

BUDGET AND CONTROL BOARD MEETING

MAY 9 1974

On May 9, 1974, Mr. P. C. Smith received a Petition from Charleston County for the issuing of \$1,000,000 of Industrial Revenue Bonds on behalf of Wetterau, Inc.

In a telephone conversation, Mr. Huger Sinkler indicated that it would be advantageous for Charleston County if the Budget and Control Board could take prompt action upon this request so that the proposed sale might be advertised on May 11, 1974.

Pursuant to this request, Board members were polled with the following results.

Governor John C. West	-	Aye
Mr. Henry Mills	-	Aye
Mr. Grady L. Patterson	-	Aye

Data pertaining to this Industrial Revenue Bond Petition has been retained in these files and is identified as Exhibit I.

Contract

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

HUGER SINKLER
CHARLES H. GIBBS
ALBERT SIMONS, JR.
THEODORE B. GUÉRARD
G. DANA SINKLER
THOMAS A. HUTCHESON
ROBERT H. HOOD
CHARLES F. AILSTOCK
M. WILLIAM YOUNGBLOOD, JR.
JOHN H. WARREN, III

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

May 8, 1974

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

Dear Pat:

Re: \$1,000,000 Charleston County, South Carolina,
First Mortgage Industrial Revenue Bonds,
Series 1974 (Wetterau, Inc. - Lessee)

Enclosed you will find Petition of the Charleston County Council in connection with the captioned financing. We have already furnished you with the necessary financial information for your review.

We also enclose the original and 10 copies of a resolution to be presented to the State Board for its consideration, together with draft copies of the Lease Agreement, Trust Indenture and Guaranty Agreement. When the resolution has been adopted, please return 10 certified copies to us.

Thanking you for your assistance in this matter and with kind regards, I remain,

Sincerely yours,

Huger

HS:mbd
Enclosures

cc: Robert J. Schneider, Esq.
Paul J. Sauerteig, Esq.
Richard C. Burrows, Esq.
Ben Scott Whaley, Esq.

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STATE OF SOUTH CAROLINA

COUNTY OF CHARLESTON

_____))
TO THE STATE BUDGET AND CONTROL))
BOARD OF SOUTH CAROLINA)) P E T I T I O N
_____))

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

1. The County Board is the governing body of Charleston County as established pursuant to Act No. 764 of the Acts of the General Assembly of the State of South Carolina for the year 1948, and as such it is the "County Board" referred to in Act No. 103 of the South Carolina General Assembly enacted at its 1967 Session, as amended (the Act).

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

3. The County Board has agreed with Wetterau, Inc., a Missouri corporation (the Lessee), that the County Board will undertake to finance the acquisition and construction of new facilities to be located in Charleston County by the Lessee through the issuance of Industrial Revenue Bonds pursuant to the Act. In this connection the County Board has agreed to accept a conveyance of the 2.06 acre parcel

of land on which the facilities will be located (said land and the buildings constituting the said facilities being hereinafter referred to as the Project), and the County Board has agreed to issue One Million Dollars (\$1,000,000) Charleston County First Mortgage Industrial Revenue Bonds, Series 1974 (Wetterau, Inc. - Lessee) pursuant to the Act in order to finance the acquisition and construction of the Project which, when completed, will constitute a new office building and garage facilities in conjunction with Lessee's new warehouse and distribution facilities which are being simultaneously constructed by Wetterau, Inc. on land adjacent to the Project.

4. The County Board is advised by the Lessee that the cost of acquiring the land and the cost of constructing the said buildings, is approximately \$1,000,000; and that therefore, in order to finance the acquisition and construction of the Project, including the costs and charges incident to the issuance and sale of the bonds hereinafter described, it will be necessary that the County Board issue One Million Dollars (\$1,000,000) Charleston County First Mortgage Industrial Revenue Bonds, Series 1974 (Wetterau, Inc. - Lessee) (the Bonds).

5. When the entire undertaking of the Lessee, including the Project, is complete, it will provide substantial increase in the number of persons now employed by the Lessee in Charleston County in similar operations presently located elsewhere in Charleston County which now number about 200; the number being expected to double within five years. The construction of the Project will also provide additional employment during the period of construction.

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

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

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

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

<u>June 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1979	\$ 5,000	7%
1980	5,000	7
1981	10,000	7
1982	20,000	7
1983	30,000	7
1984	40,000	7
1985	50,000	7
1986	60,000	7
1987	60,000	7
1988	60,000	7
1989	60,000	7
1990	70,000	7
1991	80,000	7
1992	100,000	7
1993	110,000	7
1994	120,000	7
1995	120,000	7

(d) The Lessee will unconditionally guarantee the payment of the principal of, premium, if any, and interest on the Bonds pursuant to a Guaranty Agreement between the Lessee and the Trustee.

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

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

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

(a) The Project to be undertaken consists of land and buildings, and other improvements which will be necessary for, and part of, an office building and garage facilities

constructed in conjunction with Lessee's new warehouse and distribution facilities in the County.

(b) The undertakings of the Lessee will provide considerable employment during the period of its construction and when completed will provide permanent employment for many additional persons to the 200 persons now employed by the Lessee in its operations conducted elsewhere in Charleston County. The number of employees is expected to double within five years. It is, therefore, believed that the Project will have an extremely beneficial effect upon the economy of the County and areas adjacent thereto.

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

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

(a) To finance the cost of the acquisition and construction of the Project, the County will issue \$1,000,000 of Charleston County First Mortgage Industrial Revenue Bonds, Series 1974 (Wetterau, Inc. - Lessee). All Bonds will be secured by a pledge of the rents to be paid by the Lessee and will be further secured by a Trust Indenture, as authorized by Section 5 of the Act, to Peoples Trust Bank, Fort Wayne, Indiana, as Trustee. The payment of the principal of, premium, if any, and interest on the Bonds will be unconditionally guaranteed by the Lessee pursuant to a Guaranty Agreement between the Lessee and the Trustee.

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

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

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

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

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

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

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

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

execution and delivery of the Indenture and the issuance of the Bonds pursuant thereto.

10. The proposed Lease, the proposed Guaranty Agreement and the proposed Trust Indenture (draft copies of which are enclosed herein) will be in substantially the form heretofore used in the issuance of Industrial Revenue Bonds pursuant to the Act. 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 Board respectfully prays:

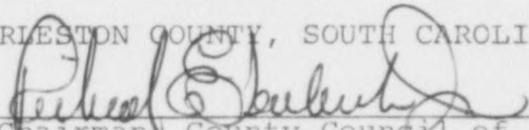
That the State Budget and Control Board accept the filing of the Petition presented herewith and that it do, thereafter, and as soon as practicable, make its independent investigation of the Project and the terms and provisions of the Lease, the Guaranty Agreement and the Trust Indenture, as it deems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

Respectfully submitted,

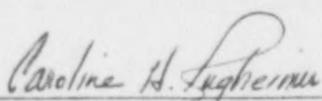
CHARLESTON COUNTY, SOUTH CAROLINA

(SEAL)

By


Chairman, County Council of
Charleston County

Attest:


Clerk, County Council of
Charleston County

May 7th, 1974

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RESOLUTION

STATE OF SOUTH CAROLINA BUDGET AND CONTROL BOARD

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

WHEREAS, the proposed undertaking consists of the acquisition by the County Board of a parcel of land containing approximately 2.06 acres of land located in Charleston County, on which the County Board will finance the acquisition and construction of facilities to be used for an office building and garage facilities in conjunction with the existing warehouse and distribution operations in the County (said 2.06 acre tract of land, and the buildings constituting the said facilities being hereinafter referred to as the Project), and which Project will be leased to Wetterau, Inc., a Missouri corporation (the Lessee); and

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

WHEREAS, in order to finance the Project the County Board proposes to provide for an issue of \$1,000,000 Charleston County First Mortgage Industrial Revenue Bonds payable from the rentals derived from the Lessee and additionally secured by a Trust Indenture between Charleston County and Peoples Trust Bank, Fort Wayne, Indiana, as Trustee; and

WHEREAS, the payment of the principal of, premium, if any, and interest on the bonds will be unconditionally guaranteed by the Lessee pursuant to a Guaranty Agreement between the Lessee and the Trustee; and

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

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

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

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

(b) That the County Board has filed a proper petition to the State Board establishing a reasonable estimate of the cost of the Project, a general summary of the terms and conditions of the Lease, the Guaranty Agreement and the Trust Indenture to be made by the County Board and has established that the Lessee will pay as additional rentals, in lieu of taxes, the sums prescribed by Section 6 of the Act.

(c) That the Project will provide a substantial increase in the number of persons now employed in the County in similar operations located elsewhere in the County which now number about 200; the number being expected to double within five years. The Project will be of benefit to Charleston County and adjoining areas.

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

2. On the basis of the foregoing findings the proposed undertaking of the County Board to acquire the land included in the Project, to finance the construction thereon of the buildings included in the Project, to lease the Project to the Lessee and to finance the cost of acquiring and constructing the Project through the issuance of \$1,000,000 Charleston County First Mortgage Industrial Revenue Bonds payable from the revenues to be derived from the leasing of the Project and additionally secured by the said Trust Indenture, all pursuant to the Act (including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking), be and the same is hereby approved.

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

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

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

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

The acquisition by the County Board of a parcel of land containing approximately 2.06 acres in Charleston County, on which the County Board will cause to be constructed facilities to be used as an office building and garage facilities in conjunction with the existing warehouse and distribution operations in the County (said 2.06 acre tract of land, and the buildings constituting the said facilities being hereinafter referred to as the Project). To finance the acquisition and construction of the Project, the County Board will issue \$1,000,000 Charleston County First Mortgage Industrial Revenue Bonds (the Bonds) pursuant to Act No. 103 of the Acts of the South Carolina General Assembly for the year 1967, as amended. The County Board will lease the Project to Wetterau, Inc., a Missouri corporation (the Lessee), under a Lease Agreement and the Bonds of Charleston County will be payable solely from the rentals to be paid to the County by the Lessee, which has irrevocably covenanted and agreed to pay when due, all sums required for the principal and interest thereon, and the Bonds will be additionally secured by a Trust Indenture which will constitute a foreclosure lien upon the Project. The payment of the principal of,

premium, if any, and interest on the Bonds will be unconditionally guaranteed by the Lessee pursuant to a Guaranty Agreement between the Lessee and the Trustee.

In addition the Lessee has agreed to pay as additional rentals to Charleston County, the School District, and all other political units wherein the Project is located, in lieu of taxes, such amounts as would result from taxes levied on the Project by Charleston County, the said School District, and the said other political units wherein the Project is situate, if the Project were owned by the Lessee, but with appropriate reductions similar to the tax exemptions, if any, which would be afforded to the Lessee if it were the owner of the Project.

The Lease by which Charleston County will lease the Project to the Lessee will provide that the Lessee shall purchase the Project for One Dollar (\$1.00) upon the payment in full of the Bonds.

When completed, the Project will provide substantial increase in the number of persons now employed by the Lessee in Charleston County in similar operations presently located elsewhere in the County which now number about 200; the number being expected to double within five years. The construction of the Project will also provide additional employment during the period of construction.

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

THE STATE BUDGET AND CONTROL BOARD

By: P. C. SMITH, Secretary

PUBLICATION DATE:

_____, 1974

STATE OF SOUTH CAROLINA,

COUNTY OF RICHLAND.

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

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

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

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

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

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

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

That due notice of meeting of said Board, called to be held at the office of the State Auditor, in the Hampton Office Building, at Columbia, South Carolina, at _____ . M., _____, 1974, was given to all members in writing, and at least four (4) days prior to said meeting; that all members of said Board were present at said meeting, with the exception of:

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

FOR MOTION

AGAINST MOTION

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

Secretary

_____, 1974.

CHARLESTON COUNTY, SOUTH CAROLINA

AND

WETTERAU, INC.

LEASE AGREEMENT

Dated as of June 1, 1974

THIS LEASE AGREEMENT, dated as of June 1, 1974,
between CHARLESTON COUNTY, a body politic and corporate and a
political subdivision of the State of South Carolina, acting
by and through the County Council of Charleston County, which
is the governing body of said County as constituted by Act No.
764 of 1948, party of the first part, and WETTERAU, INC., a
corporation organized and existing under the laws of the State
of Missouri, duly qualified to conduct business in the State
of South Carolina, party of the second part,

W I T N E S S E T H:

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

ARTICLE I

DEFINITIONS

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

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

"ACT" means Act No. 103 of the Acts of the General Assembly
of the State of South Carolina for the year 1967, as amended.

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

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

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

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

"BONDS" means the \$1,000,000 Charleston County, South Carolina, First Mortgage Industrial Revenue Bonds, Series 1974 (Wetterau, Inc. - Lessee) to be issued pursuant to the Indenture. Bonds shall also include Substitute Bonds.

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

"BUILDING" means the buildings and all other facilities forming a part of the Project which, as set out in Section 4.1(a) hereof, are to be constructed on the Leased Land, as they may at any time exist, including any air conditioning and heating systems (which shall be deemed fixtures).

"CHAIRMAN" means the chief executive officer of the County Board. The term shall also include the Vice Chairman of the

County Board whenever, by reason of absence, illness or other reason, the person who is the Chairman is unable to act.

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

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

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

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

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

"GUARANTOR" shall mean Wetterau, Inc., the original Lessee hereunder.

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

"INDENTURE" means the Trust Indenture between the County and Peoples Trust Bank, Fort Wayne, Indiana, as Trustee, of even date herewith, providing for the terms, conditions and provisions under which the Bonds will be issued, pursuant to which the County's interest in this Agreement and the Lease Rentals received by the County from the Project are pledged, and pursuant to which the Project is mortgaged as security for the payment of principal, premium, if any, and interest on the Bonds, including any indenture supplemental thereto.

"INDEPENDENT COUNSEL" means an attorney duly admitted to practice law before the highest court of any state and not a

full time employee of either the County, the Lessee or the Guarantor.

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

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

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

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

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

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

"PENALTY RATE" shall mean so long as the Bonds initially issued shall be outstanding, interest at the rate of 8% per annum; if and when Substitute Bonds are outstanding, Penalty Rate shall mean interest at the rate of 10% per annum.

"PERMITTED ENCUMBRANCES" means, as of any particular time, (i) liens for ad valorem taxes not then delinquent, (ii) this Agreement and the Indenture, (iii) utility, access and other easements and rights of way, flood rights, encroachments, leases, restrictions and exceptions that the Authorized Lessee Representative certify will not interfere with or impair the operations being conducted in the Building (or if the Building is

not yet complete, the operations to be conducted) in the Building, or, if the Building has been completed and no operations are being conducted therein, the operations for which the Building was last designed or last modified), (iv) such minor defects, irregularities, encumbrances, and clouds on title as normally exist with respect to properties similar in character to the Project and as do not in the opinion of an Independent Counsel, materially impair the title to the Project for the purposes for which it was acquired or is held by the County, and (v) mechanics' and materialmen's liens not filed or perfected in the manner prescribed by Chapter 5, Title 45, Code of Laws of South Carolina, 1962, as now or hereafter amended.

"PROJECT" means the Leased Land and the Building.

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

"SUBSTITUTE BONDS" shall mean Bonds issued pursuant to Section 209 of the Indenture in exchange for outstanding Bonds initially issued pursuant to Section 202 of the Indenture.

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

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

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

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

ARTICLE II

REPRESENTATIONS AND UNDERTAKINGS

SECTION 2.1. Representations by the County. The

County makes the following representations as the basis for the undertakings on its part herein contained:

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

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

(c) Heretofore, the County and the Lessee did agree that the County would finance the cost of acquiring and constructing the Project. The Lessee has estimated that such cost will be approximately \$1,000,000 and

on that basis the County now proposes to issue the Bonds in the aggregate principal amount of \$1,000,000, which will be dated, mature and bear interest as set forth in Article II of the Indenture and which will be subject to redemption on the occasions and at the redemption prices set forth in Article III of the Indenture, in order to finance the cost of acquiring and constructing the Project.

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

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

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

(c) Relying upon the agreement of the County to finance the cost of acquiring and constructing the Project as aforesaid, the Lessee has heretofore ac-

quired the Lease Land and has begun construction of the Building on the Leased Land.

(d) The Lessee intends to continue to operate the Project, from the Completion Date to the expiration or earlier termination of the Lease Term as provided herein as an office and garage facilities in conjunction with Lessee's warehouse and distribution operations in Charleston County.

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

(f) This Lease Agreement, under which the County acquires the Project, leases and hereafter conveys the Project to the Lessee, is the method employed by the Lessee in financing the acquisition of the Project and in effecting the payment of the Bonds, and is the consideration inuring to the Lessee for the execution and delivery of the Guaranty Agreement.

ARTICLE III

DEMISING CLAUSE, WARRANTY OF TITLE, TITLE INSURANCE

SECTION 3.1. Demise of the Lease Land and Building.

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

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

SECTION 3.3. Title Insurance. At the time of the delivery of the Bonds, the County will provide a Mortgagee Title Insurance Policy (or appropriate binder) upon the Leased Land and Building issued by a Company approved by the Trustee insuring the lien of the Indenture upon the Leased Land and Building, subject to no encumbrances other than Permitted Encumbrances, in the amount specified in Exhibit A to this Agreement.

ARTICLE IV

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

SECTION 4.1. Agreement to Construct and Equip the Building on the Leased Land. The County has acquired the Leased Land by deed duly recorded. The Lessee agrees that it will exercise the authorizations given to it by the County in Section 2.1(b) and it will cause the Building to be constructed on the Leased Land wholly within the boundary lines thereof (the Building to contain the square footage as set forth in Exhibit "A" hereto, and to be used for the purposes set forth in Article II hereof); all of which will be constructed in accordance with a general description heretofore furnished to the County by the Lessee.

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

SECTION 4.2. Agreement to Issue Bonds; Application of Bond Proceeds. In order to provide funds for payment of the costs of the Project, the County agrees that it will, on or before the 1st day of August, 1974, sell and cause to be delivered to the initial purchaser the Bonds in the aggregate principal amount of \$1,000,000 and will thereupon (i) deposit in the Bond Fund all accrued interest received on the sale of the Bonds and (ii) deposit in the Construction Fund the balance of the proceeds received from said sale.

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

(a) Payment of the initial or acceptance fee of the Trustee; the fees for recording the deed whereby

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

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

(c) Payment of the cost of legal and accounting fees and expenses, title insurance premium, and printing and engraving costs incurred in connection with the

authorization, sale and issuance of the Bonds, the preparation of this Agreement, the Indenture, and all other documents in connection therewith and in connection with the acquisition of title to the Leased Land and Building.

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

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

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

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

(h) Payment of the taxes, assessments and other charges, if any, referred to in Section 6.3 hereof that may become payable during the Construction Period and, payment of such sum which, together with the accrued interest received on the occasion of their delivery will be required to pay the first two installments of interest to become due on the Bonds.

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

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

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

Provided that:

(1) Each of the payments made pursuant to the preceding subsections (a), (b), (c), (d), (e), (g), (i) and (j) of this Section shall be made only upon receipt by the Trustee of a written order by the Authorized Lessee Representative and by the Authorized County Representative which shall certify with respect to each such payment: (i) that none of the items for which the payment is proposed to be made has formed the basis for any payment theretofore made from the Construction Fund and

(ii) that each item for which the payment is proposed to be made is or was necessary in connection with the Project.

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

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

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

by this Section 4.5 to be furnished as soon as the Project shall have been completed.

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

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

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

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

- (i) obligations of the United States and agencies thereof;
- (ii) general obligations of the State of South Carolina or any of its political units;
- (iii) Savings and Loan Associations to the extent that the same are insured by the Federal Savings and Loan Insurance Corporation; or
- (iv) certificates of deposit where such certificates of deposit are collaterally secured by securities of the type described in (i) and (ii) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest.

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

The Lessee further covenants and agrees:

- (a) That it will not direct the Trustee to invest any moneys held as a part of the Construction Fund in a manner which shall be contrary to any policy or rules or regulations of the Internal Revenue Service with respect to "arbitrage bonds" within the meaning of Section 103(d)(2) of the Internal Revenue Code of 1954, as amended, and the applicable regulations issued thereunder and as in effect on the occasion of the delivery of the Bonds (the Regulations); and
- (b) It will furnish to the County accurate information to enable the appropriate County officers and Bond Counsel to make all necessary certifications required by the Regulations.

ARTICLE V

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

SECTION 5.1. Effective Date of this Agreement;

Duration of Lease Term. This Agreement shall become effective upon its delivery and the leasehold estate created by this Agreement shall then begin, and, subject to the provisions of this Agreement (including particularly Section 8.10, Articles X, XI and Sections 12.1 and 12.2), shall expire June 1, 1995.

SECTION 5.2. Delivery and Acceptance of Possession.

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

SECTION 5.3. Rents and Other Amounts Payable. At least

three days before December 1, 1974, and at least three days before each June 1 and December 1 thereafter, until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Lessee shall pay to the Trustee as rent for the Project (i) if such date is June 1, a sum equal to the amount payable on such date as principal (whether at maturity or by sinking fund redemption as provided in the Indenture) and interest upon the Bonds and (ii) if such date is December 1, a sum equal to the amount payable on such date as interest upon the Bonds, as provided in the Indenture.

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

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

SECTION 5.4. Payment of Trustee's Fees and Expenses.

In addition to other payments herein prescribed, the Lessee agrees to pay to the Trustee until the principal of, premium, if any, and interest on the Bonds shall have been fully paid (i) an amount equal to the annual fee of the Trustee

for the ordinary services of the Trustee, as Trustee, rendered and its ordinary expenses, as Trustee, incurred under the Indenture, as and when the same become due, (ii) reasonable fees and charges of the Trustee as Bond Registrar and paying agent, and any other paying agents on the Bonds, for acting as paying agents as provided in the Indenture, as and when the same become due, and (iii) the reasonable fees and charges of the Trustee for the necessary extraordinary services rendered by it and extraordinary expenses incurred by it under the Indenture, as and when the same become due; provided, that the Lessee may, without creating a default hereunder, contest in good faith the necessity for any such extraordinary services and extraordinary expenses and reasonableness of any such fees, charges or expenses.

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

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

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

SECTION 5.6. Obligations of Lessee Hereunder Unconditional. Subject to the provisions of this Section and Section 9.6 hereof, the obligations of the Lessee to make the payments required in Sections 5.3 and 5.5 hereof and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional and until such time as the principal of, and interest and premium, if any, on the Bonds shall have been fully paid or provisions for the payment thereof shall have been made in accordance with the Indenture, the Lessee (i) will not suspend or discontinue any payments provided for in Section 5.3 hereof, (ii) will perform and observe all of its other agreements contained in this Agreement, and (iii) except as provided in Section 11.1 hereof will not terminate the Lease Term for any cause including, without limiting the generality of the foregoing, failure of the Lessee to complete the Project, the taking by eminent domain of title to or the right of temporary use of all or any part of the Project, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or South Carolina or any political subdivision of either thereof or any failure of the County to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release the County from the performance of any of the agreements on its part herein contained; and in the event the County should fail to perform any such agreement on its part, the Lessee may institute such action against the County as the Lessee may deem necessary to compel performance so long as such action does not abrogate the Lessee's obligations con-

tained in the first sentence of this Section 5.6. The Lessee may, however, at its own costs and expense and in its own name or in the name of the County, prosecute or defend any action or proceeding or take any other action involving third persons which the Lessee deems reasonably necessary in order to secure or protect its right of possession, occupancy and use hereunder, and in such event the County hereby agrees to cooperate fully with the Lessee and to take all action necessary to effect the substitution of the Lessee for the County in any such action or proceeding if the Lessee shall so request.

SECTION 5.7. Place of Rental Payments. The payments provided for in Section 5.3 hereof shall be paid directly to the Trustee for the account of the County and shall be deposited in the Bond Fund. The payments to be made to the Trustee under Section 5.4 hereof shall be paid directly to the Trustee for its own use or for disbursement to the paying agents, as the case may be.

ARTICLE VI

MAINTENANCE, TAXES AND INSURANCE

SECTION 6.1. Maintenance and Modifications of Project

by Lessee. The Lessee agrees that during the Lease Term it will at its own expense (i) keep the Project in as reasonably safe condition as its operations shall permit and (ii) keep the Project in good repair and in good operating condition, making from time to time, subject to the provisions of Section 6.2, all necessary repairs thereto and renewals and replacements thereof. The Lessee may, also at its own expense, make from time to time any Additions or Alterations to the Project it may deem desirable for its business purposes that do not adversely affect the operations being conducted in and upon the Project (or, if no operations are being conducted, the operations for which the Project was designed or last modified). Subject to the provisions of Section 6.2 hereof, such Additions and Alterations so made by the Lessee shall be on the Leased Land and become a part of the Project. The Lessee shall not permit any mechanics' or other liens to be established or remain against the Project for labor or materials furnished in connection with any additions, modifications, improvements, repairs, renewals or replacements so made by it; provided, that if the Lessee shall first notify the Trustee of its intention so to do, the Lessee may in good faith contest any mechanics' or other liens filed or established against the Project, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Trustee shall notify the Lessee that, in the opinion of Independent Counsel, by non-payment of any such items, the lien of the Indenture as to any part of the Project will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture, in which event the Lessee shall promptly pay and cause to be satisfied and discharged

all such unpaid items. The County will cooperate fully with the Lessee in any such contest.

