, JR., 6TH DISTRICT

EXHIBIT

SEP 5 1989 NO. 3

State of South Carolina
STATE BUDGET & CONTROL BOARD
State Ethics Commission

GARY R. BAKER
EXECUTIVE DIRECTOR

(803) 734-1227
1122 Lady Street, Ste. 930
P.O. Box 11926
Columbia, S.C. 29211

July 21, 1989

CERTIFIED MAIL

Mr. J. Samuel Griswold
Budget and Control Board
612 Wade Hampton Building
Columbia, S.C. 29211

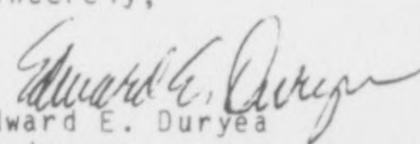
RE: COMPLAINT SEC C89-019
Candy Y. Waites vs. J. Samuel Griswold

Dear Mr. Griswold:

The State Ethics Commission met on Wednesday, July 19, to consider the investigation into the allegations made in the abovecaptioned complaint. The Commission, meeting in Executive Session as required by Section 8-13-120 of the 1976 Code of Laws, determined that, based upon the investigation, there was not probable cause demonstrated supporting the allegations. The Commission has therefore dismissed the complaint and the matter shall now be stricken from public record in accordance with Section 8-13-120 (e) and (f)(1) and the rules and regulations promulgated thereunder.

You are reminded that the State Ethics Act provides that dismissal of a complaint is a matter of confidentiality with the matter being stricken from the public record. Since the matter has been handled in Executive Session in confidentiality, the existence of the complaint and its disposition are to remain confidential.

Sincerely,


Edward E. Duryea
Chairman

EED:sjp

02188

COMMISSIONERS
EDWARD E. DURYEA, 1ST DISTRICT
CHAIRMAN
RICHARD C. JONES, 5TH DISTRICT
VICE-CHAIRMAN



COMMISSIONERS
EMILY C. PHILLIPS, 2ND DISTRICT
DR. D.H. DANIEL, 3RD DISTRICT
WILLIAM A. COATES, 4TH DISTRICT
JAMES C. McLEOD, JR., 6TH DISTRICT

EXHIBIT

SEP 5 1989 NO. 3

State of South Carolina
State Ethics Commission

STATE BUDGET & CONTROL BOARD

GARY R. BAKER
EXECUTIVE DIRECTOR

(803) 734-1227
1122 Lady Street, Ste. 930
P.O. Box 11926
Columbia, S.C. 29211

July 21, 1989

CERTIFIED MAIL

Mr. Charles Smith
Budget and Control Board
612 Wade Hampton Building
Columbia, S.C. 29211

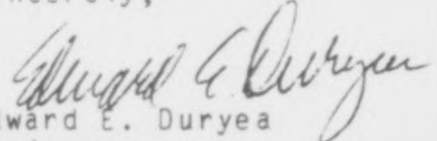
RE: COMPLAINT SEC C89-018
Candy Y. Waites vs. Charles Smith

Dear Mr. Smith:

The State Ethics Commission met on Wednesday, July 19, to consider the investigation into the allegations made in the abovecaptioned complaint. The Commission, meeting in Executive Session as required by Section 8-13-120 of the 1976 Code of Laws, determined that, based upon the investigation, there was not probable cause demonstrated supporting the allegations. The Commission has therefore dismissed the complaint and the matter shall now be stricken from public record in accordance with Section 8-13-120 (e) and (f)(1) and the rules and regulations promulgated thereunder.

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Sincerely,


Edward E. Duryea
Chairman

EED:sjp

02189

COMMISSIONERS
EDWARD E. DURYEA, 1ST DISTRICT
CHAIRMAN
RICHARD C. JONES, 5TH DISTRICT
VICE-CHAIRMAN



COMMISSIONERS
EMILY C. PHILLIPS, 2ND DISTRICT
DR. D.H. DANIEL, 3RD DISTRICT
WILLIAM A. COATES, 4TH DISTRICT
JAMES C. McLEOD, JR., 6TH DISTRICT

EXHIBIT

State of South Carolina
State Ethics Commission

SEP 5 1989 NO. 3
STATE BUDGET & CONTROL BOARD

GARY R. BAKER
EXECUTIVE DIRECTOR

(803) 734-1227
1122 Lady Street, Ste. 930
P.O. Box 11926
Columbia, S.C. 29211

July 21, 1989

CERTIFIED MAIL

Mr. Edgar A. Vaughn, Jr.
1122 Lady Street, Suite 700
P.O. Box 11333
Columbia, S.C. 29211

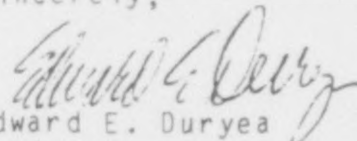
RE: COMPLAINT SEC C89-020
Candy Y. Waites vs. Edgar A. Vaughn, Jr.

Dear Mr. Vaughn:

The State Ethics Commission met on Wednesday, July 19, to consider the investigation into the allegations made in the abovecaptioned complaint. The Commission, meeting in Executive Session as required by Section 8-13-120 of the 1976 Code of Laws, determined that, based upon the investigation, there was not probable cause demonstrated supporting the allegations. The Commission has therefore dismissed the complaint and the matter shall now be stricken from public record in accordance with Section 8-13-120 (e) and (f)(1) and the rules and regulations promulgated thereunder.

You are reminded that the State Ethics Act provides that dismissal of a complaint is a matter of confidentiality with the matter being stricken from the public record. Since the matter has been handled in Executive Session in confidentiality, the existence of the complaint and its disposition are to remain confidential.

Sincerely,


Edward E. Duryea
Chairman



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