SECTION 6.2. Installation of Lessee's Own Machinery and Equipment. The Lessee may from time to time, in its sole discretion and at its own expense, install machinery, equipment and other personal property which may be attached or affixed to the Project. All such machinery, equipment and other personal property shall remain the sole property of the Lessee and the Lessee may remove the same from the Project at any time, in its sole discretion and at its own expense; provided, that any damage to the Project resulting from any such removal shall be repaired by the Lessee at the expense of the Lessee. The Lessee may create any mortgage, encumbrance, lien or charge on any such machinery, equipment and other personal property provided that the same will not diminish or impair the security intended to be given by or under the Indenture. Neither the County nor the Trustee shall have any interest in or landlord's lien on any such machinery, equipment or personal property so installed pursuant to this Section 6.2 and all such machinery, equipment and personal property shall be and remain identified as the property of the Lessee by appropriate tags or other markings.

SECTION 6.3. Taxes, Other Governmental Charges and Utility Charges. The County and the Lessee acknowledge (i) that pursuant to Section 13 of the Act, no part of the Project owned by the County will be subject to taxation in South Carolina, that under present law the income and profits (if any) of the County from the Project are not subject to either Federal or South Carolina taxation and that under present law there is no tax imposed upon leasehold estates in South Carolina,

and (ii) that these factors, among others, have induced the Lessee to enter into this Agreement.

However, the Lessee will pay, as the same become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project or any machinery, equipment or other property installed or brought by the Lessee therein or thereon (including, without limiting the generality of the foregoing, any taxes levied upon or with respect to the Lease Rentals of the County from the Project which, if not paid, will become a lien on the Project prior to or on a parity with the lien of the Indenture or a charge on the Lease Rentals therefrom prior to or on a parity with the charge thereon and the pledge or assignment thereof to be created and made in the Indenture, and including all ad valorem taxes lawfully assessed upon the leasehold estate hereby granted and conveyed to the Lessee in the Project), all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by lien on the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Lessee shall be obligated to pay only such installments as are required to be paid during the Lease Term.

If the Lessee shall first notify the Trustee of its intention so to do, the Lessee may, at its expense and in its own name and behalf or in the name and behalf of the County, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Trustee shall notify the Lessee that, in the opinion of Independent Counsel, by non-payment of any such

items the lien of the Indenture will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture, in which event such taxes, assessments or charges shall be paid promptly. The County will cooperate fully with the Lessee in any such contest. In the event that the Lessee shall fail to pay any of the foregoing items required by this Section to be paid by the Lessee, the County or the Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the County or the Trustee shall become an additional obligation of the Lessee to the one making the advancement, which amounts, together with interest thereon at the Penalty Rate from the date thereof until paid, the Lessee agrees to pay.

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

SECTION 6.4. Insurance Required. Throughout the Lease Term, the Lessee shall keep the Project continuously insured as hereinafter provided, paying (except as provided in Section 4.3 hereof) as the same become due all premiums in respect thereto. Such insurance shall include but not necessarily be limited to:

(a) Insurance upon the repair or replacement basis if available, and otherwise to the full insurable cash value of the Project as determined by an insurer selected by the Lessee or as otherwise agreed to by the County and Lessee, against loss or damage by fire and lightning, with uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in South Carolina; provided that the insurance required by this subsection may contain a deductible provision of not in excess of \$ direct damage applicable

to each separate instance of loss or damage insured against. In time of war in which the United States is a belligerent, such insurance to the extent of the full insurable cash value of the Project as may be available from the United States of America against loss thereof or damage thereto from risks and hazards of war, if such insurance is then generally carried by owners of industrial plants in South Carolina.

(b) Boiler and pressure vessel (including pressure pipes) explosion insurance in an amount at least equal to \$ (with deductible provisions not to exceed \$) with respect to all boilers and pressure vessels and pressure pipes installed in the Project.

(c) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Project and the adjoining streets, sidewalks, and passageways, such insurance to afford protection of not less than \$ with respect to bodily injury to any one person, not less than \$ with respect to bodily injury to two or more persons in any one accident, and the policies evidencing such insurance may provide that the Lessee shall be self insured to the extent of \$ in connection with each separate claim insured against. Such self insurance may, at the Lessee's option, be taken directly as a deductible or indirectly under any type of retrospective rating arrangement between the Lessee and such insurer as it may select.

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

SECTION 6.5. Application of Net Proceeds of Insurance.

The Net Proceeds of the insurance carried pursuant to the provisions of Section 6.4 hereof shall be applied as follows:

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

SECTION 6.6. Additional Provisions Respecting Insurance.

All insurance required in Section 6.4 hereof shall be taken out and maintained in generally recognized responsible insurance companies selected by the Lessee. All policies evidencing such insurance shall provide for payment of the losses to the County, the Lessee and the Trustee as their respective interests may appear, and the policies required by Section 6.4(a) and (b) shall contain standard mortgagee clauses requiring that all Net Proceeds of insurance resulting from any claim in excess of \$ for loss or damage covered thereby be paid to the Trustee; provided, however, that all claims regardless of amount may be adjusted by the Lessee with the insurers, subject to approval of the Trustee as to settlement of any claim in excess of \$. The insurance hereby required may be contained in blanket policies now or hereafter maintained by the Lessee.

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

SECTION 6.7. Advances by County or Trustee. In the event the Lessee shall fail to maintain the full insurance coverage required by this Lease or shall fail to keep the Project

in as reasonably safe condition as its operating conditions will permit, or shall fail to keep the Project in good repair and good operating condition, the County or the Trustee, after written notice to the Lessee of their intent to take such action, may (but unless satisfactorily indemnified shall be under no obligation to) take out the required policies of insurance and pay the premium on the same or make the required repairs, renewals and replacements; and all amounts so advanced therefor by the County or the Trustee shall become an additional obligation of the Lessee to the one making the advancement, which amounts, together with interest thereon at the Penalty Rate from the date hereof, the Lessee agrees to pay.

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

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

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

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

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

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

(e) Any balance of such Net Proceeds remaining after payment of all costs of such repair, rebuilding or restoration shall be paid into the Bond Fund. If the Bonds have been fully paid (or provision therefor has been made in accordance with

the Indenture), all Net Proceeds shall be paid to the Lessee.

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

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

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

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

herein and demised hereby); provided, that such improvements shall be acquired by the County subject to no liens or encumbrances prior to or on a parity with the lien of the Indenture, other than Permitted Encumbrances.

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

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

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

The County shall cooperate fully with the Lessee in the handling and conduct of any prospective or pending condemnation proceeding with respect to the Project or any part thereof and shall, to the extent it may lawfully do so, permit the Lessee to litigate in any such proceeding in the name and

behalf of the County. In no event shall the County voluntarily settle, or consent to the settlement of, any prospective or pending condemnation proceeding with respect to the Project or any part thereof without the written consent of the Lessee.

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

SECTION 7.3. Condemnation of Lessee-Owned Property.

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

ARTICLE VIII

SPECIAL COVENANTS, IMPROVEMENT BONDS

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

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

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

sell or otherwise transfer to another such corporation, all or substantially all of its assets as an entirety and thereafter dissolve, provided the surviving, resulting or transferee corporation, as the case may be, assumes in writing all of the obligations of the Lessee under this Agreement; in which event the County shall release in writing, concurrently with and contingent upon such assumption, the Lessee from all liability hereunder, and provided that prior to such sale, transfer, consolidation or merger the Trustee shall be furnished a certificate from the chief financial officer of Lessee or his deputy stating that in the opinion of such officer none of the covenants contained in this Agreement will be violated as a result of such sale, transfer, consolidation or merger.

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

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

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

(b) A resolution of the County Board (i) stating that the County is not in default under any of the provisions of the Indenture and the Lessee is not to the knowledge of the County in default under any of the provisions of this Agreement, (ii) giving an adequate legal description of that portion (together with the interest in such portion) of the Leased Land to be released, (iii) stating the purpose for which the County desires the release, (iv) stating that the said improvements which will be so constructed will be such as will promote the continued industrial development of South Carolina, and (v) requesting such release.

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

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

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

of the Project as a manufacturing plant and will not destroy the means of ingress thereto and egress therefrom.

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

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

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

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

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

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

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

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

SECTION 8.8. Financial Statements of Lessee. Lessee agrees to furnish the County such information respecting the business affairs, operation and financial condition of Lessee and its consolidated subsidiaries as may be reasonably requested; and without any request to furnish to the Trustee, and upon request, to the holder of any Bond (a) as soon as available, and in any event at the time the same are made available to the stockholders of the Lessee, copies of all quarterly and other interim financial statements as the Lessee shall furnish to its stockholders, and (b) as soon as available, and in any event within one hundred fifty (150) days after closing of each fiscal year of the Lessee, a copy of the annual audit report (including balance sheets, profit and loss, and surplus statements) of the Lessee and its consolidated subsidiaries for such fiscal year, all as prepared and certified by independent public accountants of recognized standing; provided, however, that if the annual report of Lessee to its stockholders shall contain financial statements of substantially similar detail and similarly prepared and certified, copies of such audit report may be delivered in lieu of the copies of the annual reports referred to herein.

SECTION 8.9. Covenants of Lessee with Respect to Bonds.

The County is issuing the Bonds as Bonds whose interest is tax exempt under Section 103(c)(6)(A) of the Internal Revenue Code of 1954, as amended. In order to insure that interest on the Bonds will not become subject to Federal Income Taxes, the Lessee covenants with the County, the Trustee, and with each of the future holders of any Bonds or interest coupons appertaining thereto as follows:

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

(2) That the Lessee will not commit nor permit the commission of any act which would cause the Bonds not to qualify as, or not to continue to be, an exempt small issue under the provisions of Section 103(c)(6)(A) of the Internal Revenue Code of 1954, as amended; nor will Lessee fail to take any action necessary to be taken in order that the Bonds shall qualify as, and continue to be, an exempt small issue under the provisions of said Section 103(c)(6)(A) of the Internal Revenue Code of 1954, as amended.

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

Nothing herein contained shall create any obligation upon the Lessee as a result of interest on any Bond becoming taxable by virtue of the provisions of Section 103(c)(7) of the Internal Revenue Code of 1954, as amended; nor, except as provided in Section 8.10, as a result of the enactment hereafter of legislation which subjects such interest to Federal Income Taxes.

SECTION 8.10. Substitute Bonds. If, as a consequence of the happening of any event referred to in Section 11.2(c) hereof, interest on the Bonds becomes subject to Federal income taxes, then in such event the Lessee shall either:

(a) Exercise the option made available to it by clause (iii) of Section 11.2(c) to purchase the Project in the manner provided in said Section 11.2; or

(b) Request the County to issue Substitute Bonds pursuant to Section 209 of the Indenture.

In the event that the option made available by paragraph (b) above shall be exercised by the Lessee, then the County agrees, upon reimbursement by the Lessee for all costs and expenses incurred in connection therewith, to cause to be issued Substitute Bonds in accordance with said Section 209 of the Indenture, and to cause said Substitute Bonds to be delivered to the Holders of all the then outstanding Bonds in exchange for and upon surrender of the Bonds then outstanding. Upon the issuance of Substitute Bonds, all provisions of this Agreement shall remain in full force and effect, except that the following provisions of this Agreement shall no longer be of any force or effect and shall be deemed stricken from this Agreement, viz:

- (i) Section 8.9;
- (ii) Section 10.1(b);
- (iii) Clause (iii) of Section 11.2(c); or
- (iv) Sections 12.2, 12.3 and 12.4 of Article XII.

In the event that the option made available by paragraph (b) above shall be exercised by the Lessee, the Lessee shall:

A. cause the Trustee to give notice to the holders of the Bonds that Substitute Bonds will be delivered to such holders in exchange for an equal

aggregate principal amount of Bonds then outstanding on a date fixed by the Lessee for such exchange. Such notice shall be given in accordance with Section 302 of the Indenture with such variations as shall be consonant with the exchange of Bonds rather than redemption of Bonds; and

B. shall deposit with the Trustee the sums prescribed by Section 210 of the Indenture on or before the date fixed for the exchange of Substitute Bonds for Bonds then outstanding.

ARTICLE IX

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

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

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

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

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

SECTION 9.2. Mortgage of Property by County. The County will mortgage the Project by the Indenture, and assign its interest in and pledge the Lease Rentals pursuant to the Indenture, to the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds, but each such mortgage, assignment or pledge shall be subject and subordinate to this Agreement.

SECTION 9.3. Restrictions on Sale of Project by County.

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

SECTION 9.4. Redemption of Bonds. The County at the

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

SECTION 9.5. Prepayment of Rents. There is expressly

reserved to the Lessee the right, and the Lessee is authorized and permitted, at any time it may choose, to prepay all or any part of the rents payable under Section 5.3 hereof, and the County agrees that the Trustee may accept such prepayment of rents when the same are tendered by the Lessee. All rents so prepaid shall be credited on the rental payments due by reason of the provisions of Section 5.3 hereof.

SECTION 9.6. Lessee Entitled to Certain Rent Abatements

If Bonds Paid Prior to Maturity. If at any time the aggregate moneys in the Bond Fund shall be sufficient to retire in accordance with the provisions of the Indenture all of the Bonds at the time outstanding, and to pay all fees and charges of the Trustee and any paying agents on the Bonds due or to become due through the date on which the last of the Bonds is retired, under circumstances not resulting in termination of the Lease Term, and if the Lessee is not at the time otherwise in default hereunder, the Lessee shall be entitled to use

and occupy the Project from the date on which such aggregate moneys are in the hands of the Trustee to and including the last maturity of any bonds, with no obligation to make the rental payments specified in Section 5.3 hereof during that interval (but otherwise on the terms and conditions hereof).

SECTION 9.7. Reference to Bonds Ineffective After Bonds Paid. Upon payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and all fees and charges of the Trustee, all reference in this Agreement to the Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the Bonds shall thereafter have any rights hereunder, saving and excepting those that shall have theretofore vested. For the purpose of this Agreement the Bonds shall be deemed fully paid:

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

(b) If all of the outstanding Bonds and coupons appertaining thereto shall be deemed to have been paid within the meaning of Section 901 of the Indenture.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

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

(a) Failure of the Lessee to pay the rents required to be paid under Section 5.3 of this Agreement which are applicable to the payment of the principal of, premium, if any, and interest on the Bonds, at the times specified therein after one day's notice by the Trustee or three days after the due date thereof, whichever date first occurs.

(b) Failure of the Lessee to fulfill its obligation to purchase the Project as provided in Section 12.2 hereof, as a consequence of the violation by the Lessee of any of the covenants set forth in Section 8.9(2) and 8.9(3) hereof.

(c) Failure by the Lessee to observe and perform any covenant, condition or agreement in this Agreement on the part of the Lessee to be observed or performed, other than as referred to in subsections (a) and (b) of this Section, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Lessee by the County or the Trustee, (or in the case of any such default, which cannot with due diligence be cured within such 30-day period, if Lessee shall fail to proceed promptly to cure the same and thereafter to prosecute the curing of such default with due diligence.)

(d) The dissolution or liquidation of the Lessee or the filing by the Lessee of a voluntary petition in

bankruptcy, or failure by the Lessee promptly to lift any execution, garnishment or attachment of such consequence as will impair the ability of the Lessee to carry on its operations at the Project, or the commission by the Lessee of any act of bankruptcy, or adjudication of the Lessee as a bankrupt, or assignment by the Lessee for the benefit of its creditors, or the entry by the Lessee into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee in any proceeding for its reorganization instituted under the provisions of the general bankruptcy act, as amended, or under any similar act in any domestic or foreign jurisdiction which may now be in effect or hereafter enacted. The term "dissolution or liquidation of the Lessee" as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Lessee resulting either from a merger or consolidation of the Lessee into or with another corporation or a dissolution or liquidation of the Lessee following a transfer of all or substantially all of its assets as an entirety, provided, that the conditions permitting such actions contained in Section 8.3 hereof shall have been made.

The provisions of paragraph (b) of this Section are subject to the following limitations: if by reason of force majeure the Lessee is unable in whole or in part to carry out the agreements of the Lessee on its part herein contained (other than the obligations on the part of the Lessee contained in Article V and Sections 6.3, 6.4 and 8.7, hereof, to which this paragraph shall have no application), the Lessee shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes; lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United

States or of South Carolina or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricane; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Lessee, it being agreed that the settlement of strikes, lockouts, and other industrial disturbances shall be entirely within the discretion of the Lessee, and the Lessee shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Lessee, unfavorable to the Lessee.

SECTION 10.2. Remedies on Default. Whenever any event of default referred to in Section 10.1 hereof shall have happened and be subsisting, the County may take any one or more of the following remedial steps:

(a) The County or the Trustee as provided in the Indenture may, at its option, declare all installments of rent payable under Section 5.3 hereof to be immediately due and payable, whereupon the same shall become immediately due and payable, and which amounts Lessee hereby agrees to pay.

(b) The County, with the prior written consent of the Trustee, may re-enter and take possession of the Project without terminating this Agreement, and sublease the Project for the account of the Lessee, holding the Lessee liable for the difference in the rent and other amounts actually paid by such sublessee in such subleasing and the rents and other amounts payable by the Lessee hereunder.

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

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

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

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

No action taken pursuant to this Section (including repossession of the Project or termination of the Lease Term) shall relieve the Lessee from the Lessee's obligations pursuant to Section 5.3, Section 10.2(a) and Section 12.2 hereof, all of which shall survive any such action, and the Lessor may taken whatever action at law or in equity as may appear necessary and desirable to collect the rent and other amounts then due and thereafter to become due and/or to enforce the performance and observance of any obligation, agreement or covenant of the Lessee hereunder.

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

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

SECTION 10.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived, and shall not be deemed to waive any other breach hereunder.

ARTICLE XI

OPTIONS IN FAVOR OF THE LESSEE

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

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

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

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

payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) if any of the events set forth in the following clauses shall have occurred:

(a) The Building shall have been damaged or destroyed (i) to such extent that it cannot be reasonably restored within a period of six months to the condition thereof immediately preceding such damage or destruction, or (ii) to such extent that the Lessee is thereby prevented from carrying on its normal operations at the Project for a period of six months, or (iii) to such extent that the cost of restoration thereof would exceed by \$ the Net Proceeds of insurance carried thereon pursuant to the requirements of Section 6.4(a) and Section 6.4(b) hereof, plus the deductible amounts for which the Lessee is self-insured with respect to the Project.

(b) Title to, or the temporary use of, all or substantially all the Project, or such part thereof as shall materially interfere, in Lessee's judgment, with the operation of the Project for the purpose for which the Project is designed, shall have been taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority (including such a taking or takings as results in the Lessee being thereby prevented from carrying on its normal operations at the Project for a period of six months).

(c) As a result of any changes in the Constitution of South Carolina or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest

thereof by the Lessee in good faith, (i) this Agreement shall become void or unenforceable or impossible in accordance with the intent and purposes of the parties as expressed in this Agreement, or (ii) unreasonable burdens or excessive liabilities shall have been imposed on the County or the Lessee in respect to the Project including without limitation federal, state or other ad valorem, property, income or other taxes not being imposed on the date of this Agreement, or (iii) interest on the Bonds shall have become subject to Federal income taxation.

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

(1) An amount of money which, when added to the amount then on deposit in the Bond Fund, will be sufficient to retire and redeem all the then outstanding Bonds on the earliest possible date after notice as provided in the Indenture, whether or not such date is an interest payment date, including without limitation, principal, all interest to accrue to said redemption date and redemption expense, plus

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

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

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

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

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

(b) A certificate of an Independent Engineer who is acceptable to the Trustee, dated not more than ninety days prior to the date of the purchase and stating that, in the opinion of the person signing such certificate, (i) the portion of the Leased Land with respect to which the option is exercised is not needed for the operation of the Project for the pur-

poses hereinabove stated, and (ii) the purchase will not impair the usefulness of the Project as a manufacturing plant and will not destroy the means of ingress thereto and egress therefrom.

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

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

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

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

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

(i) those liens and encumbrances (if any) to which title to said property was subject when conveyed to the County; (ii) those liens and encumbrances created by

the Lessee or to the creation or suffering of which the Lessee consented; (iii) those liens and encumbrances resulting from the failure of the Lessee to perform or observe any of the agreements on its part contained in this Agreement; (iv) Permitted Encumbrances other than the Indenture and this Agreement; and (v) if the option is exercised pursuant to the provisions of Section 11.2(b) hereof, the rights and title of the condemning authority.

SECTION 11.5. Relative Position of Options and

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

ARTICLE XII

ADDITIONAL OBLIGATIONS OF LESSEE AND COUNTY

SECTION 12.1. Obligation to Purchase Project. The

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

SECTION 12.2. Lessee's Obligation to Purchase Project Under Certain Circumstances.

(a) In the event that there shall be a violation of any of the covenants set forth in either of Section 8.9(2) or Section 8.9(3), or

(b) Should there occur an "Official Determination" as hereinafter defined,

the Lessee agrees to purchase, in full discharge of all liability hereunder, the Project within thirty days after the occurrence of either of such events, at a purchase price equal to the principal amount of all Bonds then outstanding, plus accrued interest to the redemption date and a redemption premium computed in the manner prescribed in Section 12.4, plus any expenses of redemption and the Trustee's and paying agents' fees and charges, but after the deduction of the amount, if any, then in the Bond Fund. The obligation of

the Lessee under this Section 12.2 shall survive any termination of the Lease Term.

At the closing of any such purchase of the Project pursuant to this Section, the County shall deliver to the Lessee the documents referred to in Section 11.4. The purchase price shall be applied, together with other available moneys in the Bond Fund, to the redemption of the Bonds on the earliest possible date after notice as provided in the Indenture, whether or not such date is an interest payment date, and to the payment of any redemption premium required by Section 12.4 on account of any previously paid Bonds.

The term "Official Determination" shall mean:

(A) the issuance of a statutory notice of deficiency by the Internal Revenue Service which holds in effect that the interest payable on any of the Bonds is includable in the gross income of a holder thereof (other than a holder who is a "substantial user" of the Project or "related person" as such terms are defined in the Internal Revenue Code of 1954, as amended (the "Code")), as a result of the failure of the Bonds to qualify as an exempt small issue under Section 103(c)(6)(A) of the Internal Revenue Code of 1954, as amended; or

(B) a ruling by the Internal Revenue Service that the Bonds are "arbitrage bonds" under Section 103(d) of the Code.

Such an Official Determination shall be deemed for all purposes of this Agreement to have occurred on the date borne by said statutory notice of deficiency, or said ruling, whichever shall be applicable.

SECTION 12.3. Obligation of Lessee Further Defined.

The parties recognize that the Bonds are being issued as tax free obligations pursuant to Section 103(c)(6)(A) of the

Code, and that circumstances (not now contemplated or anticipated) may hereafter result in an Official Determination as provided in Section 12.2 that interest on the Bonds is subject to Federal Income Tax by reason of a violation (actual or claimed) of a covenant set forth in either of Section 8.9(2) or Section 8.9(3) hereof. It is the intention of the parties hereto that the Lessee shall, under the circumstances set forth in the preceding sentence, provide each person who is or was a holder of a Bond on the Taxable Date, as defined in Section 12.4 hereof, with the relief prescribed in Section 12.2 and Section 12.4 hereof, without regard to the final outcome of any dispute, and that an Official Determination as prescribed in Section 12.2(b) shall be conclusive even though it might be thereafter determined by Court order, ruling or otherwise that interest on the Bonds was, in fact, not subject to Federal Income Taxes.

SECTION 12.4. Computation of Additional Redemption Premium. For the purposes of this Article, the term "Taxable Date" shall mean the date as of which occurred a violation of any covenant set forth in either of Section 8.9(2) or Section 8.9(3) or the date of the occurrence of the circumstances set forth in the Official Determination which resulted in interest payable on the Bonds becoming includable in the gross income of the holders of the Bonds (other than any holder who is a substantial user or related person as such are defined in the Code).

In the event the Lessee is required to purchase the Project by virtue of the provisions of Section 12.2, the total redemption premium payable by the Lessee shall be the aggregate of the premiums computed on each Bond outstanding on the Taxable Date, as follows: such redemption premium shall be 3% for six months, or fraction thereof, between the Taxable Date, and the date of the redemption

or the earlier payment date of any Bond which shall have been paid (whether at maturity or by redemption) subsequent to the Taxable Date and prior to the redemption date, but shall be reduced by the amount of any optional redemption premium previously paid on any Bond. On the occasion of the purchase of the Project pursuant to the requirements of Section 12.2 the purchase price paid by Lessee shall include the total premium above prescribed so that each person who was a holder of any Bond on the occasion when the same was paid (whether at maturity or by redemption) prior to the redemption date but subsequent to the Taxable Date shall receive a premium on each such Bond computed according to the provisions of this Section 12.4.

ARTICLE XIII

MISCELLANEOUS

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

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

SECTION 13.3. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, or given when dispatched by telegram addressed as follows: if to the County, to the County Council of Charleston County, Charleston County Office Building, 2 Court-house Square, Charleston, South Carolina 29401; if to the Lessee, at _____, Attention: _____; if to the Trustee, at 913 South Calhoun Street, Fort Wayne, Indiana 46802, Attention: Corporate Trust Officer. The County, the Lessee and the Trustee may, by notice given to all parties to this Agreement and the Indenture, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 13.4. Recording and Filing.

(a) This Agreement as originally executed shall be recorded prior to the recordation of the Indenture. It shall be recorded and indexed as a miscellaneous conveyance and as a security agreement.

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the appropriate office of the County in which the Project is located or in such other office as may at the time be provided by law as the proper place for recordation thereof. The security interest of the County created herein as to any personal property, equipment and fixtures forming a part of the Project shall be perfected by the filing of financing statements which fully comply with the South Carolina Uniform Commercial Code--Secured Transactions, in the appropriate office of the County in which the Project is located, and in the Office of the Secretary of State in the City of Columbia, South Carolina. The parties further agree that all necessary continuation statements shall be filed within the time prescribed by the South Carolina Uniform Commercial Code--Secured Transactions in order to continue the security interests created by this Agreement, to the end that the rights of the holders of the Bonds and the Trustee in the Project shall be fully preserved as against creditors of, or purchasers for value from, the County or the Lessee.

(b) The deed conveying the Leased Land to the County, this Agreement and the Indenture may be recorded prior to the delivery of the Bonds. If subsequent to such recording the Bonds shall not be delivered on or before the date prescribed in Section 4.2 hereof, or such later date as the Lessee may agree upon in writing, then the said deed, this Agreement and the Indenture shall be of no force and effect and in such event the County and the Lessee do hereby mutually release and discharge each other from any and all claims of any character which either may have against the other by reason of or arising from a failure to deliver the Bonds; and all properties conveyed to the County by said deed and for the same consideration paid by the County less any

advances made therefor or on behalf of the Lessee. All parties shall execute such further instruments as may be necessary to fully implement the provisions of this subsection (b) of Section 13.4.

SECTION 13.5. Other Instruments.

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

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

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

(3) deliver the fully executed supplement to the Indenture and the fully executed supplement to this Agreement to the Trustee for recording and filing or re-recording or re-filing in all places required by the opinion of counsel referred to in Clause (4) of this subsection (a) of this Section 13.4; and

(4) deliver to the Trustee a written opinion of counsel (who may be counsel for the County or

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

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

to the opinion of such counsel and shall continue or cause to be continued the liens of such instruments for so long as the First Series Bonds shall be outstanding, except as otherwise in this Agreement required.

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

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

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

SECTION 13.9. Amendments, Changes and Modifications. This Agreement may not be amended, changed, modified, altered or terminated without in each instance the prior written consent of the Trustee.

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

SECTION 13.11. Execution of Counterparts. This Agreement may be executed in several counterparts, each of which

shall be an original and all of which shall constitute but one and the same instrument.

SECTION 13.12. Law Governing Construction of Agreement.

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

IN WITNESS WHEREOF, CHARLESTON COUNTY, SOUTH CAROLINA, has executed this Lease Agreement by causing its name to be hereunto subscribed by the Chairman of the County Council of Charleston County, and the official seal of said County Council to be impressed hereon and attested by the Clerk of said County Council; and WETTERAU, INC. has executed this Lease Agreement by causing its corporate name to be hereunto subscribed by its President and its corporate seal to be impressed hereon and attested by its Secretary, all being done as of the day and year first above written.

CHARLESTON COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman, County Council of
Charleston County

Attest:

Clerk, County Council of
Charleston County

Signed, sealed and delivered in the
Presence of:

WETTERAU, INC.

(SEAL)

By _____
President

Attest:

Secretary

Signed, Sealed and Delivered in
the Presence of:

STATE OF SOUTH CAROLINA
COUNTY OF CHARLESTON.

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

_____ SWORN to before me this
_____ day of _____ A.D., 1974.

(LS)
NOTARY PUBLIC FOR SOUTH CAROLINA.
My Commission expires: _____.

STATE OF
COUNTY OF

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

SWORN to before me this

_____ day of _____, A. D., 1974.

(LS)

NOTARY PUBLIC FOR STATE OF _____
My Commission expires: _____.

EXHIBIT "A"

(Attached to Lease Agreement between Charleston County, South Carolina, and Wetterau, Inc. , dated as of 1, 1974.)

DESCRIPTION OF LEASED LAND

SIZE OF BUILDING TO BE CONSTRUCTED ON LEASED LAND IN TERMS OF SQUARE FOOTAGE: _____.

AMOUNT OF TITLE INSURANCE TO BE OBTAINED PURSUANT TO SECTION 3.3.

\$ _____.

RELEASE PAYMENT TO BE MADE FOR RELEASE OF LEASED LAND PURSUANT TO SECTION 11.3: \$ _____ per acre.

STATE OF SOUTH CAROLINA)
)
COUNTY OF CHARLESTON) ASSIGNMENT OF LEASE AGREEMENT

KNOW ALL MEN BY THESE PRESENTS, that Charleston County, a body politic and corporate and a political subdivision of the State of South Carolina, acting by and through the County Council of Charleston County, in consideration of the sum of ONE DOLLAR (\$1.00) to it in hand paid at and before the sealing of these presents, the receipt of which is hereby acknowledged, has assigned, transferred and set over unto Peoples Trust Bank, Fort Wayne, Indiana, as Trustee under that certain Trust Indenture dated as of June 1, 1974, between said Charleston County and said Peoples Trust Bank, Fort Wayne, Indiana, as Trustee, and its successors in trust:

All of the right, title and interest of said Charleston County in and to the foregoing Lease Agreement dated as of June 1, 1974, between said Charleston County, as Landlord, and Wetterau, Inc., as Tenant.

This assignment is made pursuant to and subject to all the terms and conditions of said Trust Indenture dated as of June 1, 1974, the terms of which are incorporated by this reference as fully as if the same were set forth at length herein, the Trust Indenture being intended to be duly recorded immediately, subject to the recording of said Lease Agreement and this Assignment.

IN WITNESS WHEREOF, Charleston County, South Carolina, has executed this Assignment by causing its name to be hereunto subscribed by the Chairman of its County Council and

Assignment - 1

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the official seal of said County Council to be impressed hereon and attested by the Clerk of said County Council, all being done as of the 1st day of June, 1974.

CHARLESTON COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman, County Council of
Charleston County

Attest:

Clerk, County Council of
Charleston County

Signed, sealed and delivered in
the presence of:

STATE OF SOUTH CAROLINA,

COUNTY OF CHARLESTON.

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

SWORN to before me this

____ day of _____, A. D. 1974.

_____(L.S.)
Notary Public for South Carolina

My Commission Expires: _____.

CHARLESTON COUNTY, SOUTH CAROLINA

AND

PEOPLES TRUST BANK,
as Trustee

TRUST INDENTURE

Dated as of June 1, 1974

TRUST INDENTURE

THIS TRUST INDENTURE made and entered into as of the 1st day of June, 1974, by and between CHARLESTON COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina (hereinafter sometimes referred to as the "County"), as party of the first part, and PEOPLES TRUST BANK, a national banking association duly organized, existing and authorized to accept and execute trusts of the character herein set out, under and by virtue of the laws of the United States, as Trustee, party of the second part;

WITNESSETH:

WHEREAS, the County is authorized and empowered by the provisions of Act No. 103 of the Acts of the General Assembly of the State of South Carolina, for the year 1967, as amended, (the "Act") to acquire, own, lease, dispose of, and mortgage the properties hereinafter described in order that the industrial development of South Carolina will be promoted and trade developed by inducing manufacturing enterprises to locate and remain in South Carolina and thus utilize and employ manpower and other resources of South Carolina; and

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

WHEREAS, the County has made the necessary arrangements with Wetterau, Inc., a corporation organized and existing under the laws of the State of Missouri (hereinafter sometimes referred to as the "Lessee") for the acquisition of office and garage facilities for its warehouse and distribution facilities in Charleston County, and necessary land and buildings in connection therewith (hereinafter sometimes referred to as the "Project") which will be of the character and accomplish the purpose provided by the Act, and the County has further entered into a Lease Agreement with the Lessee specifying the terms and conditions of the acquisition of the Project and the leasing of the same to the Lessee, and the payment of the Bonds hereinafter referred to has been unconditionally guaranteed by Wetterau, Inc; and

WHEREAS, the execution and delivery of this Trust Indenture (hereinafter sometimes referred to as the "Indenture") have been authorized by Resolutions duly adopted by the County Council of Charleston County (hereinafter sometimes referred to as the "County Board"), as established pursuant to Act No. 764 of the Acts of the South Carolina General Assembly, 1948, and the County in accordance with the requirements of Section 14 of the Act has submitted its Petition to the State Budget and Control Board of South Carolina, including a general summary of the terms and conditions of the Indenture, and the State Budget and Control Board of South Carolina has duly approved the Project in accordance with the provisions of the Act and thereby authorized the County Board to proceed with the acquisition and financing of the Project. Notice of the approval was duly published in a newspaper having general circulation in the County and notwithstanding more than twenty days have elapsed from the date of the publication of such notice, no challenge was made to the validity of such approval as provided in the Act; and

WHEREAS, it has been determined that the estimated amount necessary to finance the cost of the Project will require the issuance, sale and delivery of Bonds designated as CHARLESTON COUNTY FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, SERIES 1974 (WETTERAU, INC. - LESSEE) in the aggregate principal amount of \$1,000,000 as hereinafter provided; and

WHEREAS, the Lessor has secured the agreement of Wetterau, Inc. to execute and deliver a Guaranty Agreement substantially in the form of Exhibit C to this Indenture, pursuant to which Wetterau, Inc. as an inducement to the Lessor to issue the Bonds and to the purchasers to purchase the Bonds, shall unconditionally guarantee the full and prompt payment of the principal of, and premium, if any, and interest on any such Bonds when and as the same shall become due; and

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

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

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal obligations of the County according to the import thereof, and to constitute this Indenture a valid lien on the properties mortgaged and a valid pledge of the lease rentals, revenues

and receipts herein made to the payment of the principal of, premium, if any, and interest on the Bonds, have been done and performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

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

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

I

The real property situated in Charleston County, State of South Carolina, described in Exhibit A attached

hereto, with all buildings, additions, improvements and fixtures now or hereafter located thereon or therein and with the tenements, hereditaments, servitudes, appurtenances, rights, privileges and immunities thereunto belonging or appertaining which may from time to time be owned by the County.

II

All right, title and interest of the County in and to the Lease Agreement, dated as of June 1, 1974, between the County and Wetterau, Inc. and all Lease Rentals, (as hereinafter in this Indenture defined) received or to be received under said Lease Agreement.

III

All Lease Rentals arising out of or in connection with the ownership of the Project.

IV

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

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

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all holders and owners of the Bonds and interest coupons thereto appertaining issued under and secured by this Indenture without privilege, priority

or distinction as to the lien or otherwise of any of the Bonds or interest coupons appertaining over any of the others of the Bonds or interest coupons;

PROVIDED, HOWEVER, that if the County shall pay or cause to be paid to the holders and owners of the Bonds and bearers of interest coupons, the principal, interest and premium, if any, to become due thereon at the times and in the manner stipulated therein and herein and if the County shall keep, perform and observe all and singular the covenants and promises in the Bonds and in this Indenture expressed as to be kept, performed and observed by it or on its part, or if the issuance of the Bonds is not made within the time provided in Section 4.2 of the Lease Agreement, then these presents and the estate and rights hereby granted shall, at the option of the County, cease, determine and be void, and thereupon the Trustee shall cancel and discharge the lien of this Indenture and execute and deliver to the County such instruments in writing as shall be requisite to satisfy the lien hereof, and deliver to the County any property at the time subject to the lien of this Indenture which may then be in its possession, except amounts in the Bond Fund required to be paid to the Lessee under Section 510 hereof and except cash held by the Trustee for the payment of interest on and retirement of the Bonds; otherwise this Indenture to be and remain in full force and effect.

THIS TRUST INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said lease rentals, revenues and receipts hereby pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements,

trusts, uses and purposes as hereinafter expressed, and the County has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective holders and owners, from time to time, of the said Bonds and the bearers of the interest coupons thereto appertaining, or any part thereof, as follows:

ARTICLE I

DEFINITIONS

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

"ACT" means Act No. 103 of the Acts of the General Assembly of the State of South Carolina, for the year 1967, as amended.

"BOND" or "BONDS" means the \$1,000,000 First Mortgage Industrial Revenue Bonds, Series 1974 (Wetterau, Inc. - Lessee) of the County to be issued hereunder. Bonds shall also include Substitute Bonds.

"BOND FUND" or "CHARLESTON COUNTY INDUSTRIAL REVENUE BOND FUND - WETTERAU PROJECT" means the fund created in Section 502 hereof.

"BONDHOLDER" or "HOLDER" or "OWNER OF THE BONDS" means the bearer of any coupon Bond which is not registered or is registered to bearer, and the registered owner of any Bond registered otherwise than to bearer.

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

"CONSTRUCTION FUND" or "CHARLESTON COUNTY INDUSTRIAL CONSTRUCTION FUND - WETTERAU PROJECT" means the fund created by Section 602 hereof.

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

"COUNTY BOARD" means the County Council of Charleston County as the governing body of Charleston County, and any successor body.

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

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

"GUARANTOR" means Wetterau, Inc., a Missouri corporation.

"GUARANTY AGREEMENT" means the Guaranty Agreement executed by and between Wetterau, Inc. and the Trustee dated as of June 1, 1974, pursuant to which Wetterau, Inc. guarantees the full and prompt payment of the principal of, premium, if any, and interest on, the Bonds, a copy of which is hereto attached as Exhibit "C".

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

"LEASE AGREEMENT" means the Lease Agreement executed by and between the County and the Lessee dated as of June 1, 1974, and any amendments or supplements thereto.

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

"LESSEE" means Wetterau, Inc., a Missouri corporation, and its successors and assigns and any surviving, resulting or transferee corporation as provided in Section 8.3 of the Lease Agreement.

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

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

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

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

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

(c) Bonds deemed to have been paid within the meaning of Section 901 hereof.

"PENALTY RATE" shall mean so long as the Bonds initially issued shall be outstanding, interest at the rate of 8% per annum; if and when Substitute Bonds are outstanding, Penalty Rate shall mean interest at the rate of 10% per annum.

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

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

"SECRETARY" means the Secretary of the County Board. This term which also included a person whose title is Clerk and the Assistant or Acting Secretary or Clerk of the County Board whenever by reason of absence, illness or other reason, the person who is the Secretary or Clerk is unable to act.

"SUBSTITUTE BONDS" shall mean Bonds issued pursuant to Section 209 hereof in exchange for outstanding Bonds initially issued pursuant to Section 202 hereof.

"TRUST ESTATE" means the Mortgaged Property.

"TRUSTEE" means Peoples Trust Bank, Fort Wayne, Indiana, the party of the second part hereto, and any successor trustee pursuant to Sections 1105 or 1108 hereof at the time serving as successor trustee hereunder.

ARTICLE II

THE BONDS

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

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

SECTION 202. Issuance of Bonds. Bonds in the aggregate principal amount of \$1,000,000 dated as of June 1, 1974, shall be issued. Subh Bonds shall be designated "First Mortgage Industrial Revenue Bonds, Series 1974 (Wetterau, Inc. - Lessee)." They shall bear interest from June 1, 1974 at the rate of seven per centum (7%) per annum, payable December 1, 1974, and semiannually thereafter on June 1 and December 1 of each year. They shall be in the denomination of \$5,000 each, shall be numbered consecutively from 1 to 200, inclusive, and shall mature on June 1 in each of the years set forth in, and in the principal amount set opposite each year in, according to the following schedule:

<u>June 1</u> <u>in the Year</u>	<u>Principal</u> <u>Amount Maturing</u>	<u>June 1</u> <u>in the Year</u>	<u>Principal</u> <u>Amount Maturing</u>
1979	\$ 5,000	1988	\$ 60,000
1980	5,000	1989	60,000
1981	10,000	1990	70,000
1982	20,000	1991	80,000
1983	30,000	1992	100,000
1984	40,000	1993	110,000
1985	50,000	1994	120,000
1986	60,000	1995	120,000
1987	60,000		

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

the principal office of the Trustee. Payments of interest made in respect of registered Bonds provided for in Section 208 shall be by check or draft mailed by the Trustee to the registered holder at the address shown on the registration books.

SECTION 203. Execution; Limited Obligation. The Bonds shall be executed on behalf of the County by the Chairman of the County Board and the corporate seal of the County or a facsimile thereof shall be impressed or reproduced thereon and attested by the Secretary of the County Board, provided that at least one of said signatures shall be a manual signature. The coupons attached to the Bonds shall be executed by the facsimiles of the official signatures of said Chairman and Secretary and such facsimiles shall have the same force and effect as if said Chairman and Secretary had manually signed each of the coupons. The Bonds, together with interest thereon, shall be limited obligations of the County payable from the Bond Fund and shall be a valid claim of the respective holders thereof against the County only against such fund and the Lease Rentals from the leasing or sale of the Project pledged to such fund (but in addition shall be secured by the lien of the Indenture on the Project), which Lease Rentals are hereby pledged and assigned for the equal and ratable payment of the Bonds and the coupons and shall be used for no other purposes than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in this Indenture. Payment of the principal, premium, if any, and interest on the Bonds has been unconditionally guaranteed by Wetterau, Inc. pursuant to the Guaranty Agreement. The Bonds and coupons do not now and shall never constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

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

SECTION 204. Authentication. Only such Bonds as shall have endorsed thereon a certificate of authentication substantially in the form hereinabove set forth duly executed by the Trustee shall be entitled to any right or benefit under this Indenture. No Bond and no coupon appertaining to any Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized signature of the Trustee, but it shall not be necessary that the same person sign the certificate of authentication on all of the Bonds issued hereunder. Before authenticating or delivering any Bonds, the Trustee shall detach and cancel all matured coupons, if any, appertaining thereto, and such cancelled coupons shall be cremated by the Trustee.

SECTION 205. Form of Bonds. The Bonds initially issued under this Indenture and the coupons attached thereto shall be substantially in the form set forth in Exhibit B attached hereto with such appropriate variations, omissions and insertions as are permitted or required by this Indenture. The Substitute Bonds shall be in such form as shall be prescribed by the supplemental indenture making provision for their issuance.

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

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

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

2. An original executed counterpart of the Lease Agreement and Guaranty Agreement.

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

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

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

6. A request and authorization to the Trustee on behalf of the County Board and signed by the Chairman and Secretary of the County Board to authenticate and deliver the Bonds in the aggregate principal amount of \$1,000,000 to the purchasers therein identified upon payment to the Trustee but for account of the County of a sum specified in such re-

quest and authorization plus accrued interest thereon to the date of delivery. Such proceeds shall be paid over to the Trustee and deposited to the credit of the Bond Fund and Construction Fund as hereinafter provided under Article VI hereof.

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

SECTION 208. Registration of Bonds; Persons Treated As Owners. Each of the Bonds issued hereunder shall be fully negotiable and pass by delivery but shall be subject to registration (as hereinafter provided) as to principal or as to both principal and interest in the name of the owner on registration books to be provided for that purpose by the County at said principal office of the Trustee, as Bond Registrar. Upon presentation at said office any of the Bonds may be registered as to principal only and

such registration shall be evidenced by notation to that effect by the Bond Registrar in the registration blank on the reverse side thereof, after which no transfer thereof shall be valid unless made at the written request of the registered owner or his duly authorized attorney on said registration books and similarly endorsed thereon. Such registered Bonds may be thus transferred to bearer whereupon transferability by delivery shall be restored but the Bonds may again, from time to time, be registered or transferred to bearer as before. Such registration of any of the Bonds shall not affect the transferability by delivery only of the coupons thereunto appertaining, provided that if upon registration of any such Bond, or at any time thereafter while registered in the name of the owner, the unmatured coupons attached evidencing interest to be thereafter paid thereon shall be surrendered to said Bond Registrar a statement to that effect will be endorsed thereon and thereafter interest evidenced by such surrendered coupons will be paid by check or draft at the times provided therein to the registered owner by mail to the address shown on the registration books. Each of the Bonds when converted as aforesaid into a Bond registered as to both principal and interest may be reconverted into a coupon Bond at the written request of the registered owner or his duly authorized attorney and upon presentation at the office of said Bond Registrar. Upon such reconversion the coupons representing the interest to become due thereafter to the date of maturity will be attached to the Bond and a statement will be endorsed thereon by said Bond Registrar in the registration blank on the back of the Bond as to whether it is then registered as to principal alone or payable to bearer. No charge shall be made to any Bondholder for the privilege of registration and transfer hereinabove granted, but any bondholder

requesting any such registration or transfer shall pay any tax or other governmental charge required to be paid with respect thereto. As to any Bond registered as to principal, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and payment of or on account of the principal of any such Bond shall be made only to or upon the order of the registered owner thereof, or his duly authorized attorney, and neither the County, the Trustee, any paying agent nor the Bond Registrar shall be affected by any notice to the contrary, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. The County, the Trustee, the Bond Registrar and any paying agent may deem and treat the bearer of any Bond which shall not at the time be registered as to principal (except to bearer), and the bearer of any coupon appertaining to any Bond, whether such Bond be registered as to principal or not, as the absolute owner of such Bond or coupon, as the case may be, whether such Bond or coupon shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and neither the County, the Bond Registrar, any paying agent nor the Trustee shall be affected by any notice to the contrary.

SECTION 209. Issuance of Substitute Bonds. If as a consequence of the happening of any event referred to in Section 11.2(c) of the Lease Agreement, interest on the Bonds initially issued shall have become subject to Federal income taxes, the County at the request of the Lessee, will cause the issuance of Substitute Bonds for the purpose of causing the same to be exchanged for Bonds initially issued. Substitute Bonds shall be dated as of June 1, 1974, but

shall bear interest at the rate of nine per centum (9%) per annum from the date as of which interest on the Bonds initially issued became subject to Federal income taxes, payable on each June 1 and December 1 following such date. Substitute Bonds shall be issued in the aggregate principal amount equal to the principal amount of Bonds outstanding on the date set for such exchange. They shall be numbered in accordance with the numbering of Bonds then outstanding (except that the prefix "S" shall appear before each number) and they shall mature in accordance with the maturity schedule of Bonds then outstanding. In all other respects, Substitute Bonds shall be of like tenor with the Bonds then outstanding. Substitute Bonds shall be delivered only in exchange for a like principal amount of Bonds initially issued then outstanding.

SECTION 210. Delivery of Substitute Bonds. Upon the execution and delivery of an appropriate indenture supplemental hereto, the County shall execute and deliver to the Trustee, and the Trustee shall authenticate Substitute Bonds and deliver them in exchange to the holders of the then outstanding Bonds initially issued in the manner directed by the County as hereinafter in this Section 210 provided.

Prior to the delivery by the Trustee of any Substitute Bonds, there shall be filed with the Trustee:

1. A certificate of the Lessee stating that it has irrevocably exercised the option provided by Section 8.10(b) of the Lease Agreement.
2. A valid and effective supplemental indenture providing for the issuance of the Substitute Bonds.
3. A copy, duly certified by the Secretary of the County Board, of the Resolutions theretofore adopted and approved, authorizing the execution and delivery of the supplemental indenture.

4. An amount equal to the interest on all Bonds outstanding on the date as of which interest on the Bonds became taxable (the taxable date) at the rate of 9% per annum from the taxable date to the date fixed for the exchange of Bonds outstanding for Substitute Bonds, or to the date of redemption or payment of any Bonds which shall have been paid subsequent to the taxable date and prior to the date fixed for the exchange, less amounts previously paid as interest during such period, it being intended that the holders of all Bonds outstanding on the taxable date shall receive interest from the taxable date at the rate of 9% per annum. Such sums so received shall be deposited by the Trustee in the Bond Fund for the payment of the persons entitled thereto.

5. An amount of money equal to the cost and expenses incurred by the Trustee and the County effecting the issuance of the Substitute Bonds.

6. Satisfactory proof that the notice prescribed by Section 8.10 of the Lease Agreement has been duly given.

7. A written opinion by an attorney or firm of attorneys of recognized standing on the subject of municipal bonds to the effect that the issuance of the Substitute Bonds and the execution thereof have been duly authorized and the conditions precedent to the delivery thereof have been fulfilled.

8. A request and authorization to the Trustee on behalf of the County signed by the Chairman and Secretary of the County Board to deliver the Substitute Bonds to those entitled thereto in exchange for an equal principal amount of Bonds then outstanding.

ARTICLE III

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 301. Redemption Dates and Prices for

Bonds. The Bonds are noncallable for redemption prior to June 1, 1984, except in the event of exercise by the Lessee of its options to purchase the Project as provided in Section 11.2 of the Lease Agreement. If called for redemption in any of such events, the Bonds shall be subject to redemption by the County at any time after notice as provided in this Indenture, whether or not such date is an interest payment date, in whole and not in part, at the principal amount thereof, plus accrued interest to the redemption date.

The Bonds maturing on and after June 1, 1985, are also subject to redemption by the County prior to maturity on any interest payment date on or after June 1, 1984, in whole or in part, but if in part in inverse order of their maturities (less than all of the Bonds of a single maturity to be selected by lot by the Trustee) at the redemption prices (expressed as percentages of principal amount) set forth in the table below, plus accrued interest to the redemption date:

<u>Redemption Date</u>	<u>Redemption Price</u>
June 1 and December 1, 1984.....	105%
June 1 and December 1, 1985.....	104
June 1 and December 1, 1986.....	103
June 1 and December 1, 1987.....	102
June 1 and December 1, 1988.....	101
June 1, 1989 and thereafter.....	100

SECTION 302. Notice of Redemption. In the event any of the Bonds are called for redemption, the Trustee shall give notice, in the name of the County, of the redemption of such Bonds, which notice shall specify the redemption date and the place or places where amounts due upon such redemption will be payable and the numbers of such bonds so to be redeemed. Such notice shall be given by publication at least once not less than 30 days nor more than 60 days prior to the redemption date in a newspaper or financial journal of general circulation published in the City of New York, and in the case of the redemption of Bonds registered as to principal, upon mailing a copy of the redemption notice by first class mail at least thirty days prior to the date fixed for redemption to the holder of each such Bond to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing or any defect therein, shall not affect the validity of any proceedings for the redemption of Bonds. If all of the Bonds to be redeemed are Bonds registered as to principal, notice by mailing given by first class mail to the holder or holders thereof, at the addresses shown on the registration books, not less than thirty days prior to the date fixed for redemption as aforesaid shall be sufficient and published notice of the call for redemption need not be given and failure duly to give such notice by mailing, or any defect in the notice, to the holder of any such Bond designated for redemption shall not affect the validity of any proceedings for the redemption of any other Bond. All Bonds so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit with the Trustee and shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture. If, because of the temporary

or permanent suspension of the publication or general circulation of any newspaper or financial journal or for any other reason, it is impossible or impracticable to publish such notice of call for redemption in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of notice.

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

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

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

ARTICLE IV

GENERAL COVENANTS

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

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

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

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

SECTION 403. Ownership; Instruments of Further Assurance.

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

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

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

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

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

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

ment and on behalf of the Bondholders whether or not the County is in default hereunder.

SECTION 408. List of Bondholders. To the extent that such information shall be made known to the County under the terms of this Section 408, it will keep on file at the corporate trust office of the Trustee a list of names and addresses of the last known holders of all Bonds payable to bearer and believed to be held by each of such last known holders. Any Bondholder may request that his name and address be placed on said list by filing a written request with the County or with the Trustee, which request shall include a statement of the principal amount of Bonds held by such holder and the numbers of such Bonds. The Trustee shall be under no responsibility with regard to the accuracy of said list. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copies by the Lessee or by holders and/or owners (or a designated representative thereof) of twenty-five percent or more in principal amount of Bonds then outstanding, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

SECTION 409. Recording and Filing. This Indenture shall be recorded and indexed as mortgage of real estate in the office in the County wherein are recorded mortgages of real estate, or in such other office as may be at the time provided by law as the proper place for the recordation thereof. The security interest of the Trustee created by this Indenture in any personal property and fixtures which are to be part of the Project, shall be perfected by the filing in the office in the County wherein financing statements are filed, and in the office

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

ARTICLE V

REVENUES AND FUNDS

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

The Project has been leased under the Lease Agreement and the payments provided for in Section 5.3 of the Lease Agreement are to be remitted directly to the Trustee for the account of the County and deposited in the Bond Fund. Such payments are sufficient in amount to pay the principal of, premium, if any, and interest on the Bonds, and the Lease Rentals are pledged to the payment of the principal of, premium, if any, and interest on the Bonds. The County hereby covenants and agrees that it will not create any lien upon said Lease Rentals or the Project other than the lien hereby created.

SECTION 502. Creation of the Bond Fund. There is hereby created by the County and ordered established with the Trustee a trust fund to bear the designation set forth in the definition of "Bond Fund" in Section 101.

SECTION 503. Payments into the Bond Fund. There shall be deposited into the Bond Fund all accrued interest derived from the sale of the Bonds. In addition, there shall be deposited into the Bond Fund, as and when received (a) any amount remaining in the Construction Fund to the extent provided in Section 4.3 of the Lease Agreement except as otherwise directed

pursuant to said Section 4.3; (b) all payments prescribed by Section 5.3 of the Lease Agreement; (c) all moneys received pursuant to the Guaranty Agreement; and (d) all other moneys received by the Trustee under and pursuant to any of the provisions of the Lease Agreement when the Lease Agreement provides for their deposit in the Bond Fund when accompanied by directions by Lessee that such moneys are to be paid into the Bond Fund. The County hereby covenants and agrees that so long as any of the Bonds issued hereunder are outstanding it will deposit, or cause to be deposited (but solely from, and only to the extent of, the Lease Rentals), in the Bond Fund for its account sufficient sums from Lease Rentals promptly to meet and pay the principal of, interest and premium, if any, on the Bonds as the same become due and payable and to this end the County covenants and agrees, so long as any Bonds issued hereunder are outstanding, that, should there be a default under the Lease Agreement with the result that the right of possession of the Project under the Lease Agreement is returned to the County, the County shall fully cooperate with the Trustee and with the Bondholders to the end of fully protecting the rights and security of the Bondholders and the bearers of coupons appertaining to the Bonds and shall diligently proceed in good faith and use its best effort to secure another tenant for the premises to the end that at all times sufficient Lease Rentals will be derived from the Project promptly to meet and pay the principal of, interest and premium, if any, on the Bonds as the same become due and payable, and to defray the cost of maintaining and insuring the Project. Nothing herein

shall be construed as requiring the County to operate the Project or to use any funds or revenues from any source other than Lease Rentals.

SECTION 504. Use of Moneys in the Bond Fund. Except as provided in Section 510 hereof, moneys in the Bond Fund shall be used solely for the payment of the principal of, interest on, and premium, if any, on the Bonds and for the redemption of the Bonds at or prior to maturity. Except as provided in Article III, no moneys in the Bond Fund shall be used to redeem, prior to maturity, a part of the Bonds outstanding; provided, that whenever the amount in the Bond Fund from any source whatsoever is sufficient to redeem all of the Bonds outstanding hereunder and to pay interest to accrue thereon prior to such redemption, the County covenants and agrees to take and cause to be taken the necessary steps to redeem all of said Bonds on the next succeeding redemption date for which the required redemption notice may be given; and provided further that any moneys in the Bond Fund resulting from payments made pursuant to Section 9.5 of the Lease Agreement may be used at the request of the County to redeem a part of the Bonds outstanding on the next succeeding redemption date for which the required notice of redemption may be given, so long as the Lessee is not in default under the Lease Agreement, and to the extent said moneys are in excess of the amount required for payment of Bonds theretofore matured or called for redemption and past due interest in all cases where such Bonds or coupons have not been presented for payment.

SECTION 505. Custody of the Bond Fund. The Bond Fund shall be in the custody of the Trustee but in the name of the County and the County hereby authorizes and directs the

Trustee to withdraw sufficient funds from the Bond Fund to pay principal of and interest and premium, if any, on the Bonds as the same become due and payable and to make said funds so withdrawn available to the Trustee and to the paying agent or agents for the purpose of paying said principal and interest, and premium, if any, which authorization and direction the Trustee hereby accepts.

SECTION 506. Non-presentment of Bonds or Coupons.

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

SECTION 507. Trustee's and Paying Agents' Fees, Charges and Expenses. Pursuant to the provisions of the Lease Agreement the Lessee has agreed to pay the Trustee, until the principal of, interest and premium, if any, on the Bonds shall have

been fully paid: (i) an amount equal to the annual fee of the Trustee for the Ordinary Services of the Trustee rendered, as trustee, and its Ordinary Expenses incurred, as trustee, under this Indenture, as and when the same becomes due, (ii) the reasonable fees and charges of the Trustee, as Bond Registrar and paying agent, and any paying agents for acting as paying agent as and when the same become due, and (iii) the reasonable fees and charges for the necessary Extraordinary Services and Extraordinary Expenses of the Trustee under this Indenture, as and when the same become due. The Lessee may, without creating a default hereunder, contest in good faith the necessity for any such Extraordinary Services and Extraordinary Expenses and the reasonableness of any of the fees, charges or expenses referred to herein.

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

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

The Trustee hereby accepts and agrees to perform the duties and obligations as therein specified. Any moneys held by the Trustee pursuant to the provisions of this Section may be invested and reinvested, with the approval of the Lessee, in investments authorized by Section 702 hereof for the investment of moneys held as a part of the Bond Fund.

SECTION 510. Repayment to the Lessee from the Bond Fund. Any amounts remaining in the Bond Fund after payment in full of the principal of, interest and premium, if any, on Bonds (or provision for payment thereof as provided in this Indenture), the fees, charges and expenses of the Trustee and any paying agents and all other amounts required to be paid hereunder shall be paid to the Lessee upon the expiration or sooner termination of the term of the Lease Agreement as provided in the Lease Agreement.

ARTICLE VI

CUSTODY AND APPLICATION OF PROCEEDS OF BONDS

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

SECTION 602. Construction Fund; Disbursement. There is hereby created and established with the Trustee a Trust fund in the name of the County to bear the designation set forth in the definition of "Construction Fund" in Section 101. The balance of the proceeds of the issuance and delivery of Bonds remaining after the deduction provided by Section 601 hereof shall have been made shall be deposited in the Construction Fund. Moneys in the Construction Fund shall be expended in accordance with the provisions of the Lease Agreement and particularly Section 4.3 thereof.

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

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

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

(as defined in the Lease Agreement) required by the provisions of the Lease Agreement. As soon as practicable and in any event within sixty days from the date of the said certificate any balance remaining in the Construction Fund (other than the amounts retained by the Trustee referred to in the preceding sentence) shall without further authorization be deposited in the Bond Fund by the Trustee with advice to the County and to the Lessee of such action unless the Lessee shall have directed the Trustee to purchase Bonds in the open market for the purpose of cancellation in accordance with Section 4.3 of the Lease Agreement.

ARTICLE VII

INVESTMENTS

SECTION 701. Investment of Construction Fund Moneys.

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

SECTION 702. Investment of Bond Fund Moneys.

Any moneys held as part of the Bond Fund shall, at the written request of and as specified by the Authorized Lessee Representative (as defined in the Lease Agreement), be invested or reinvested by the Trustee in any bonds or other obligations which as to principal and interest constitute direct obligations of the United States of America, having maturities consonant with the need to apply moneys in the Bond Fund to the payment of principal, interest and premium, if any, to come due on the Bonds. Any such investment shall be held by or under control of the Trustee and shall be deemed at all times a part of the Bond Fund and the interest accruing thereon and any profit realized therefrom shall be credited to such fund. The Trustee shall sell and reduce to cash funds a sufficient portion of investments under the provisions of this

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

SECTION 703. Limitation on Investments. The Trustee shall not invest any of the moneys in the Construction Fund or the Bond Fund if to do so would be contrary to any policy or rules or regulations of the Internal Revenue Service with respect to arbitrage and the effect of which would be to cause the loss of the exemption of the interest on the Bonds from Federal Income Taxes.

SECTION 704. Trustee's Own Bond Department. The Trustee may make any and all investments permitted under Section 701 and Section 702 through its own Bond Department.

ARTICLE VIII

POSSESSION, USE AND PARTIAL RELEASE OF LEASED PROPERTY

SECTION 801. Subordination to Rights of the Lessee.

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

SECTION 802. Release of Leased Land. Reference is

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

SECTION 803. Granting of Easements. Reference is

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

ARTICLE IX

DISCHARGE OF LIEN

SECTION 901. Discharge of Lien of the Indenture.

If the County shall pay or cause to be paid to the holders and owners of the Bonds and bearers of coupons the principal, interest and premium, if any, to become due thereon at the times and in the manner stipulated therein and herein, and shall have paid all fees and expenses of the Trustee and each paying agent, and if the County shall keep, perform and observe all and singular the covenants and promises in the Bonds and in this Indenture expressed as to be kept, performed and observed by it or on its part, or if the issuance of the Bonds is not made within the time provided in Section 4.2 of the Lease Agreement, then these presents and the estate and rights hereby granted shall, at the option of the County, cease, determine and be void, and thereupon the Trustee shall cancel and discharge the lien of this Indenture and execute and deliver to the County such instruments in writing as shall be requisite to satisfy the lien hereof, and re-convey to the County the estate hereby conveyed, and assign and deliver to the County any property at the time subject to the lien of this Indenture which may then be in its possession, except amounts in the Bond Fund required to be paid to the Lessee under Section 510 hereof and except funds, or securities in which such funds are invested, held by the Trustee for the payment of principal of, interest and premium, if any, on the Bonds.

Bonds and coupons shall be deemed to be paid within the meaning of this Article when there shall have been deposited with the Trustee for the payment or redemption of Bonds and coupons (i) moneys, (ii) obligations of the sort permitted by Section 702 hereof, or (iii) any combination of "(i)" or "(ii)", the principal of and interest on will, as payable, provide sufficient moneys,

whether upon or prior to maturity or the redemption date of such Bonds, to pay and redeem all the Bonds on the earliest redemption date; provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or arrangements satisfactory to the Trustee shall have been made for the giving thereof.

If, through lapse of time or otherwise, the holder of any bond or coupon shall no longer be able to enforce payment of the principal of, premium, if any, and interest on such bond or coupon against the County, then in such event the Trustee shall (upon indemnification satisfactory to the Trustee) pay to the Lessee the sum or sums paid to the Trustee by the Lessee therefor.

ARTICLE X

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

SECTION 1001. Defaults; Events of Default. If any of the following events occurs, it is hereby defined as and declared to be and to constitute an "event of default":

(a) Default in the due and punctual payment of any interest on any Bond; or

(b) Default in the due and punctual payment of the principal of any Bond (and premium, if any), whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration; or

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

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

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

SECTION 1003. Surrender of Possession of Mortgaged Property; Rights and Duties of Trustee in Possession; Other Remedies. Upon the occurrence of an event of default, it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Mortgaged Property together with the books, papers and accounts of the County pertaining thereto, and including the rights and the position of the County under the Lease Agreement, and to hold, operate and manage the same, and from time to time make all needful repairs and improvements as by the Trustee shall be deemed wise; and the Trustee may lease the Project or any part thereof in the name and for account of the County and collect, receive and sequester the rents, revenues, issues, earnings, income, products and profits therefrom, and out of the same and any moneys received from any receiver of any part thereof pay, and/or set up proper reserves for the payment of, all proper costs and expenses of so taking, holding and managing the same, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the Trustee hereunder, and any taxes and assessments and other charges prior to the lien of this Indenture which the Trustee may deem it wise to pay, and all expenses of such repairs and improvements, and apply the remainder of the moneys so received in accordance with the provisions of Section 1008 hereof. Whenever all that is due upon the Bonds shall have been paid and all defaults made good, the Trustee shall surrender possession to the County; the same right of entry, however, to exist upon any subsequent event of default.

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

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

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

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

SECTION 1004. Rights of Bondholders. If an event of default shall have occurred, and if requested so to do by the holders of not less than twenty-five per cent in the aggregate principal amount of Bonds then outstanding and if indemnified as provided in Section 1101(1) hereof, the Trustee

shall be obliged to exercise such one or more of the rights and powers conferred by this Article X as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Bondholders.

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

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

No waiver of any default or event of default hereunder, whether by the Trustee or by the Bondholders shall extend to or shall affect any subsequent default or event of default shall impair any rights or remedies consequent thereon.

SECTION 1005. Rights of Bondholders to Direct Proceedings.

Anything in this Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of Bonds then outstanding (determined in accordance with the provisions of Section 1401 hereof) shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection

with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

SECTION 1006. Appointment of Receivers. Upon the occurrence of an event of default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders or the bearers of the coupons under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Mortgaged Property and of the rents, revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

SECTION 1007. Foreclosure of Indenture. Upon the occurrence of an event of default, to the extent that such right may then lawfully be waived, neither the County, nor anyone claiming through or under it, shall set up, claim, or seek to take advantage of any appraisement, valuation, stay, extension or redemption laws now or hereinafter in force, in order to prevent or hinder the enforcement of the Indenture or the foreclosure of the Indenture, and the County, for itself and all who may claim through or under it, hereby waives, to the extent that it lawfully may do so, the benefit of all such laws and all right of appraisement and redemption to which it may be entitled under the laws of South Carolina.

SECTION 1008. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment

of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys in the Bond Fund shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First--To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second--To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full principal of and premium if any, on the Bonds due on any particular date, then to the payment ratably, according to the amount of the principal and premium, if any, due

on such date, to the persons entitled thereto without any discrimination or privilege; and

Third--To the payment to the persons entitled thereto of interest at the penalty rate on all past due installments of principal and interest from their respective due dates and, if the amount available shall not be sufficient to pay in full the whole amount of interest so due, then to the payment ratably, according to the amount of interest then due, to the persons entitled thereto without any discrimination or privilege and without any distinction between interest on past due interest and interest on past due principal.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, 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, premium, if any, and interest to the persons entitled thereto without discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all the Bonds shall later become

due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of such 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 so to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the bearer of any unpaid coupon or the holder of any Bond until such coupon or such Bond and all unmatured coupons, if any, appertaining to such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal of, premium, if any, and interest on all Bonds have been paid under the provisions of this Section 1008 and all expenses and charges of the Trustee shall have been paid, any balance remaining in the Bond Fund shall be paid to the Lessee as provided in Section 510 hereof.

SECTION 1009. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds or coupons may be enforced by the Trustee without the possession of any of the Bonds or coupons or the production thereof in any trial or

other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any holders of the Bonds or bearers of coupons, and any recovery of judgment shall be for the equal benefit of the holders of the outstanding Bonds and the bearers of the outstanding coupons.

SECTION 1010. Rights and Remedies of Bondholders.

No holder or bearer of any Bond or coupon, as the case may be, shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereunder or for the appointment of a receiver or any other remedy hereunder, unless also a default has occurred of which the Trustee has been notified as provided in subsection (g) of Section 1101, or of which by said subsection it is deemed to have notice, nor unless also such default shall have become an event of default and the holders of at least twenty-five per cent in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in Section 1101(1) nor unless the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its, his or their own name or names; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers

and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more holders or bearers of the Bonds or coupons shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the holders of all Bonds and the bearers of all coupons then outstanding. Nothing in this Indenture contained shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, premium, if any, and interest of any Bond at and after the maturity thereof, or the obligation of the County to pay the principal of, premium, if any, and interest on each of the Bonds issued hereunder to the respective holders thereof and to the bearers of the coupons at the time, place, from the source and in the manner in said Bonds and the coupons expressed.

SECTION 1011. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the County and the Trustee shall be restored to their former positions and rights hereunder with respect to the Mortgaged Property herein conveyed, and all rights and remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

SECTION 1012. Waivers of Events of Default. The Trustee shall waive any event of default hereunder and its consequences and rescind any declaration of maturity of principal of and interest on the Bonds upon the written request of the holders of a majority in aggregate principal amount of all Bonds then outstanding; provided, however, that there shall not be waived any default in the payment of

(i) the principal of any outstanding Bond (and premium, if any) whether at the stated maturity thereof, or upon proceedings for redemption thereof;

or

(ii) any interest when due on any Bond, unless prior to such waiver or rescission, all arrears of payments of principal then due (whether at the stated maturity thereof or upon proceedings for redemption) and premium, if any, and interest on all such arrears at the Penalty Rate on such arrears, and all expenses of the Trustee in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the County, Trustee and Bondholders and bearers of coupons shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon;

SECTION 1013. Notice of Defaults; Opportunity of the County and Lessee to Cure Defaults. No default under Section 1001(c) hereof shall constitute an event of default until actual notice of such default by registered or certified mail shall be given by the Trustee or by the holders of not less than twenty-five per cent of the aggregate principal amount of Bonds then outstanding to the Lessee and the County, and the County and the Lessee shall have had thirty days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided, however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an event of default if corrective action is instituted by the Lessee or the County as the case may be, within the applicable period and diligently pursued until the default is corrected.

With regard to any alleged default concerning which notice is given to the Lessee under the provisions of this Section 1013, the County hereby grants the Lessee full authority for account of the County to perform any covenant or obligation alleged in said notice to constitute a default, in the name and stead of the County with full power to do any and all things and acts to the same extent that the County could do and perform any such things and acts and with power of substitution.

In the event that the Trustee fails to receive any payment required by Section 5.3 of the Lease Agreement on the occasion prescribed therein, the Trustee shall forthwith give notice by telegram, or if telegraphic service is not available then by mail to the Lessee specifying such failure.

SECTION 1014. Powers of Trustee upon Event of Default under Lease Agreement or in Payment of Bonds. If any payment required to be paid under Section 5.3 of the Lease Agreement

is not paid on the occasion therein prescribed, or in case of an event of default, as defined in Section 1001 hereof in the payment of principal of, premium, if any, or interest on any Bonds shall occur and be continuing, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of all sums due and unpaid under the Lease Agreement or the Bonds, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against any obligor thereon, and collect in the manner provided by law out of the property of any obligor thereon wherever situated the moneys adjudged or decreed to be payable.

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

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

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

ARTICLE XI

THE TRUSTEE

SECTION 1101. Acceptance of the Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees, and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may be reasonably employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the County or the Lessee). The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(b) The Trustee shall not be responsible for any recital herein, or in the Bonds (except in respect to the authentication certificate of the Trustee endorsed on the Bonds), or for insuring the property conveyed hereby, or for collecting any insurance moneys, or for the validity of the execution by the County of this Indenture or of any supplements 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 property conveyed hereby or

otherwise as to the maintenance of the security hereof; except that in the event the Trustee enters into possession of a part or all of the property conveyed hereby pursuant to any provision of this Indenture it shall use due diligence in preserving such property; and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the County or on the part of the Lessee under the Lease Agreement, except as herein expressly set forth; but the Trustee may require of the County or the Lessee full information and advice as to the performance of the covenants, conditions and agreements aforesaid and as to the condition of the property conveyed hereby. Except as otherwise provided in Section 1003 hereof, the Trustee shall have no obligation to perform any of the duties or obligations of the County, as lessor, under the Lease Agreement.

(c) The Trustee shall not be accountable for the use of the proceeds from the sale of the Bonds disbursed in accordance with the provisions of Section 4.2 and 4.3 of the Lease Agreement. The Trustee may become the owner of Bonds and coupons secured hereby with the same rights which it would have if not Trustee.

(d) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person

who at the time of making such request or giving such authority or consent is the owner of any Bond, shall be conclusive and binding upon all future owners of the same Bond and of Bonds issued in exchange therefor or in place thereof, regardless of whether or not any notation of making such request or giving such authority or consent is made on any such Bond.

(e) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the County Board by its Chairman and attested by its Secretary as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (g) of this Section, or of which by said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of the Secretary of the County Board under its seal to the effect that a resolution in the form therein set forth has been adopted by the County Board as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(f) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except:

(i) failure by the County to cause to be made any of the payments to the Trustee required to be made by Article V hereof; and

(ii) failure by the Lessee to make any of the payments to the Trustee required to be made by Section 5.3 of the Lease Agreement.

unless the Trustee shall be specifically notified in writing of such default by the County or by the holders of at least twenty-five per cent in aggregate principal amount of all Bonds then outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee, must, in order to be effective, be delivered at the principal office of the Trustee, and in the absence of such notice so delivered, the Trustee may conclusively assume there is no default except as aforesaid.

(h) The Trustee shall not be liable for any debts contracted or for damages to persons or to personal property injured or damaged, or for salaries or nonfulfillment of contracts during any period in which it may be in the possession of or managing the Mortgaged Property as in this Indenture provided.

(i) At any and all reasonable times, the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect any and all of the Project, including all books, papers and records of the County pertaining to the Project and the Bonds, and to take such memoranda from and in regard thereto as may be desired; subject to the limitations imposed upon such

rights of inspection pursuant to Section 8.2 of the Lease Agreement.

(j) The Trustee shall not be required to give any bond or surety in respect to the execution of the said trusts and powers or otherwise in respect to the premises.

(k) Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect 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, any showings, certificates, opinions, appraisals, or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Trustee deemed desirable for the purpose of establishing the right of the County to the authentication of any Bonds, the withdrawal of any cash, the release of any property or the taking of any other action by the Trustee.

(l) Before taking any action hereunder the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default by reason of any action so taken.

(m) All moneys received by the Trustee or paying agent shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other

funds except to the extent required by law or by this Indenture. Neither the Trustee nor paying agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

SECTION 1102. Fees, Charges and Expenses of Trustee.

The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for its Ordinary Services rendered hereunder, and all advances, counsel fees and other Ordinary Expenses reasonably and necessarily made or incurred by the Trustee in connection with such Ordinary Services and, in the event that it should become necessary that the Trustee perform Extraordinary Services, it shall be entitled to reasonable extra compensation therefor, and to reimbursement for reasonable and necessary Extraordinary Expenses in connection therewith; provided, that if such Extraordinary Services or Extraordinary Expenses are occasioned by the neglect or misconduct of the Trustee, it shall not be entitled to compensation or reimbursement therefor. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charge of the Trustee as Bond Registrar and paying agent for the Bonds and coupons as hereinabove provided. The Trustee shall have a lien with right of payment prior to payment on account of interest or principal of any Bond upon the Project for the foregoing advances, fees, costs and expenses incurred.

SECTION 1103. Notice to Bondholders If Default Occurs.

If a default occurs of which the Trustee is by subsection (g) of Section 1101 hereof required to take notice or if notice of default be given as in said subsection (g) provided, then the Trustee shall give such notice to the Lessee and the County as is specified in Section 1013 hereof, and such notice to the Lessee as is specified in Section 10.1 of the Lease Agreement, in order to have such default mature as an event of default upon the passage of the period of time, if any, therein specified

and shall give written notice thereof by mail to the last known holders or owners of all Bonds then outstanding shown by the list of Bondholders required by the terms of Section 408 hereof to be kept at the office of the Trustee and by the registration books maintained by the Trustee pursuant to Section 208 hereof.

SECTION 1104. Intervention by Trustee. In any judicial proceeding to which the County is a party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of owners of the Bonds, the Trustee may intervene on behalf of Bondholders and shall do so if requested in writing by the owners of at least twenty-five per cent in aggregate principal amount of all Bonds then outstanding, and if indemnified as provided in Section 1101(1) hereof. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

SECTION 1105. Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instruments or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 1106. Resignation by the Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving thirty days' written notice

to the County, to the Lessee and by registered or certified mail to each registered owner of Bonds then outstanding and to each holder of Bonds as shown by the list of Bondholders required by Section 408 hereof to be kept at the office of the Trustee, and such resignation shall take effect at the end of such thirty days, or upon the earlier appointment of a successor Trustee by the Bondholders or by the County. Such notice to the County and to the Lessee may be served personally or sent by registered mail.

SECTION 1107. Removal of the Trustee. The Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee and to the County, and signed by the owners of a majority in aggregate principal amount of all Bonds then outstanding.

SECTION 1108. Appointment of Successor Trustee by the Bondholders; Temporary Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in 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 Bonds then outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their attorneys in fact, duly authorized; provided, nevertheless, that in case of vacancy the County by an instrument executed and signed by the Chairman of the County Board and attested by the Secretary of the County Board under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by such Bondholders in the manner

above provided; and any such temporary Trustee so appointed by the County shall immediately and without further act be superseded by the Trustee so appointed by such Bondholders. Every such Trustee appointed pursuant to the provisions of this Section shall be a trust company or bank organized under the laws of the United States of America or any state thereof and which is in good standing, within or outside the State of South Carolina, having a reported capital and surplus of not less than \$20,000,000 if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

SECTION 1109. Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the County an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the County, or of its successor, and upon payment of all amounts due such predecessor pursuant to Section 1102 hereof, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the County be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor any and

all such instruments in writing, shall, on request, be executed, acknowledged and delivered by the County. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article shall be filed and/or recorded by the successor Trustee in each recording office where the Indenture shall have been filed and/or recorded.

SECTION 1110. Right of Trustee to Pay Taxes and Other Charges. In case any tax, assessment or governmental or other charge upon any part of the property herein conveyed is not paid as required herein, the Trustee may pay such tax, assessment or governmental or other charge, without prejudice, however, to any rights of the Trustee or the Bondholders hereunder arising in consequence of such failure; and any amount at any time so paid under this Section, with interest thereon from the date of payment at the Penalty Rate, shall become so much additional indebtedness secured by this Indenture, and the same shall be given a preference in payment over any of the Bonds, and shall be paid out of the revenues herein pledged to the payment of the Bonds if not otherwise caused to be paid; but the Trustee shall be under no obligation to make any such payment unless it shall have been requested to do so by the holders of at least twenty-five per cent in the aggregate principal amount of all Bonds then outstanding and shall have been provided with adequate funds for the purpose of such payment.

SECTION 1111. Trustee Protected in Relying Upon Resolutions, etc. The resolutions, opinions, certificates and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts

and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the release of property and the withdrawal of cash hereunder.

SECTION 1112. Successor Trustee as Trustee of Bond Fund and Construction Fund, Paying Agent and Bond Registrar. In the event of a change in the office of Trustee the predecessor Trustee which has resigned or has been removed shall cease to be trustee of the Bond Fund and the Construction Fund, and paying agent for principal of and interest and premium, if any, on the Bonds and Bond Registrar and the successor Trustee shall become such Trustee, paying agent and Bond Registrar.

SECTION 1113. Trust Estate May Be Vested in Separate or Co-Trustee. It is the intent of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of South Carolina) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Lease Agreement, and in particular in case of the enforcement of either on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the Mortgaged Property, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section 1113 are provided for this purpose.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee (and

the Trustee is hereby expressly granted such power), each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from the County be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances, and instruments in writing shall, on request, be executed, acknowledged and delivered by the County. In case any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

ARTICLE XII

SUPPLEMENTAL INDENTURES

SECTION 1201. Supplemental Indentures Not Requiring Consent of Bondholders. The County and the Trustee may without the consent of, or notice to, any of the Bondholders, enter into an indenture or indentures supplemental to this Indenture as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in this Indenture;

(b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them;

(c) to subject to the lien and pledge of this Indenture additional revenues, properties or collateral;

(d) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar Federal statute hereafter in effect or under any state Blue Sky Law; and

The County and the Trustee shall without the consent of, or notice to, any of the Bondholders enter into an indenture or indentures supplemental to this Indenture (i) to the extent necessary with respect to any real or personal property forming a part of the Project and generally described in the Lease Agreement, so as to more precisely identify the same or to

substitute or add additional land or interests in land, buildings, machinery and equipment, (ii) with respect to any changes required to be made in the description of the Mortgaged Property in order to conform with similar changes made in the Lease Agreement as permitted by Section 1301.

SECTION 1202. Supplemental Indentures Requiring Consent of Bondholders. Exclusive of indentures supplemental hereto covered by Section 1201 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the holders of not less than two-thirds in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the County and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the County for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this Section contained shall permit, or be construed as permitting

(a) an extension of the stated maturity or reduction of any premium payable on the redemption of, or a reduction in the rate of interest on any Bonds, or

(b) the creation of any lien (other than any Permitted Encumbrances as defined in the Lease Agreement), prior to or on a parity with the lien of this Indenture, or

(c) the issuance of Bonds hereunder in excess of the limitations imposed by the provisions of Article II, or

(d) a reduction in the principal amount of any Bonds required to be paid or redeemed by the provisions of this Indenture, or any alteration of the order in which Bonds shall be redeemed pursuant to this Indenture, or

(e) a reduction in the amount, or extension of the time, of any payment required for the Bond Fund, or

(f) a reduction in the aforesaid aggregate principal amount of Bonds the holders of which are required to consent to any such supplemental indenture, or

(g) any amendment of this Section 1202 or Section 1302,

without consent of the holders of all the Bonds at the time outstanding which would be affected by the action to be taken, or

(h) the modification of the rights, duties or immunities of the Trustee,

without the written consent of the Trustee.

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

and approved the execution thereof as herein provided, no holder of any Bond and no bearer of any coupon shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the County from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

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

ARTICLE XIII

AMENDMENT OF LEASE AGREEMENT

SECTION 1301. Amendments, etc., to Lease Agreement Not Requiring Consent of Bondholders. The County and the Trustee may without the consent of or notice to the Bondholders consent to any amendment, change or modification of the Lease Agreement as may be required (i) by the provisions of the Lease Agreement and this Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) in connection with any real or personal property forming a part of the Project and described in the Lease Agreement so as to identify more precisely the same or substitute or add additional land or interests in land, buildings, machinery and equipment, or (iv) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee, or materially adverse to the holders of the Bonds.

SECTION 1302. Amendments, etc., to Lease Agreement Requiring Consent of Bondholders. Except for the amendments, changes or modifications as provided in Section 1301 hereof, and subject to the special limitation contained in the sentence of this Section 1302 immediately following this sentence, the County and the Trustee may consent to other amendments, changes or modifications of the Lease Agreement after notice to and upon the written approval or consent of the holders of not less than two-thirds in aggregate principal amount of the Bonds at the time outstanding given and procured as in Section 1202 hereof provided. Provided, always, that nothing in this Section contained shall permit, or shall be construed as permitting, any amendment, change or modification of

(i) the Lessee's unconditional obligation to make payments sufficient to pay the principal, interest and premium, if any, due at any time on the Bonds, or

(ii) the provisions of Sections 5.3 or 5.6 of the Lease Agreement.

without the consent of the holders of all the Bonds at the time outstanding. If at any time the County and the Lessee shall request the consent of the Trustee to any such proposed amendment, change or modification of the Lease Agreement, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided by Section 1202 hereof with respect to supplemental indentures. Such notice shall 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 corporate trust office of the Trustee for inspection by all Bondholders. If, within sixty days or such longer period as shall be prescribed by the County following the giving of such notice, the holders of not less than two-thirds in aggregate principal amount of the Bonds outstanding at the time of the execution of such proposed amendment shall have consented to and approved the execution thereof as herein provided, no holder of any Bond and no bearer of any coupon shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the County from consenting to the execution thereof or from taking any action pursuant to the provisions thereof. Upon the execution of any such amendment as in this Section permitted and provided, the Lease Agreement shall be and be deemed to be modified and amended in accordance therewith.

ARTICLE XIV

MISCELLANEOUS

SECTION 1401. Consents, etc., of Bondholders. Any consent, request, direction, approval, waiver, objection or other instrument authorized or permitted by this Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent authorized in writing. Proof of the execution of any consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership such affidavit or certificate shall also constitute sufficient proof of his authority.

(b) The amount of Bonds, transferable by delivery held by any person executing any such request, consent or other instrument or writing as a Bondholder, and the

distinguishing numbers of the Bonds held by such person, and the date of his holding the same may be proved by a certificate executed by any trust company, bank, banker, or other depository (wherever situated), showing that at the date therein mentioned such person had on deposit with such depository, or exhibited to it, the Bonds therein described, or such facts may be proved by the certificate or affidavit of the person executing such request, consent or other instrument or writing as a Bondholder, if such certificate or affidavit shall be deemed by the Trustee to be satisfactory. The Trustee and the County may conclusively assume that such ownership continues until written notice to the contrary is served upon the Trustee. The fact and the date of execution of any request, consent, or other instrument and the amount and distinguishing numbers of Bonds held by the person so executing such request, consent or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The Trustee may nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.

(c) The ownership of registered Bonds shall be proved by the register of such Bonds.

(d) Any request, consent or vote of the holder of any Bond shall bind every future holder of the same Bond and the holder of every Bond issued in exchange therefor or in lieu thereof, regardless of the lack of any notation thereon to such effect, in respect of anything done or suffered to be done by the Trustee or the County in pursuance of such request, consent or vote.

(e) In determining whether the holders of the requisite aggregate principal amount of Bonds have

concurrent in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned by the County, by the Lessee, or by any other obligor under the Lease Agreement or on the Bonds, or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the County, the Lessee, or any other obligor under the Lease Agreement or on the Bonds, shall be disregarded and deemed not to be outstanding for the purpose of any such determination, provided that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver only Bonds which the Trustee knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section 1401 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under common control with the County, the Lessee or any other obligor under the Lease Agreement or on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 1402. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person or company other than the parties hereto, and the holders of the Bonds and the bearers of coupons appertaining thereto,

any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the holders of the Bonds and coupons as herein provided.

SECTION 1403. Severability. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any Constitution or statute or rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

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

SECTION 1404. Trustee as Paying Agent and Registrar. The Trustee is hereby designated and agrees to act as a paying agent and the Bond Registrar for and in respect to the Bonds.

SECTION 1405. 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 redemption of any Bonds shall be a Saturday, Sunday or shall be in the state in which the Trustee maintains its principal office a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or

principal (and premium, if any) need not be made on such date in such city but may be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

SECTION 1406. Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 1407. Laws Governing Indenture and Situs and Administration of Trust. The effect and meaning of this Indenture and the rights of all parties hereunder shall be governed by, and construed according to, the laws of the State of South Carolina, but it is the intention of the County that the situs of the trust created by this Indenture to be in the state in which is located the corporate trust officer of the Trustee from time to time acting under this Indenture. The word "Trustee" as used in the preceding sentence shall not be deemed to include any additional individual or institution appointed as a separate or co-trustee pursuant to Section 1113 of this Indenture. It is the further intention of the County that the Trustee administer said trust in the state in which is located, from time to time, the situs of said trust.

SECTION 1408. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, postage prepaid, or given when dispatched by telegram when telegraphic notice is permitted by express provisions of this Agreement, addressed as follows: if to the County,

to the County Council of Charleston County, Charleston County Office Building, 2 Courthouse Square, Charleston, South Carolina; if to the Lessee, at

, Attention: ; if to the Trustee, at 913 South Calhoun Street, Fort Wayne, Indiana, 46802, Attention: Corporate Trust Department. The County, the Lessee, and the Trustee may, by notice given to all parties to this Agreement and the Indenture, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

IN WITNESS WHEREOF, CHARLESTON COUNTY has caused these presents to be signed in its name and behalf by the Chairman of the County Council of Charleston County, and its corporate seal to be hereunto affixed and attested by the Clerk of the County Council of Charleston County, and to evidence its acceptance of the trusts hereby created, PEOPLES TRUST BANK, has caused these presents to be signed in its name and behalf by one of its Trust Officers, its official seal to be hereunto affixed, and the same to be attested by one of its Assistant Trust Officers, all as of the day and year first hereinabove written.

CHARLESTON COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman, County Council of
Charleston County

Attest:

Clerk, County Council of
Charleston County

In the Presence of:

PEOPLES TRUST BANK,
as Trustee

By _____

Its _____

(SEAL)

Attest:

Its _____

Signed, Sealed and Delivered
in the Presence of

STATE OF SOUTH CAROLINA
COUNTY OF CHARLESTON

PERSONALLY appeared before me _____
who being duly sworn, says that (s)he saw the corporate seal
of Charleston County, South Carolina, affixed to the foregoing
Trust Indenture, and that (s)he also saw _____
as Chairman of the County Council of Charleston County, and
_____ as Clerk of the County Council of
Charleston County. sign and attest the same and that (s)he with
_____ witnessed the execution and delivery
thereof as the act and deed of the said Charleston County,
South Carolina.

SWORN to before me this
____ day of _____, A. D., 1974.

(LS)
NOTARY PUBLIC FOR SOUTH CAROLINA

My Commission expires: _____.

STATE OF INDIANA.

COUNTY OF _____

PERSONALLY appeared before me _____
who being duly sworn, says that (s)he saw the corporate seal
of Peoples Trust Bank, Fort Wayne, Indiana, as Trustee, affixed
to the foregoing Trust Indenture, and that (s)he also saw
_____ as Trust Officer, and _____,
as an Assistant Trust Officer of the said Peoples Trust Bank,
as Trustee, sign and attest the same and that (s)he with
_____ witnessed the execution and delivery
thereof as the act and deed of the said Peoples Trust Bank,
as Trustee.

SWORN to before me this

_____ day of _____, A. D., 1974.

NOTARY PUBLIC FOR INDIANA (LS)

My Commission expires: _____.

EXHIBIT "A"

DESCRIPTION OF LEASED LAND

(Attached to Trust Indenture dated as of June 1, 1974,
between Charleston County, South Carolina, and Peoples Trust
Bank, as Trustee)

EXHIBIT "B"

FORM OF BOND

(Attached to Trust Indenture dated as of June 1, 1974,
between Charleston County, South Carolina, and Peoples Trust
Bank, as Trustee)

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
CHARLESTON COUNTY
FIRST MORTGAGE INDUSTRIAL REVENUE BOND,
SERIES 1974
(WETTERAU, INC. - LESSEE)

Number _____ \$5,000.00

KNOW ALL MEN BY THESE PRESENTS that Charleston County, a body politic and corporate, and a political subdivision of the State of South Carolina (hereinafter called the "County"), for value received promises to pay, but only from the source and as hereinafter provided, to bearer, or, if this Bond be registered, to the registered holder hereof, on June 1, 19__, the principal sum of Five Thousand Dollars and in like manner to pay interest on said sum from the date hereof at the rate of seven per centum (7%) per annum on December 1, 1974, and semiannually thereafter on June 1 and December 1 of each year until said principal sum is paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may become applicable hereto, principal of, premium, if any, and interest on this Bond being payable in lawful money of the United States of America, at the principal office of Peoples Trust Bank, in the City of Fort Wayne, State of Indiana, or its successor in trust.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of \$1,000,000 (hereinafter called the "Bonds") issued for the purpose of financing the acquisition and construction of facilities for use in connection with a warehousing and distribution facility and leasing the same to Wetterau, Inc. a Missouri corporation (hereinafter called the "Lessee") (the land and

buildings comprising such facilities being hereinafter called the "Project") so as to thereby promote industry and develop trade in South Carolina. The Bonds are issued under and are equally and ratably secured and entitled to the protection given by a Trust Indenture (hereinafter called the "Indenture"), dated as of June 1, 1974, duly executed and delivered by the County to Peoples Trust Bank, as Trustee (the term "Trustee" where used herein referring collectively to said Trustee or its successors in said trust). The Project has been leased to the Lessee under and pursuant to a Lease Agreement between the County and the Lessee dated as of June 1, 1974 (hereinafter called the "Lease Agreement"). Under the Lease Agreement the Lessee must pay to the County such rentals as will be fully sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same mature and become due and, under the Lease Agreement it is the obligation of the Lessee to pay the cost of maintaining the Project in good repair and to keep it properly insured. Payment of the principal, premium, if any, and interest on the Bonds has been unconditionally guaranteed by Wetterau, Inc. under the terms of a Guaranty Agreement between Wetterau, Inc. and the Trustee dated as of June 1, 1974 (hereinafter called the "Guaranty Agreement"). Copies of the Indenture, the Lease Agreement and the Guaranty Agreement are on file at the principal office of the Trustee in the City of Fort Wayne, State of Indiana, and are recorded in the office of the Register of Mesne Conveyances for Charleston County, South Carolina, and reference is made to the Indenture, the Lease Agreement and the Guaranty Agreement for a description of the security, the provisions, among others, with respect to the nature and extent of the security, the charging and collection of rentals for the Project, the rights and remedies of the holders of the

Bonds and the coupons appertaining thereto, the rights, duties and obligations of the County, the Lessee and the Trustee, and the terms upon which the Bonds are issued and secured.

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

principal and interest may be reconverted into a coupon Bond at the written request of the registered holder and upon presentation at the office of said Bond Registrar. Upon such reconversion the coupons representing the interest to become due thereafter to the date of maturity will again be attached to this Bond and a statement will be endorsed thereon by the Bond Registrar in the registration blank on the back of this Bond as to whether it is then registered as to principal alone or payable to bearer.

The Bonds are noncallable for redemption prior to June 1, 1984, except in the event of (a) exercise by the Lessee of its option to purchase the Project as provided in Section 11.2 of the Lease Agreement, or (b) mandatory purchase of the Project by the Lessee pursuant to Section 12.2 of the Lease Agreement. If called for redemption in either of such events, the Bonds are subject to redemption by the County on any date after due notice as provided in the Indenture, whether or not such date is an interest payment date, in whole and not in part, at the principal amount thereof plus accrued interest to the redemption date, and, but only in the event of redemption as a result of the mandatory purchase of the Project pursuant to Section 12.2 of the Lease Agreement, a redemption premium in an amount equal to 3% of the principal amount of each Bond redeemed for each six months period or fraction thereof between the date as of which interest on the Bonds is (or is determined as provided in Section 12.2 of the Lease Agreement to be) taxable and the redemption date. If it shall occur that any Bond shall have been paid subsequent to the date as of which interest on the Bonds became (or was determined to have become) taxable, but prior to the redemption of the Bonds from the purchase price derived from the mandatory purchase of the Project by the Lessee pursuant to Section 12.2 of the Lease Agreement, then in such event the holder of any

such Bond on the occasion of its payment (whether at maturity or by redemption) shall be entitled to receive from the purchase price to be paid by the Lessee a premium computed as aforesaid to the date of payment or redemption, less any optional redemption premium previously paid on such Bond.

In the event that interest on the Bonds becomes taxable by reason of the occurrence of any of the events referred to in Section 11.2(c) of the Lease Agreement, the County may, in lieu of redeeming Bonds as provided in clause (a) of the preceding paragraph, cause all Bonds then outstanding to be exchanged for Substitute Bonds bearing interest at the rate of 9% per annum in accordance with the provisions of the Indenture. In the event that the County makes provision for an exchange of Bonds for Substitute Bonds, Bonds outstanding on the date as of which interest thereon becomes subject to Federal income taxes by reason of the occurrence of any of the events referred to in Section 11.2(c) of the Lease Agreement shall bear interest at the rate of 9% per annum from such date to the date of payment or redemption of such Bonds.

The Bonds maturing June 1, 1985 and thereafter are also subject to redemption by the County prior to maturity on June 1, 1984, or any interest payment date thereafter, in whole or in part in inverse order of their maturities (less than all the bonds of a single maturity to be selected by lot by the Trustee), at the redemption prices (expressed as percentages of principal amount) set forth in the table below, plus accrued interest to the redemption date:

<u>Redemption Date</u>	<u>Redemption Price</u>
June 1 and December 1, 1984.....	105%
June 1 and December 1, 1985.....	104
June 1 and December 1, 1986.....	103
June 1 and December 1, 1987.....	102
June 1 and December 1, 1988.....	101
June 1, 1989 and thereafter.....	100

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

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

This Bond and the issue of which it forms a part are issued pursuant to the authorization of and for the purposes prescribed by Act No. 103 of the Acts and Joint Resolutions enacted at the 1967 Session of the General Assembly of the State of South Carolina, as amended, and pursuant to resolutions duly adopted by the County Council of Charleston County and with the approval of the State Budget and Control Board of South Carolina. This Bond and the issue of which it forms a part and the interest coupons appertaining hereto are limited obligations of the County and are payable by the County solely out of the lease rentals, revenues and receipts (excluding amounts paid by the Lessee pursuant to Sections 5.4, 5.1, 6.3, 8.7 or 10.4 of the Lease Agreement) derived from the leasing or sale of the Project, which has been financed through the issuance of the Bonds and leased to the Lessee.

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

Pursuant to the Lease Agreement, rental payments sufficient for the prompt payment when due of the principal of, premium, if any, and interest on the Bonds are to be paid by the Lessee to the Trustee for the account of the County and deposited in a special account created by the County and designated "Charleston County Industrial Revenue Bond Fund - Wetterau Project" and have been pledged for that purpose,

and in addition the Project has been subjected to the lien of the Indenture to secure payment of such principal and interest and premium.

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

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

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

IN WITNESS WHEREOF, Charleston County, South Carolina, has caused this Bond to be executed by the Chairman of the County Council of Charleston County, by his facsimile signature, and its corporate seal to be impressed or reproduced hereon, and attested by the Clerk of its said County Council, by her manual signature, and has caused the interest coupons attached to be executed by the facsimile signatures of said Chairman and said Clerk, all as of the 1st day of June, 1974.

CHARLESTON COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman, County Council of
Charleston County.

Attest:

Clerk, County Council of
Charleston County

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

PEOPLES TRUST BANK, as Trustee

By _____
Authorized Signature

CERTIFICATE OF REGISTRATION

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

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

(FORM OF INTEREST COUPON)

No. _____ \$ _____

On the first day of _____, 1974, Charleston County, South Carolina (unless the Bond to which this coupon appertains shall have been duly called for previous redemption and payment of the redemption price made or provided for) will pay to bearer, subject to the provisions of the Indenture, but solely from the lease rentals, revenues and receipts pledged therefor, all as described in the Bond hereinafter mentioned, and upon presentation and surrender of this coupon at the principal office of the Trustee, Peoples Trust Bank, in the City of Fort Wayne, State of Indiana, or its successor in trust, the amount shown hereon in lawful money of the United States of America, as provided in and being semiannual interest then due on its First Mortgage Industrial Revenue Bonds, Series 1974 (Wetterau, Inc. - Lessee), dated as of June 1, 1974, Numbered _____.

Chairman, County Council of
Charleston County

Clerk, County Council of
Charleston County

EXHIBIT "C"

GUARANTY AGREEMENT

(Attached to Trust Indenture dated as of June 1, 1974,
between Charleston County, South Carolina, and Peoples
Trust Bank, as Trustee)

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT made and entered into as of the first day of June, 1974, by and between Wetterau, Inc., a Missouri corporation (hereinafter referred to as the "Guarantor") and Peoples Trust Bank, as Trustee, together with any successor trustee, at the time serving as such under the Trust Indenture referred to below ("Trustee"):

WITNESSETH:

WHEREAS, arrangements have been made for sale by Charleston County, South Carolina ("County"), of \$1,000,000 principal amount of its First Mortgage Industrial Revenue Bonds, Series 1974 (Wetterau, Inc. - Lessee) (hereinafter referred to as the "Bonds"); and

WHEREAS, the Bonds are to be issued under and pursuant to a Trust Indenture dated as of the date hereof by and between the County and the Trustee ("Indenture"); and

WHEREAS, the proceeds derived from the issuance of the Bonds are to be applied to the acquisition and construction of certain facilities ("Project"), in the County for lease to Wetterau, Inc. pursuant to a Lease Agreement dated as of the date hereof ("Lease"); and

WHEREAS, the Guarantor desires that the County issue the Bonds and apply the proceeds for the purposes described above and is willing to enter into this Guaranty Agreement in order to provide an inducement to the purchase of the Bonds and interest coupons appertaining thereto by The Lincoln National Life Insurance Company, its successors and assigns ("Original Purchaser") and all who shall at any time become holders thereof.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the Guarantor does hereby covenant and agree with the Trustee as follows:

ARTICLE I

REPRESENTATIONS AND WARRANTIES OF GUARANTOR

SECTION 1.1. Guarantor does hereby represent and warrant that it is a corporation duly incorporated in the State of its incorporation and is in good standing under the laws of the State of South Carolina, has power to enter into and perform this Guaranty Agreement, has duly authorized the execution and delivery of this Guaranty Agreement by proper corporate action and that such execution and delivery does not contravene or constitute a default under any agreement, instrument or indenture or any provision of its certificate of incorporation or any other requirement of law.

ARTICLE II

COVENANT AND AGREEMENTS

SECTION 2.1. The Guarantor hereby unconditionally guarantees to the Trustee (a) the full and prompt payment of the principal of and premium, if any, on each Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise, and (b) the full and prompt payment of interest on each Bond as and when the same shall become due, and agrees, in the event of any failure of the County to make such payments of principal, interest and premium, if any, when due, to make such payments to the Trustee. All payments by the Guarantor shall be paid in lawful money of the United States of America. Each and every default in payment of the principal of, premium, if any, or interest on any Bond shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises.

SECTION 2.2. The obligations of the Guarantor under this Guaranty Agreement shall be absolute and unconditional and shall remain in full force and effect until the entire principal of, premium, if any, and interest on the Bonds shall have been paid, or duly provided for, and such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including without limitation any of the following, whether or not with notice to, or the consent of the Guarantor:

(a) the waiver, compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the County contained in the Indenture, or of the payment, performance or observance thereof;

(b) the failure to give notice to the Guarantor of the occurrence of an event of default under the terms and provisions of this Guaranty Agreement;

(c) the transfer, assignment of mortgaging or the purported transfer, assignment or mortgaging of all or any part of the interest of the County in the Project referred to in the Lease or any failure of title with respect to the County's interest in the Project or the invalidity, unenforceability or termination of the Lease;

(d) the waiver, compromise, settlement, release or termination of any of the obligations, covenants or agreements of the Lessee under the Lease or of any other Lessee under the Lease, or of the payment, performance or observance thereof;

(e) the extension of the time for payment of any principal of, premium, if any, or interest on any Bond owing or payable on such Bond or of the

time for performance of any obligations, covenants, or agreements under or arising out of the Lease or the Indenture or the extension or the renewal of either thereof;

(f) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Lease or the Indenture;

(g) the taking or the omission of any of the actions referred to in the Lease or the Indenture or of any actions under this Guaranty Agreement;

(h) any failure, omission, delay or lack on the part of the County or Trustee to enforce, assert or exercise any right, power or remedy conferred on the County or the Trustee in this Guaranty Agreement or the Lease or the Indenture, or any other act or acts on the part of the County, the Trustee or any of the holders from time to time of the Bonds or of the interest coupons appertaining thereto;

(i) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization or arrangement under bankruptcy or similar laws; composition with creditors or readjustment of, or other similar procedures affecting the Guarantor, or the Lessee, or the County or any of the assets of any of them, or any allegation or contest of the validity of this Guaranty Agreement, or the Lease, or the disaffirmance of the Lease or the Guaranty Agreement in any such proceeding;

(j) to the extent permitted by law, any event or action that would, in the absence of this clause, result in the release or discharge by operation of law of the Guarantor from the performance or observance of any obligation, covenant or agreement contained in this Guaranty Agreement;

(k) the invalidity or unenforceability of the obligations of the Guarantor under this Guaranty Agreement, the absence of any action to enforce such obligations of the Guarantor, any waiver or consent by the Guarantor with respect to any of the provisions hereof or any other circumstances which might otherwise constitute a discharge or defense by the Guarantor, including, without limitation, any failure or delay in the enforcement of the obligations of the Guarantor with respect to this Guaranty Agreement or of notice thereof; or

(l) the default or failure of the Guarantor fully to perform any of its obligations set forth in this Guaranty Agreement.

SECTION 2.3. No set-off counterclaim, reduction, or diminution of an obligation, or any defense of any kind or nature which the Guarantor has or may have against the County or the Trustee shall be available hereunder to the Guarantor against the Trustee.

SECTION 2.4. In the event of a default in payment of principal of, or premium, if any, on any Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise, or in the event of a default in the payment of any interest on any Bond when and as the same shall become due the Trustee

shall be obligated to proceed to enforce its rights hereunder and the Trustee shall have the right to proceed first and directly against the Guarantor under this Guaranty Agreement without proceeding against or exhausting any other remedies which it may have and without resorting to any other security held by the County or the Trustee. All moneys recovered pursuant to this Guaranty Agreement shall be applied in accordance with the Indenture.

SECTION 2.5. The Guarantor hereby expressly waives notice from the Trustee or the holders from time to time of any of the Bonds or of the interest coupons appertaining thereto of their acceptance and reliance on this Guaranty Agreement. The Guarantor agrees to pay all costs, expenses and fees, including all reasonable attorneys' fees, which may be incurred by the Trustee or the County in enforcing or attempting to enforce this Guaranty Agreement or protecting the rights of the Trustee or the holders of Bonds or coupons appertaining thereto following any default on the part of the Guarantor hereunder, whether the same shall be enforced by suit or otherwise.

SECTION 2.6. The Guarantor will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it, provided, that the Guarantor may, without violating the agreement contained in this Section, consolidate with or merge into another corporation or partnership, or permit one or more other corporations to consolidate with or merge into it, or sell or otherwise transfer to another corporation all or

substantially all of its assets as an entirety and thereafter dissolve, provided the surviving, resulting or transferee corporation, as the case may be (i) shall have a net worth (established in accordance with generally accepted accounting principles) of less than \$; and (ii) assumes and agrees in writing to pay and perform all of the obligations of the Guarantor in an instrument satisfactory in form and content to the Trustee and the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding.

SECTION 2.7. This Guaranty Agreement shall not be deemed to create any right in, or to be in whole or in part for the benefit of any person other than the County, the Trustee, the Guarantor, the holders from time to time of the Bonds and of the coupons appertaining thereto, and their successors and assigns. This Guaranty Agreement may be enforced by or on behalf of the holders of the Bonds or such coupons only by the Trustee in accordance with the provisions of the Indenture.

ARTICLE III

MISCELLANEOUS

SECTION 3.1. The obligations of the Guarantor hereunder shall arise absolutely and unconditionally upon the issuance, sale and delivery of the Bonds by the County. The execution and delivery of this Guaranty Agreement shall not impair or diminish in any respect the obligations of the Lessee under the Lease.

SECTION 3.2. No remedy herein conferred upon 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 Guaranty 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, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in this Guaranty Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required herein or in the Indenture. In the event any provision contained in this Guaranty Agreement should be breached by any party and thereafter duly waived by any other party so empowered to act, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification of this Guaranty Agreement shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by the parties to this Guaranty Agreement and only in accordance with the provisions of the Indenture.

SECTION 3.3. This Guaranty Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof and may be executed simultaneously in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

SECTION 3.4. The invalidity or unenforceability of any one or more phrases, sentences, clauses or sections in this Guaranty Agreement contained, shall not affect the validity or enforceability of the remaining portions of the Guaranty Agreement, or any part thereof.

SECTION 3.5. For such time as any of the Bonds shall be outstanding, the Guarantor irrevocably designates the Secretary of State of South Carolina, Columbia, South Carolina, as the agent to accept and acknowledge in its behalf service of any and all process in any such suit, action or other legal proceeding brought in any such court, and agrees and consents that in any such suit, action or other legal proceeding service upon the Guarantor, whether or not the Guarantor shall then be doing, or any time shall have done, business within the State of South Carolina, and that any such service of process shall be of the same force and validity as if service were made upon it according to the laws governing the validity and the requirements, of such service in such state.

SECTION 3.6. This Guaranty Agreement is prepared and entered into with the intention that the law of South Carolina shall govern its construction.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty Agreement to be executed in its name and behalf and its corporate seal to be affixed hereto and attested by its duly authorized officers as of the date first above written.

WETTERAU, INC.

(SEAL)

By _____
Its President

Attest:

Its Secretary

851

Accepted this _____ day of _____,
1974

PEOPLES TRUST BANK, as Trustee

(SEAL)

By _____

Its _____

Attest:

Its _____

STATE OF INDIANA,

COUNTY OF _____

PERSONALLY appeared before me _____
who being duly sworn says that (s)he saw the corporate seal of
WETTERAU, INC. affixed to the foregoing Guaranty Agreement,
and that (s)he also saw _____, as President,
and _____, as Secretary, of said Corpora-
tion, sign and attest the same and that (s)he with
_____ witnessed the execution and
delivery thereof as the act and deed of the said Wetterau, Inc.

SWORN to before me this

_____ day of _____, A. D. 1974.

(L.S.)
Notary Public for State of Indiana

My Commission Expires _____.

Wetterau

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

TELEPHONE 722-3366
AREA CODE 803

HUGER SINKLER
CHARLES H. GIBBS
ALBERT SIMONS, JR.
THEODORE B. GUÉRARD
G. DANA SINKLER
THOMAS A. HUTCHESON
ROBERT H. HOOD
CHARLES F. AILSTOCK
M. WILLIAM YOUNGBLOOD, JR.
JOHN H. WARREN, III

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

May 6, 1974

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

Dear Pat:

Re: \$1,000,000 Charleston County, South Carolina,
First Mortgage Industrial Revenue Bonds,
Series 1974 (Wetterau, Inc. - Lessee)

It is my understanding that County Council of Charleston County will meet tomorrow, May 7, at 7:00 P.M., and at that time will adopt a resolution petitioning the State Board for permission to issue the subject bonds.

The proceeds of these bonds will be used to finance the construction of an office building and garage building as an integral part of a new food distribution center being constructed by Wetterau, Inc. in the North Charleston section of Charleston County.

I am enclosing at this time the following financial statements with respect to Wetterau:

1. copy of their annual statements for the years 1971, 1972 and 1973.
2. quarterly reports of Wetterau for the period ended June 30, 1973, September 29, 1973 and December 29, 1973.

Finally, I enclose herein a copy of a letter to me from Wetterau which reflects the fact that the Company's auditors have not as yet completed their financial statements for their fiscal year which ended March 30, 1974. This letter signed by the Chief Financial Officer of Wetterau indicates that in his opinion the trend reflected by the quarterly reports will continue and that Wetterau's retained earnings will continue to grow.

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SINKLER GIBBS SIMONS & GUÉRARD

Honorable P. C. Smith
Page 2
May 6, 1974

You will note that as of the end of the fiscal year 1973, the total stockholders equity of this Company was \$35 Million.

You will also note that as of the end of the third quarter its net earnings were approximately \$5.5 Million and since only \$1.5 Million was paid out on dividends, this would have the effect of increasing stockholders equity to nearly \$40 Million.

If you will refer to the 1933 annual report, you will see an artist's conception of what the Company's food distribution center in Charleston is expected to look like when it is completed.

It is my understanding that the construction at this time is nearly complete. To sum up, this is an excellent Company and one that is quite strong financially.

I expect to send you early Wednesday, the Charleston County petition and the form of resolution to be adopted by the State Board.

It will be extremely helpful if the Board could adopt this promptly in order that the ad could be published this week so that the closing here can occur on June 4, which is the target date.

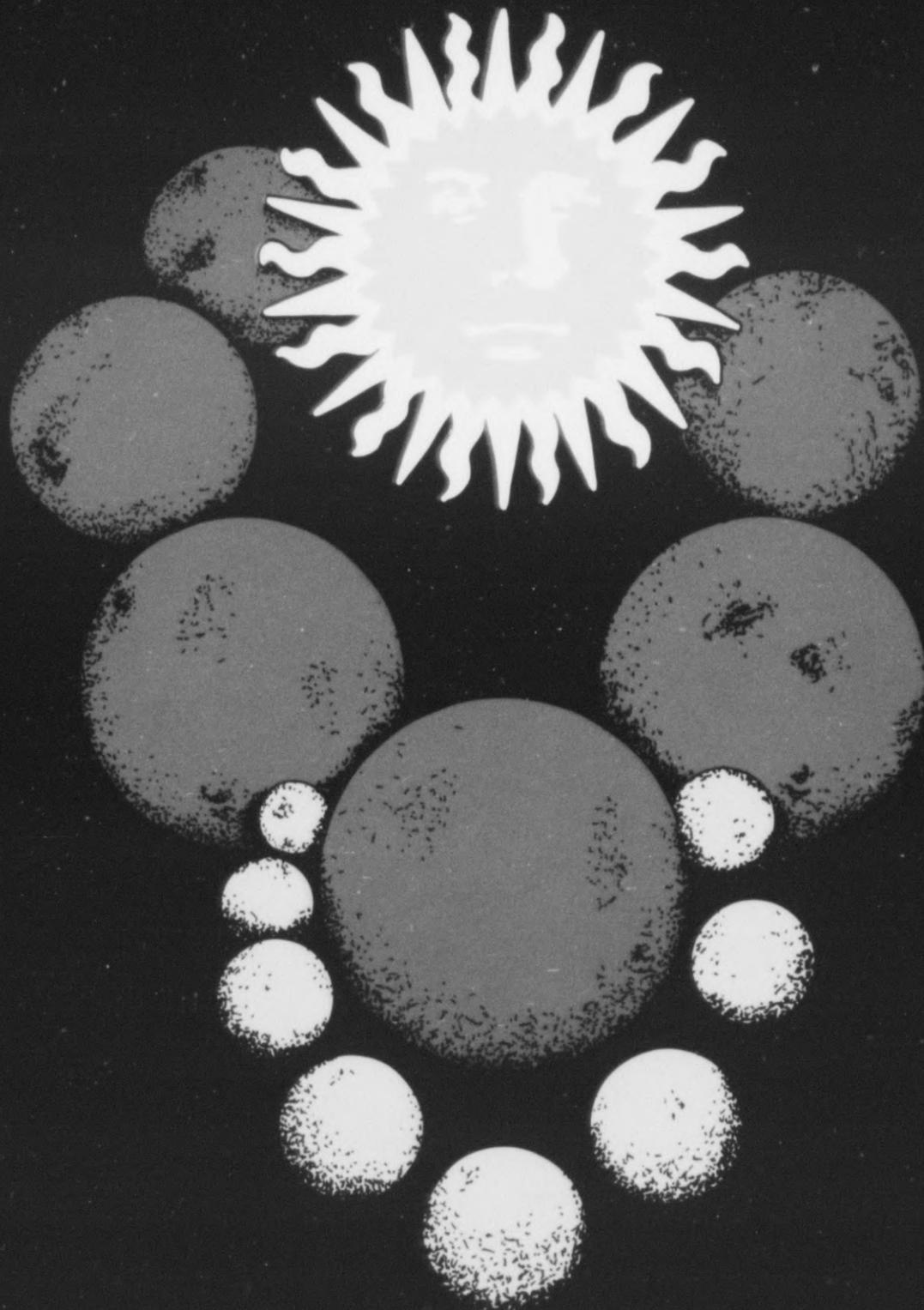
With kind regards,

Sincerely yours,

Duques Duches

HS:mbd
Enclosures

Wetterau Foods Inc.
1972 Annual Report



The Food Divisions and their locations, shown revolving around our corporate sun as blue planets, are alphabetically, Bloomington, Ind., Charleston, S. C., Hazelwood, Mo., Holbrook, Keene, N. H., Mexico, Mo., and Scott City, Mo.

The Affiliated Operations are represented as silver satellites, also alphabetically. They are Eighteen Sixty-Nine, Inc., Gateway Bakery, Mohr Distributors, Inc., Monarch Printing Company, Inc., Non-Foods, Wetterau Builders, Inc., Wetterau Education Institute and Wetterau Finance Co. Eighteen Sixty-Nine is located at Florissant, Mo., while all other affiliates are headquartered in Hazelwood, Mo., except Non-Foods, which is in Desloge, Mo.

This represents our corporate structure with both our food divisions and our affiliates orbiting Wetterau Foods, Inc., the parent company.

Financial Highlights

Taurus indicates income
or reward for producing



Results of operations	Year ended April 1, 1972	Year ended April 3, 1971	Percent increase
Sales	\$405,851,000	372,229,000	9.03
Earnings before income taxes	8,946,000	8,438,000	6.02
Net earnings	5,001,000	4,381,000	14.16
Percent earned on sales	1.23%	1.18%	—
Per share of common stock:			
Primary earnings	1.45	1.28	13.09
Fully diluted earnings	1.42	1.25	13.25
Cash dividends to common stockholders	1,527,000	1,442,000	—
Annual dividend rate — year end	.44	.44	—
Earnings reinvested in business	3,474,000	2,939,000	—
Common shares outstanding — year end	3,500,000	3,335,000	—

Officers

Oliver G. Wetterau
Chairman of the Board

Ted C. Wetterau
President

Oliver J. Cleveland
First Vice President

Robert K. Crutsinger
First Vice President

Charles E. Drewett, Jr.
First Vice President

Robert J. Schneider
Secretary

Jerome A. Rueff
Vice President and Treasurer

Lawrence C. Hild
Assistant Secretary

Robert E. Beckermann
Vice President — Advertising

Paul A. Cox
Vice President, General Manager
of Hazelwood Division

Wayne H. Davis
Vice President and Corporate
Controller

Melville O. Hampe
Vice President — Personnel

William D. Holley
Vice President, General Manager
of Mexico Division

Richard C. Malecek
Vice President — Data Processing

James A. McConnell
Vice President, General Manager
of Holbrook Division

William R. Miller
Vice President, General Manager
of Scott City Division

Joseph A. Pollard
Vice President, General Manager
of Charleston Division

Clifton J. Roberts
Vice President, General Manager
of Non-Foods Division

Van D. Spurgeon
Vice President — Training

H. Wallace Truelock
Vice President — Marketing

Leonard V. Waldron
Vice President, General Manager
of Bloomington Division

Directors



Oliver G. Wetterau



Ted C. Wetterau



Oliver J. Cleveland



Charles L. Cackelreas



Gene K. Davis



Charles E. Drewett, Jr.



Gordon Ellis
Executive Vice President
Interstate Brands Corp.
Kansas City, Mo.



Milton F. Lewis
Partner, Hallgarten & Co.
New York, N. Y.



Clinton H. Paertner



Ferlyn H. Prather



Jerome A. Rueff



Stanley Simon
Stanley Simon & Assoc's.
New York, N. Y.



Leonard V. Waldron

Executive Committee

Oliver G. Wetterau
Ted C. Wetterau
Ferlyn H. Prather
Jerome A. Rueff

Directors Emeritus



William O. Buhrman



John R. Figg

To Our Shareholders



Ted C. Wetterau, president, and Oliver G. Wetterau, chairman of the board, right.

Fiscal 1972 was a year of notable achievements for Wetterau Foods, Inc., apart from continuing corporate growth in sales and earnings.

Your company was the proud recipient of the "Growth Company of the Year" award bestowed annually by the Metropolitan St. Louis Council, National Association of Investment Clubs. This plaque, shown above, is awarded for "excellence in management and consistent growth in sales and earnings."

The plaque was presented January 29, 1972, prior to an address before the Metropolitan St. Louis Council by your board chairman and president. On February 1, 1972, the address was given before the St. Louis Society of Financial Analysts at a luncheon and later the same afternoon before the sales staff of the St. Louis office of Merrill Lynch, Pierce, Fenner & Smith. On May 16, 1972, in New York City we addressed the staff of G. H. Walker & Co., Inc. All of these reports, we believe were beneficial in boosting our stock price to its true market value.

Another milestone reached in fiscal 1972 was the acquisition by your company of a 12-county area of northern Indiana assigned by IGA's board of directors. Details will be covered elsewhere in this report.

During the year sales increased 9.03 percent to a record \$405,851,000, compared with \$372,229,000 for fiscal 1971.



Gemini covers all forms of communication

An increase in net earnings from \$4,381,000 in fiscal 1971 to \$5,001,000 or 14.16 percent was recorded. Per share earnings rose from \$1.28, after an adjustment for a three percent stock dividend, to \$1.45.

Our continuing growth is an outstanding tribute to the efforts of all of our employees, our officers and our board of directors.

Oliver G. Wetterau

OLIVER G. WETTERAU
Chairman of the Board

Ted C. Wetterau

TED C. WETTERAU
President

Food Divisions



Taurus the producer

Introduction

Wetterau's six foods divisions consist of distribution centers at Bloomington, Ind., Charleston, S. C., Hazelwood, Mo., Keene, N. H., and Mexico and Scott City, Mo.

First vice president Oliver J. Cleveland has overall responsibility for the Bloomington, Hazelwood and Holbrook divisions, the latter being located at Keene, N. H.

First vice president Charles E. Drewett, Jr., serves in a similar capacity in supervision of the Charleston, Mexico and Scott City operations.

These six divisions constitute the backbone of our corporate structure and form the foundation on which Wetterau Foods was built.

Nearly 600 IGA, Red & White and other independent supermarkets are served from these warehouses. More than two-thirds of our corporate income is derived from the operations of these divisions.

The following pages contain a resume of the progress achieved in each of these units. **861**



Oliver J. Cleveland
1st Vice President



Charles E. Drewett, Jr.
1st Vice President



President Ted C. Wetterau (right) with Bloomington vice president and general manager Leonard V. Waldron and assistant general manager Gene K. Davis (left).

Our second largest food division showed the greatest expansion in the area of store development with 10 new stores added and 11 remodels completed during the year.

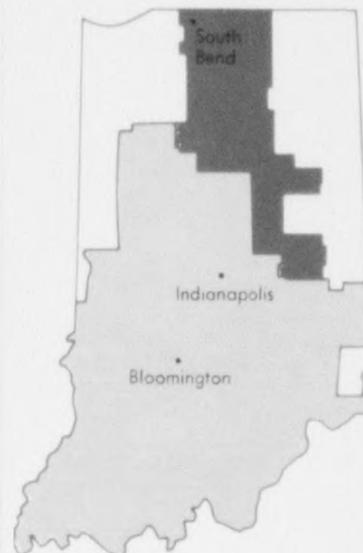
Perhaps the most significant change in the operating level of the division during the year was the addition of 12 counties in northcentral Indiana to its IGA franchise.

This new assignment by IGA Headquarters resulted from the sale of the firm which previously served this area. This new territory is expected to produce an increase in sales of between 10 and 20 percent over the next two years in the division.

At the same time Wetterau plans to double the present number of stores in the new area from 25 to 50. The new area is also being supplied by our Non-Foods division and the additional new sales will reflect favorably in the performance of that affiliate.

During the year, Gene K. Davis, assistant to the division general manager, was elected to the Board at the annual meeting of stockholders on June 29, 1971.

Bloomington



■ New Territory
■ Existing Territory

In 1971 a major remodeling and expansion of offices, freezer, dairy cooler, produce area and perishables section was completed at Bloomington. The division supplies 122 IGA Foodliners.



Oliver J. Cleveland
1st Vice President



Charles E. Drewett, Jr.
1st Vice President



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■ Existing Territory

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Charleston



Joseph A. Pollard
Vice President,
General Manager

A major efficiency was effected through consolidation of the Allendale and Charleston distribution centers into a single unit located at Charleston, S. C.

This resulted in temporary inconvenience and crowding in the facility. Two years from now this situation will be eliminated when we begin operating from a completely new distribution center of 250,000 square feet.

The new facility is designed to be the most efficient of its kind in the Southeast. Though we supply Red & White supermarkets out of the Charleston division only, we rank fifth nationally among the 55 Red & White wholesalers.

Store development in this division consisted of five new stores and seven remodels. We consider North Carolina, South Carolina, and Georgia to have considerable growth potential.

Formerly operated as Thomas & Howard, a subsidiary, the name was changed to Wetterau Foods, Inc., Charleston division, last October. The division supplies 92 supermarkets.

Hazelwood



Paul A. Cox
Vice President,
General Manager

With more than 333,000 square feet of distribution and office area, the Hazelwood distribution center is Wetterau's largest food division, serving 146 IGA Foodliners.

The division opened 12 supermarkets during the year and six existing stores underwent expansion and remodeling.

Though opened just after the beginning of the new fiscal year, a new store at Rosewood Heights, Ill., drew special industry attention both nationally and from abroad. Visitors from several foreign countries, including four from New Zealand (two retailers and two wholesalers from Auckland), commented favorably on the store's design and equipment.

A continuing expansion of the division's freezer, produce and grocery areas has taken place over the past 10 years. Within the next 24 months, however, it may be necessary to enlarge the division's perishables department.

Holbrook



James A. McConnell
Vice President,
General Manager

The Holbrook division, Keene, N. H., supplies 65 IGA Foodliners in New Hampshire, Vermont and Massachusetts.

During the year a 40,000-square-foot addition to the warehouse was begun which will double the frozen and dairy facility and enable the division to add fresh produce to existing lines of merchandise sold there.

A full-time retail store development engineer was assigned to the division to fill a need to develop more fully areas of the assigned territory in the three states served by Holbrook. Though this position was filled during only a short portion of the fiscal year, two new stores were opened and one was remodeled.

As was the case at Charleston, Holbrook became a division of Wetterau Foods, Inc., instead of a subsidiary late in the year. Strengthening of management in the division saw the elevation of James A. McConnell to vice president and general manager of the division.

Scott City



William R. Miller
Vice President,
General Manager

Enlargement of the perishables section at the Scott City distribution center was completed recently providing a 50 percent increase in the produce storage area. The new addition gave this facility about 212,000 square feet of office and warehouse space.

As the smallest of our food divisions, Scott City serves 60 IGA Foodliners. During the year, the division opened four new stores and remodeled six others.

William R. Miller succeeded Ferlyn Prather May 1, 1971 upon the latter's retirement with more than 45 years of service to the Company. Mr. Prather continues as a member of the Board of Directors. Mr. Miller was elected a vice president of Wetterau Foods at the June 29, 1971 meeting of the Board of Directors.

With the projected opening of a new IGA Foodliner in the Memphis, Tenn., metropolitan area in Mississippi early this fiscal year, Wetterau will have entered operations in its fourteenth state.

Mexico



William D. Holley
Vice President,
General Manager

Construction has commenced on a 61,000-square-foot addition to our distribution facility at Mexico, Mo. The expansion will double the size of the produce, frozen food and dairy departments.

The division serves 76 IGA Foodliners. During the fiscal year just ended Mexico division opened seven new Foodliners, ranking third in this category among our six food divisions, and remodeled three other supermarkets.

William D. Holley took over as general manager of the division following the retirement of Charles L. Cockelreas, January 1, 1972, as noted elsewhere on this page. Mr. Holley was elected a vice president at a meeting of the Board of Directors on February 8, 1972.

A Tribute



Charles L. Cockelreas

On January 14, 1972 some 150 employees of the Mexico division gathered at the Empire Club there for a retirement dinner to honor Charles L. Cockelreas, former vice president and general manager of the division. Charlie remains on the WFI board of directors and as a consultant to the division.

The Wetterau employees who assembled were on hand not merely to pay tribute to the retirement of their former boss. They were there as loyal members of Charlie's Mexico division "family." The group included Oliver G. Wetterau, chairman of the board, and Ted C. Wetterau, president, both of whom eulogized Charlie's more than 40 years of service to Wetterau.

Special guests of honor were first vice president O. J. Cleveland and Leonard Waldron, vice president and general manager of the Bloomington division.

Affiliated Operations



Aries sign of the new

Non-Foods



Robert K. Crutsinger
1st Vice President,
Affiliated Operations

Wetterau's Affiliated Operations comprise the parent company's most recently acquired subsidiaries. The eight Affiliates were acquired within the past several years, as our company embarked on its present diversification program. All were acquired within the context of our primary goal.

This corporate goal is to profitably supply wholesale products to an increasing number of independent retail facilities and encourage the greater sale of these products through improved merchandising programs and services.

Wetterau Foods, Inc., operates its Affiliates for two reasons: First, to provide better service to our retailers. Second, to provide additional profits for the parent company. Though contributing less than seven percent of our total sales, the Affiliates provide Wetterau Foods, Inc., with about 30 percent of its total profit.

Highlights in the operation of the Affiliates over the past fiscal year may be found on the following pages.



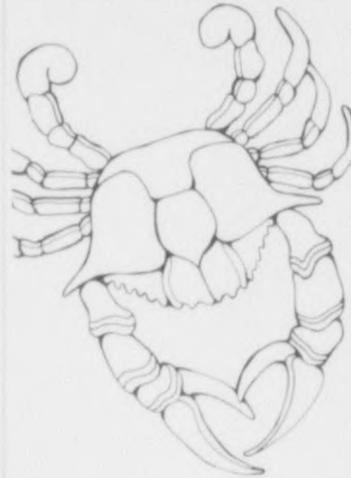
Clifton J. Roberts
Vice President,
General Manager

The Non-Foods division, located in Desloge, Mo., is an excellent example of an affiliate that provides a direct service to our retailers.

Non-Foods carries a complete inventory of non-food items.

The division is providing product and service to our retailers in the highly important non-foods area of supermarket merchandising.

The success of this division is evident in the fact that its sales are keeping pace with the corporate growth pattern.



Cancer is the sign of real estate

Wetterau Builders, Inc.



Kenneth W. Evans
General Manager

In order to provide construction services to our retailers for new stores and remodeling, as well as warehouse expansion, Wetterau Builders, Inc. was formed in 1967. Since its formation Wetterau Builders, Inc. has expanded its activity and is constructing other commercial buildings and churches.

During fiscal 1971-72 Wetterau Builders, Inc. built six new IGA Foodliners, two Mohr Value Centers, remodeled one Mohr Value Center and nine supermarkets. The construction company performed remodeling and expansion work at five of our warehouses and built three churches. Sixteen additional projects are underway.

Wetterau Finance Co.



Lawrence C. Hild
Vice President,
General Manager

Wetterau Finance Co. has contributed significantly to the progress of Wetterau Foods by helping IGA and Red & White retailers to finance new stores and expand existing retail facilities to accommodate rising sales. This capacity to assist retailers continues to attract new customers in all the areas we serve.

During the current year loans to affiliated retailers increased more than 40 percent with the result that that Wetterau Finance held slightly more than \$9,500,000 of retailers' notes at April 1, 1972. We continue to enjoy an excellent collection record.

Monarch Printing



Robert J. Livingston
General Manager

During fiscal 1971-72, Monarch Printing Company moved from old quarters to new quarters in the Affiliates Building. This move coupled with the installation of a four-color web press has tripled Monarch's production capacity and increased its product flexibility and quality.

The introduction of the four-color press has enabled Monarch to provide our retailers with a new retail advertising program featuring meat and produce items in process color.

Monarch has added to its product line a label and packaging material program which now counts as customers not only our retailers but outside customers.

The additional space, additional equipment and new product lines enabled Monarch Printing Company during fiscal 1971-72 to more than double its sales.





Mohr Distributors, Inc.



Mohr Value Center, Carbondale, Ill.

Fiscal 1971-72 saw Mohr Distributors, Inc., complete its move to the Affiliates Building.

Mohr now occupies new offices and at fiscal year end was serving eight Mohr Value Centers in Missouri and Illinois from its new central warehouse. These are located at Rolla, Flat River, Excelsior Springs, Kennett, Richmond and Trenton, Mo., and at Carbondale and Litchfield, Ill.

During the year, Mohr added 95,000 square feet of floor space to its growing sales area and more than doubled its sales.

In the current fiscal year Mohr Value plans to relocate one unit and build three new family merchandise centers. This new construction will add 125,000 square feet of retail floor space.



Irving Brin
President



Norman Kessler
Vice President

Gateway Bakery



Donald M. Pieper
General Manager

The new Affiliates Building at 8840 Pershall Road, Hazelwood, Mo., became the home of Gateway Bakery during the fiscal year just ended.

In the move to new quarters Gateway more than tripled its production area.

This division, acquired more than three years ago to implement the retailers' need for an in-store bake-off program, is now gearing up to provide private label products that can be sold in all of the IGA and Red & White stores served by Wetterau Foods, Inc.

In this new facility Gateway is operating with the most modern automatic equipment in the bakery industry and is beginning to supply bakery products not only to our own retailers but to other grocery wholesalers in the Midwest and East Coast.

Wetterau Education Institute



Van D. Spurgeon
Vice President — Training

Eighteen Sixty Nine, Inc.



Robert E. Beckermann
Vice President — Advertising



Thomas R. Crabtree
General Manager

The Wetterau Education Institute is the the training and development arm of our company.

The Institute was formed six years ago as a vehicle to provide a continuing education program for the personnel employed by retail supermarkets served by Wetterau and the employees of Wetterau Foods.

During the year the Institute has continued to sharpen the managerial skills of Wetterau personnel through management briefings held at regular intervals. A new retail training program for the current year was also finalized.



Gemini is the sign of education

In its second year of operation Eighteen Sixty Nine, Inc., has more than doubled its agency billings.

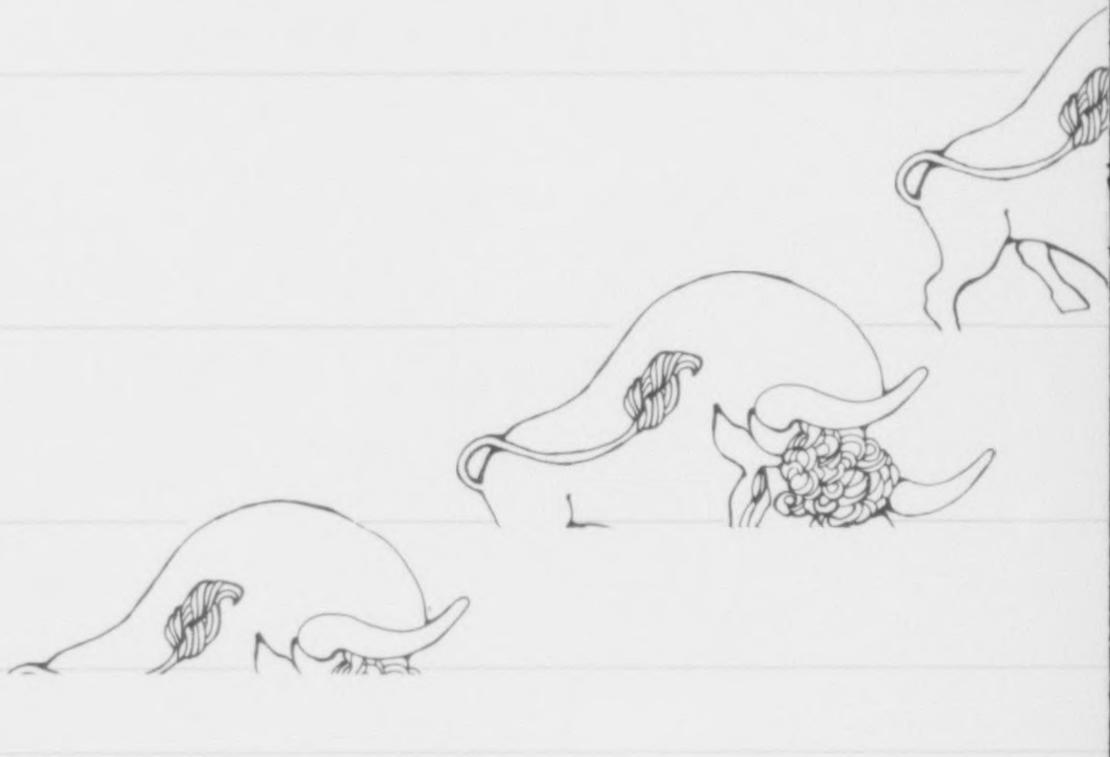
The subsidiary has provided ongoing advertising programs for the Red & White and IGA stores served by Wetterau.

In addition to providing creative services for Wetterau's retail customers, the advertising agency has continued to solicit and add outside accounts.



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Ten Year Financial Review



Ten Year Financial Review (In thousands except for per share data)

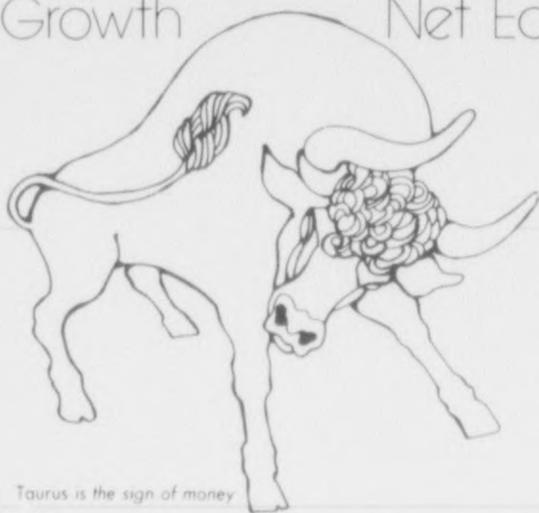
	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Net sales	\$405,851	372,229	336,211	301,186	261,816	226,686	205,099	134,114	119,962	108,994
Income taxes	3,945	4,057	3,718	2,939	2,265	2,095	1,688	1,027	1,214	989
Net earnings	5,001	4,381	3,893	3,398	2,950	2,396	1,969	1,322	1,153	960
Cash dividends paid	1,527	1,442	1,440	1,028	873	737	554	480	410	235
Common shares outstanding — year end	3,500	3,335	3,235	3,085	2,959	2,935	2,861	2,277	2,257	2,252
Per common share data:										
Primary earnings	1.45	1.28	1.15	1.02	.92	.77	.65	.50	.44	.41
Fully diluted earnings	1.42	1.25	1.12	.98	.87	.72	.64	—	—	—
Annual dividend rate — year end	.44	.44	.44	.40	.35	.31	.27	.18	.13	.11

1. All poolings of interests have been included from the beginning of the 1966 fiscal year, except figures for John R. Figg, Inc., which have been included from the beginning of the 1963 fiscal year.
2. All appropriate figures have been adjusted to reflect all stock splits and stock dividends. Earnings per share for 1966 through 1972 are based on weighted average number of shares outstanding during the respective years. Earnings per share for 1963 through 1965 are based on shares outstanding at the end of each year.

Sales Growth

Net Earnings

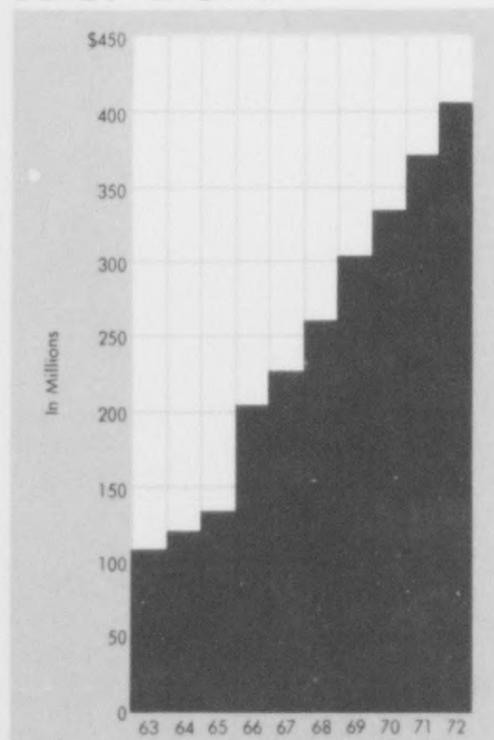
Earnings Per Share



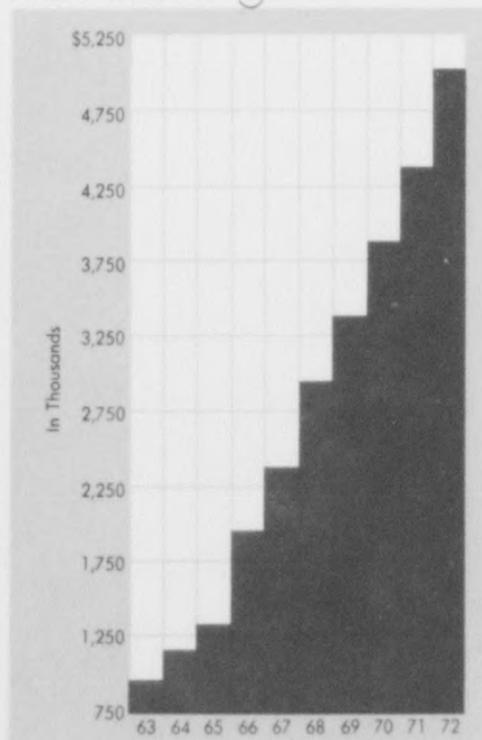
Taurus is the sign of money



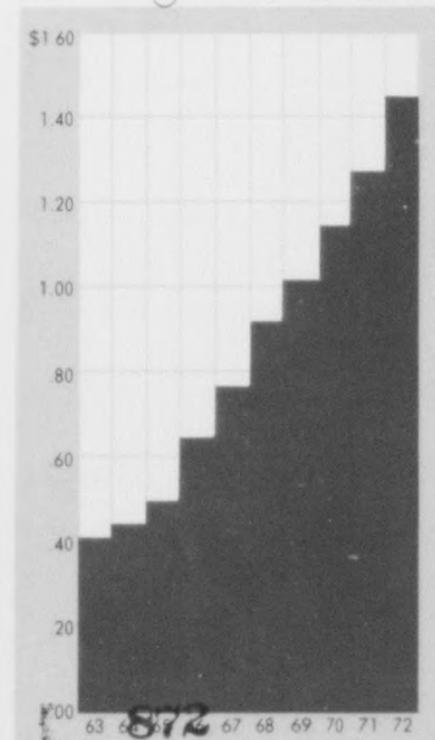
Sales Growth



Net Earnings



Earnings Per Share



Consolidated Balance Sheet

Wetterau Foods, Inc. and Consolidated Subsidiaries
 April 1, 1972 and April 3, 1971

Assets	<u>1972</u>	<u>1971</u>
Current assets:		
Cash	\$ 1,562,000	4,299,000
Receivables, less allowance for doubtful accounts of \$489,000 (\$622,000 in 1971)	10,305,000	8,085,000
Equity in trade notes sold to unconsolidated finance subsidiary	323,000	255,000
Interim financing for retail store construction	1,192,000	1,999,000
Advances to unconsolidated finance subsidiary	15,000	275,000
Merchandise inventories, at the lower of cost (first-in, first-out) or replacement market	19,019,000	18,265,000
Prepaid expenses	<u>801,000</u>	<u>623,000</u>
Total current assets	<u>33,217,000</u>	<u>33,801,000</u>
Notes and accounts receivable — deferred maturities	719,000	659,000
Equity in trade notes sold to unconsolidated finance subsidiary — deferred	877,000	470,000
Investment in unconsolidated finance subsidiary	2,271,000	1,888,000
Other investments	409,000	369,000
Property, plant and equipment, at cost less accumulated depreciation and amortization of \$7,504,000 (\$7,100,000 in 1971)	20,882,000	18,892,000
Other assets	<u>95,000</u>	<u>146,000</u>
	<u>\$58,470,000</u>	<u>56,225,000</u>

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See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

Wetterau Foods, Inc. and Consolidated Subsidiaries
 April 1, 1972 and April 3, 1971

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See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity

	<u>1972</u>	<u>1971</u>
Current liabilities:		
Notes payable to banks	\$ 300,000	4,600,000
Current maturities of long-term debt	379,000	393,000
Accounts payable	16,925,000	18,083,000
Accrued expenses	966,000	886,000
Taxes on income	<u>354,000</u>	<u>1,040,000</u>
Total current liabilities	<u>18,924,000</u>	<u>25,002,000</u>
Deferred taxes on income	<u>1,057,000</u>	<u>833,000</u>
Long-term debt, less current maturities	<u>7,774,000</u>	<u>3,787,000</u>
Stockholders' equity:		
Common stock of \$1 par value per share. Authorized 10,000,000 shares; issued 3,499,582 shares (3,335,425 in 1971)	3,500,000	3,335,000
Additional paid-in capital	9,326,000	6,288,000
Retained earnings	<u>17,889,000</u>	<u>16,980,000</u>
Total stockholders' equity	<u>30,715,000</u>	<u>26,603,000</u>
	<u>\$58,470,000</u>	<u>56,225,000</u>

Consolidated Statement of Earnings

Wetterau Foods, Inc. and Consolidated Subsidiaries
Fifty-two weeks ended April 1, 1972 and
the fifty-three weeks ended April 3, 1971

	<u>1972</u>	<u>1971</u>
Income:		
Net sales	\$405,851,000	372,229,000
Discount on purchases	3,891,000	3,541,000
Other income, net	2,680,000	2,090,000
Net earnings of unconsolidated finance subsidiary	<u>383,000</u>	<u>303,000</u>
	<u>412,805,000</u>	<u>378,163,000</u>
Cost and expenses:		
Cost of goods sold	381,123,000	349,213,000
Selling, general and administrative expenses	20,156,000	18,356,000
Depreciation and amortization	1,924,000	1,693,000
Interest	656,000	463,000
Taxes on income including \$224,000 deferred (\$173,000 in 1971)	<u>3,945,000</u>	<u>4,057,000</u>
	<u>407,804,000</u>	<u>373,782,000</u>
Net earnings	<u>\$ 5,001,000</u>	<u>4,381,000</u>
Per share of common stock:		
Primary earnings	<u>\$1.45</u>	<u>1.28</u>
Fully diluted earnings	<u>\$1.42</u>	<u>1.25</u>

See accompanying notes to consolidated financial statements.

Consolidated Statement of Stockholders' Equity

Wetterau Foods, Inc. and Consolidated Subsidiaries
Fifty-two weeks ended April 1, 1972 and
the fifty-three weeks ended April 3, 1971

	Common stock	Additional paid-in capital	Retained earnings	Total
<u>Fifty-two weeks ended April 1, 1972</u>				
Balance at beginning of period	\$3,335,000	6,288,000	16,980,000	26,603,000
Net earnings	—	—	5,001,000	5,001,000
Conversion of \$567,000 of the 4% convertible subordinated debentures into 54,819 common shares	55,000	504,000	—	559,000
Stock options exercised	5,000	74,000	—	79,000
Issuance of 4,912 common shares based upon the earnings performance of previously acquired companies	5,000	(5,000)	—	—
Dividends:				
Cash — \$.44 per share	—	—	(1,527,000)	(1,527,000)
3% Common stock	100,000	2,465,000	(2,565,000)	—
Balance at end of period	<u>\$3,500,000</u>	<u>9,326,000</u>	<u>17,889,000</u>	<u>30,715,000</u>
<u>Fifty-three weeks ended April 3, 1971</u>				
Balance at beginning of period	3,235,000	4,793,000	15,312,000	23,340,000
Net earnings	—	—	4,381,000	4,381,000
Conversion of \$190,000 of the 4% convertible subordinated debentures into 17,798 common shares	18,000	170,000	—	188,000
Stock options exercised	16,000	120,000	—	136,000
Issuance of 3,132 common shares based upon the earnings performance of previously acquired companies	3,000	(3,000)	—	—
Dividends:				
Cash — \$.44 per share	—	—	(1,442,000)	(1,442,000)
2% Common stock	63,000	1,208,000	(1,271,000)	—
Balance at end of period	<u>\$3,335,000</u>	<u>6,288,000</u>	<u>16,980,000</u>	<u>26,603,000</u>

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See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

Wetterau Foods, Inc. and Consolidated Subsidiaries
Fifty-two weeks ended April 1, 1972 and
the fifty-three weeks ended April 3, 1971

	1972	1971
Working capital provided:		
Net earnings	\$ 5,001,000	4,381,000
Depreciation and amortization	1,924,000	1,693,000
Increase in deferred taxes on income	224,000	173,000
	<u>7,149,000</u>	<u>6,247,000</u>
Less net earnings of unconsolidated finance subsidiary	383,000	303,000
Working capital provided from operations	<u>6,766,000</u>	<u>5,944,000</u>
Disposal of property, plant and equipment, net of accumulated depreciation	746,000	985,000
Issuance of long-term debt	5,000,000	—
Issuance of common stock for conversion of 4% convertible subordinated debentures	567,000	190,000
Proceeds from stock options exercised	79,000	136,000
Sale of Merchants Investment Corporation	—	170,000
Other changes, net	3,000	106,000
Decrease in working capital	—	1,428,000
	<u>\$13,161,000</u>	<u>8,959,000</u>
Working capital used:		
Increase in notes and accounts receivable — deferred maturities	60,000	219,000
Increase in equity in trade notes sold to unconsolidated finance subsidiary — deferred	407,000	25,000
Additions to property, plant and equipment	4,660,000	6,762,000
Reduction of long-term debt	446,000	321,000
Conversion of 4% convertible subordinated debentures	567,000	190,000
Cash dividends	1,527,000	1,442,000
Increase in working capital	5,494,000	—
	<u>\$13,161,000</u>	<u>8,959,000</u>
Changes in working capital — increase (decrease):		
Current assets:		
Cash	(2,737,000)	2,806,000
Marketable securities	—	(118,000)
Receivables	2,220,000	(187,000)
Equity in trade notes sold to unconsolidated finance subsidiary	68,000	(3,000)
Interim financing for retail store construction	(807,000)	327,000
Advances to unconsolidated finance subsidiary	(260,000)	(341,000)
Merchandise inventories	754,000	2,885,000
Prepaid expenses	178,000	212,000
Current liabilities:		
Notes payable to banks	4,300,000	(4,600,000)
Current maturities of long-term debt	14,000	314,000
Accounts payable	1,158,000	(2,776,000)
Dividends payable	—	350,000
Accrued expenses	(80,000)	(212,000)
Taxes on income	686,000	(85,000)
Increase (decrease) in working capital	<u>\$ 5,494,000</u>	<u>(1,428,000)</u>

See accompanying notes to consolidated financial statements.

Notes To Consolidated Financial Statements

Wetterau Foods, Inc. and Consolidated Subsidiaries
April 1, 1972 and April 3, 1971

(1) Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the Company and all wholly-owned subsidiaries except Wetterau Finance Co. All significant intercompany transactions have been eliminated in consolidation. Wetterau Finance Co. is not consolidated but is carried at equity in underlying net assets and separate financial statements are included herein.

(2) Property, Plant and Equipment:

Property, plant and equipment consist of the following:

	1972	1971
Land	\$ 1,391,000	758,000
Buildings	12,384,000	10,361,000
Delivery equipment	5,849,000	4,947,000
Warehouse equipment	2,438,000	2,195,000
Manufacturing equipment	1,209,000	915,000
Furniture and fixtures	4,088,000	4,461,000
Leasehold improvements	956,000	1,045,000
Construction in progress	71,000	1,310,000
	<u>\$28,386,000</u>	<u>25,992,000</u>

Buildings and all equipment are depreciated on a straight-line basis over the estimated useful lives of the various classes of assets. Leasehold improvements are amortized over the terms of the respective leases.

(3) Taxes on Income:

Deferred taxes on income result principally from deducting depreciation allowances for tax purposes in amounts greater than the allowances determined on the straight-line depreciation method used for financial reporting purposes.

During 1972 the Company elected the "flow-through" method of accounting for the 7% investment tax credit which reduced the current period's tax liability by \$162,000.

(4) Long-Term Debt:

Long-term debt is summarized as follows:

	1972	1971
8% promissory notes, payable in semiannual installments of \$300,000 beginning March 23, 1974 through September 23, 1980, and \$400,000 semiannually thereafter through September 23, 1986	\$5,000,000	—
5% promissory notes, payable in semiannual installments of \$100,000 with final payment of \$234,000 on September 15, 1979	1,634,000	1,834,000

	1972	1971
7% promissory note, payable in quarterly installments of \$10,000 through 1972, and \$12,500 quarterly thereafter through December 31, 1982	530,000	570,000
4% convertible subordinated debentures, due July 31, 1980	—	567,000
Mortgage notes payable, at 5% to 7% interest rates, payable in varying amounts through 1979	640,000	752,000
Other, at 4% to 7% interest rates, payable in varying amounts through 1978	349,000	457,000
	<u>8,153,000</u>	<u>4,180,000</u>
Less current maturities	<u>379,000</u>	<u>393,000</u>
	<u>\$7,774,000</u>	<u>3,787,000</u>

The aggregate amounts of long-term debt maturing in each of the four fiscal periods after 1973 are: 1974 — \$708,000; 1975 — \$1,021,000; 1976 — \$1,025,000; 1977 — \$970,000.

On September 23, 1971, the Company entered into a note agreement with two insurance companies which provided for unsecured borrowings of \$9,000,000. In connection with the agreement, \$5,000,000 was borrowed in 1971 and the remaining \$4,000,000 will be borrowed subsequent to October 15, 1972, but in no event later than December 15, 1972. The agreement provides for an interest rate of 8% and a commitment fee of 1/2 of 1% per annum on the unused portion on the commitment.

On February 11, 1972, holders of the 4% convertible subordinated debentures were notified by the Company that the debentures would be called on March 24, 1972. In connection therewith, the remaining \$405,000 principal amount of debentures were converted into 39,388 shares of common stock.

Certain loan agreements contain provisions which restrict the payment of cash dividends and the purchase, redemption, or retirement of capital stock. Consolidated retained earnings not restricted under these provisions approximates \$4,788,000 at April 1, 1972. The loan agreements also contain restrictive provisions which, among other things, require the Company to maintain certain minimum amounts of working capital. Property, plant and equipment having a net carrying value of approximately \$3,065,000 at April 1, 1972, is pledged as collateral under the mortgage notes payable.

Notes To Consolidated Financial Statements (Continued)

Wetterau Foods, Inc. and Consolidated Subsidiaries

(5) Capital Stock:

On June 29, 1971, the Company's authorized common stock was increased from 5,000,000 to 10,000,000 shares. In addition, on August 10, 1971, the Board of Directors declared a 3% common stock dividend. All appropriate figures in the accompanying financial statements and related notes have been adjusted to reflect the stock dividend.

During 1971, 4,912 common shares were issued and approximately 2,000 shares are issuable at April 1, 1972, pursuant to the terms of an agreement relating to previously acquired companies. In addition, a maximum of approximately 70,768 common shares are contingently issuable if defined net earnings of the aforementioned companies exceed agreed upon levels for the two fiscal periods ending March 30, 1974. The common shares issuable at April 1, 1972 have been included in the computation of primary earnings per share (note 7) and, when issued, will be reflected in the financial statements.

The Company is authorized to issue 590,000 shares of \$5 par value preferred stock. At April 1, 1972, none of this stock had been issued.

(6) Stock Option Plans:

Under a qualified stock option plan adopted by the Company in 1965, certain officers and key employees may purchase shares of common stock at prices equal to market value on the dates the options were granted. The options become exercisable in installments and expire five years from date of grant. Changes in options granted are summarized as follows:

	Shares	Average price
Options outstanding March 28, 1970	73,311	\$14.16
Add (deduct) options:		
Granted	5,253	17.61
Exercised	(16,459)	8.30
Cancelled	(1,498)	11.36
Options outstanding April 3, 1971	60,607	16.30
Add (deduct) options:		
Granted	—	—
Exercised	(4,816)	16.33
Cancelled	(431)	16.02
Options outstanding April 1, 1972 (of which 28,101 shares are exercisable)	<u>55,360</u>	<u>16.30</u>

The stockholders approved a new stock option plan on June 29, 1971, under which both qualified and non-qualified options may be granted to officers and key employees to purchase an aggregate of 128,750 shares of common stock. Qualified options must be granted at a price which is not less than market value at date of grant and expire five years from date of grant.

Non-qualified options may be granted at a price which is not less than 75% of the market value at date of grant and expire not more than ten years from date of grant. The extent to which options are exercisable during the option periods will be determined when the options are granted. At April 1, 1972, no options had been granted under the plan.

(7) Earnings Per Share of Common Stock:

Primary earnings per share are based on the weighted average number of common shares outstanding during the respective periods, adjusted to give effect to shares issuable to former stockholders of acquired companies based upon earnings performance (note 5). Common shares issuable under the Company's stock option plan (note 6) are not included in primary earnings per share as the dilutive effect is not material.

Fully diluted earnings per share are based on the assumption that conversion of all the 4% convertible subordinated debentures had occurred at the beginning of each period and that those shares issued and issuable under the stock option plan had been exercised at the beginning of the respective periods with the proceeds used to acquire treasury stock. Contingently issuable common shares (note 5) would not further reduce fully diluted earnings per share.

(8) Contingent Liabilities and Commitments:

At April 1, 1972, the Company is contingently liable as the endorser on notes signed by various retail customers of a previously acquired company in the amount of \$95,000. In addition, the Company has guaranteed the collectibility of notes aggregating approximately \$198,000 which are payable to a former subsidiary sold in November, 1970.

The Company operates at a number of locations under lease agreements expiring at various dates to 1991. The minimum annual rentals under these leases aggregate \$598,000 plus taxes, insurance and maintenance. In addition, the Company leases premises and equipment which are subsequently subleased to customers. The majority of the leases and subleases have been assigned to the finance subsidiary. Minimum annual rentals required to be paid under the terms of the leases, which expire at various dates to 1991, aggregate approximately \$3,425,000.

The Company and its subsidiaries have pension plans covering substantially all employees. Total expense of the plans for 1972 was \$538,000 (\$448,000 in 1971) which includes, as to one of the plans, amortization of prior service costs over a thirty year period. The Company's policy is to fund pension costs accrued. The actuarially computed value of vested benefits as of the latest valuation date exceeds the total pension funds by approximately \$48,000.

(9) Subsequent Event:

On May 9, 1972 the Board of Directors approved a 25% common stock split to be effective on August 22, 1972. Assuming the common stock split had taken place at the beginning of the respective periods, primary earnings per share of common stock would have been \$1.16 and \$1.02 for 1972 and 1971, respectively.

Balance Sheet

Wetterau Finance Co.

April 1, 1972 and April 3, 1971

	<u>1972</u>	<u>1971</u>
Assets		
Cash	\$ 20,000	18,000
Notes receivable (including amounts maturing after one year)	12,112,000	7,989,000
Deductions:		
Unearned finance charges	2,528,000	1,335,000
Funds withheld pending collection of receivables	<u>1,200,000</u>	<u>725,000</u>
Total deductions	<u>3,728,000</u>	<u>2,060,000</u>
Notes receivable, net	<u>8,384,000</u>	<u>5,929,000</u>
Other assets	<u>21,000</u>	<u>26,000</u>
	<u>\$ 8,425,000</u>	<u>5,973,000</u>
Liabilities and Stockholder's Equity		
Notes payable to banks	6,000,000	3,675,000
Advances from parent	15,000	275,000
Accounts payable and accrued expenses	72,000	39,000
Taxes on income	67,000	96,000
Stockholder's equity:		
Common stock	200,000	200,000
Additional paid-in capital	200,000	200,000
Retained earnings	<u>1,871,000</u>	<u>1,488,000</u>
Total stockholder's equity	<u>2,271,000</u>	<u>1,888,000</u>
	<u>\$ 8,425,000</u>	<u>5,973,000</u>

See accompanying notes to financial statements.

Statement of Earnings and Retained Earnings

Wetterau Finance Co.

Fifty-two weeks ended April 1, 1972 and
the fifty-three weeks ended April 3, 1971

	<u>1972</u>	<u>1971</u>
Income:		
Interest collected	\$ 161,000	165,000
Finance charges earned, net	762,000	546,000
Rental income, net	<u>233,000</u>	<u>226,000</u>
	<u>1,156,000</u>	<u>937,000</u>
Deductions:		
Interest	286,000	311,000
Operating expenses	55,000	36,000
Lease termination expense	65,000	—
Taxes on income	<u>367,000</u>	<u>287,000</u>
	<u>773,000</u>	<u>634,000</u>
Net earnings	383,000	303,000
Retained earnings at beginning of period	1,488,000	1,050,000
Sale of Merchants Investment Corporation	—	<u>135,000</u>
Retained earnings at end of period	<u><u>\$1,871,000</u></u>	<u><u>1,488,000</u></u>

Statement of Changes in Financial Position

Wetterau Finance Co.

Fifty-two weeks ended April 1, 1972 and the
fifty-three weeks ended April 3, 1971

	<u>1972</u>	<u>1971</u>
Funds provided:		
Funds provided from operations — net earnings (exclusive of earnings of Merchants Investment Corporation in 1971)	\$ 383,000	297,000
Increase in notes payable to banks	2,325,000	975,000
Other changes, net	<u>9,000</u>	<u>—</u>
	<u>\$2,717,000</u>	<u>1,272,000</u>
Funds used:		
Increase in notes receivable balances	4,123,000	1,096,000
Deduct:		
Increase in unearned finance charges	1,193,000	316,000
Increase in funds withheld pending collection of receivables	<u>475,000</u>	<u>22,000</u>
Funds invested in notes receivable	2,455,000	758,000
Reduction of long-term debt	—	32,000
Decrease in advances from parent	260,000	341,000
Increase in cash	2,000	10,000
Other changes, net	<u>—</u>	<u>131,000</u>
	<u>\$2,717,000</u>	<u>1,272,000</u>

Notes to Financial Statements

Wetterau Finance Co.

April 1, 1972 and April 3, 1971

(1) Basis of Presentation:

On November 30, 1970, Wetterau Foods, Inc., sold Merchants Investment Corporation (a finance subsidiary) which had previously been combined with Wetterau Finance Co. for financial statement presentation. The 1971 statement of earnings includes the operations of Merchants Investment Corporation for the period prior to disposition; and the 1971 statement of changes in financial position reflects only the changes in the financial position of Wetterau Finance Co. The interest income and net earnings attributable to Merchants Investment Corporation included in the 1971 statement of earnings totaled \$27,000 and \$6,000, respectively.

(2) Intercompany Transactions:

All notes receivable held by Wetterau Finance Co., representing indebtedness of retail food stores and loans to stockholders of corporations operating retail food stores, were acquired from Wetterau Foods, Inc. Substantially all of the notes were purchased on a full recourse basis and provide for a guaranteed yield, which is currently 4% above the prime interest rate at date of purchase. During 1972 Wetterau Finance Co. received approximately \$40,000 of interest income and \$12,000 of additional discount (unearned finance charges) from Wetterau Foods, Inc. as a result of this guaranteed yield. During 1971 these amounts were \$25,000 and \$20,000, respectively.

Since Wetterau Finance Co. has no administrative staff, a management fee based upon collections of note payments is charged to Wetterau Finance Co. by Wetterau Foods, Inc. In addition, interest on advances at the prime rate is also paid to Wetterau Foods, Inc. Management fees and interest on advances in 1972 amounted to approximately \$35,000 and \$10,000, respectively (\$28,000 and \$21,000, respectively, in 1971).

(3) Commitments:

Wetterau Finance Co. is obligated under terms of leases expiring at various dates to 1991 with minimum annual rentals aggregating approximately \$2,831,000. Annual income under terms of subleases exceeds rental payments.

During 1972, the Company entered into a lease termination agreement providing for the cancellation of one lease upon payment of two months' rental and \$60,000.

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.
Certified Public Accountants
720 Olive Street
St. Louis, Missouri 63101

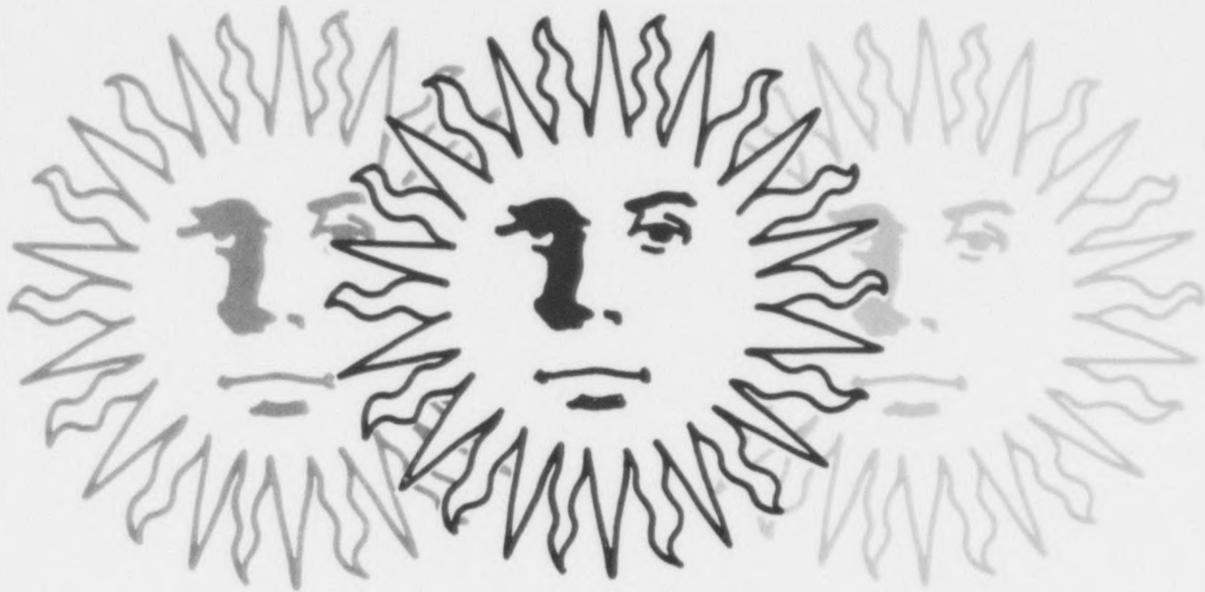
The Stockholders and Board of Directors
Wetterau Foods, Inc.:

We have examined the consolidated balance sheets of Wetterau Foods, Inc., and consolidated subsidiaries as of April 1, 1972 and April 3, 1971 and the related statements of earnings, stockholders' equity, and changes in financial position for the respective fifty-two and fifty-three weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the balance sheets of Wetterau Finance Co. as of April 1, 1972 and April 3, 1971 and the related statements of earnings and retained earnings and changes in financial position for the respective fifty-two and fifty-three weeks then ended.

In our opinion, such financial statements present fairly (a) the financial position of Wetterau Foods, Inc., and consolidated subsidiaries at April 1, 1972 and April 3, 1971 and the results of their operations, changes in stockholders' equity, and changes in financial position for the respective fifty-two and fifty-three weeks then ended, and (b) the financial position of Wetterau Finance Co. at April 1, 1972 and April 3, 1971 and the results of its operations and changes in financial position for the respective fifty-two and fifty-three weeks then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

May 9, 1972



The readers of our Annual Report may wonder why we chose signs of the zodiac as the artistic motif.

These signs were chosen to create interest in the text of the report and to provide a popular and appropriate illustrative theme.

For example, Sagittarius' function is to render an effective decision. Therefore, it was used in conjunction with illustrations of members of our board of directors.

Gemini, the twins, cover

all forms of communication. They are shown above the letter to shareholders, certainly an important form of communication.

As you may have noted throughout the report we have been very bullish on Taurus. He is shown in a variety of roles: as the symbol of income or reward when used above the financial highlights on page 1; as "the producer" when introducing our Foods Division section and again in connection

with our affiliates on pages 10 and 11. Finally, Taurus reappears in multiple form in our 10-Year Financial Review on pages 14 and 15, ascending in the same direction as our charts, this time as the "sign of money."

Cancer is the sign of real estate to tie in with an important element in the operation of Wetterau Builders. Gemini reappears as the sign of education to illustrate the Wetterau Education Institute. Aries

is symbolic of the new, and illuminates the section on the affiliates, Wetterau's newest offspring.

As explained on the inside front cover, the sun is used as the dominant theme throughout the report, as representative of the parent company and giving unity to its various divisions and subsidiaries. It is also a vitalizing factor, giving life and warmth to the corporate structure as a whole.

Notice of Annual Meeting

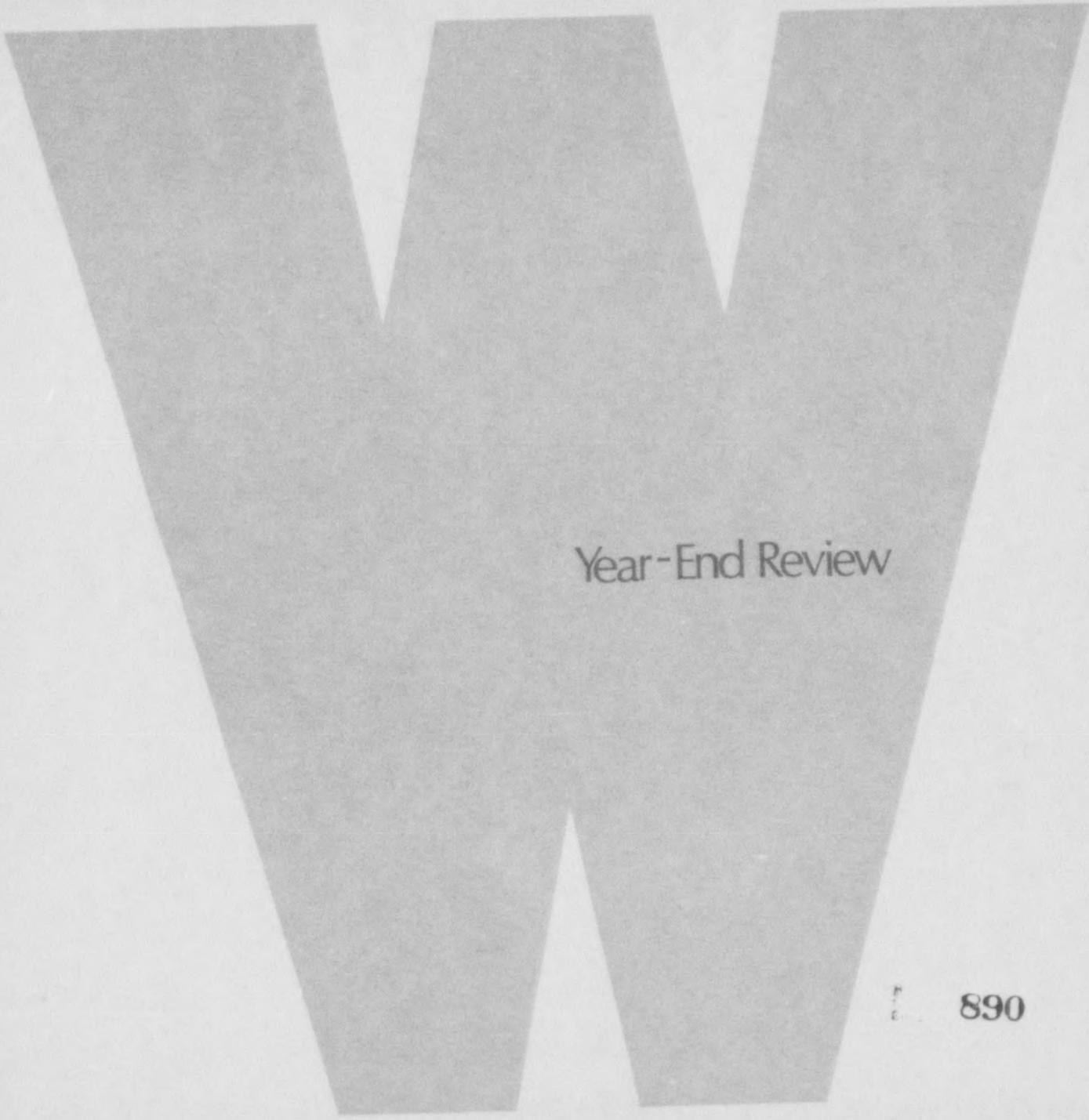
The annual meeting of stockholders of Wetterau Foods, Inc., will be held at 10:00 a.m. Tuesday, August 8, 1972, at the company's executive offices, 8400 Pershall Road, Hazelwood, Missouri.

THIS CASE MAY HAVE SOME OR ALL OF THE FOLLOWING DEFECTS WHICH MAY BE QUESTIONABLE WHEN READING. IN SPECIAL PROBLEM AREAS, THIS ROLL NOTE MAY BE REFILMED BEFORE THE DOCUMENT OR DOCUMENTS IN QUESTION.

1. PHOTOCOPY NOT CENTERED PROPERLY CUTTING OFF SOME OF THE INFORMATION.
2. DOCUMENTS ARE OF POOR LEGIBILITY AND MAY NOT PHOTOGRAPH WELL.
3. DOCUMENTS DAMAGED OR TORN BEFORE ARRIVING FOR FILMING.
4. DOCUMENTS CONTAIN A DOUBLE-COPY IMAGE, THE UNDERLYING IMAGE IS IRRELEVANT TO THE READABLE INFORMATION.
5. OVERSIZED DOCUMENTS THAT COMPRISE TWO OR MORE FRAMES.
6. DOCUMENTS WITH GLUED INSERTS WHICH WERE OR COULD NOT BE REMOVED, INFORMATION MAY OR MAY NOT BE UNDER THE INSERT.

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A large, light gray, stylized letter 'W' graphic that serves as a background for the text. The 'W' is composed of three vertical strokes that are slightly tapered at the top and bottom, with a central vertical stroke that is narrower than the two side strokes. The overall shape is a wide, shallow 'W' that fills most of the page.

Year-End Review

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To our Shareholders:

The next annual meeting of stockholders of Wetterau Foods, Inc. will be held at the company's executive offices at 10:00 A.M., Tuesday, June 29, 1971. A formal notice of the meeting, with proxy material, will be mailed to shareholders.

Wetterau Foods, Inc.
8400 Pershall Road
Hazelwood,
St. Louis County, Missouri

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Oliver G. Wetterau



Ted C. Wetterau

Your company recorded significant growth during fiscal 1971. Sales rose 10.71 percent during the year to a record \$372,229,000, compared with \$336,211,000 in 1970.

Net earnings increased from \$3,893,000 in 1970 to \$4,381,000 in fiscal 1971, a 12.53 percent increase. This represents earnings of \$1.32 per common share compared with \$1.18 in 1970.

These advances in sales and earnings were due to increased volume in new and existing IGA and Red & White retail food stores as well as profits from our expanding affiliated operations.

During recent years Wetterau Foods, Inc. has vigorously explored areas for mergers and acquisitions in industries related to present operations, such as our food divisions in Charleston, South Carolina and Keene, New Hampshire and affiliated operations such as Mohr Valu, Gateway Bakery, Monarch Printing Company and Eighteen Sixty Nine, Inc. advertising agency.

However, during fiscal 1971 our attention shifted from development of new properties to the development of resources which will increase the profits of recent acquisitions.

For example, new quarters for housing our affiliates were secured, along with new equipment and trained personnel to facilitate future growth of these operations. Details of these developments are contained in the Facilities section of this annual report.

As these operations form a sound base for profitable future growth, renewed efforts can be made to obtain other profitable facilities in the future.

In this report much attention is focused on the expanding facilities of Wetterau Foods, Inc. However, this expansion is only possible because of talented people who have chosen careers with our company. Our growth is a testimony of their dedication as well as the sound counsel of our officers and board of directors.

Sincerely,

Oliver G. Wetterau
Chairman of the Board

Ted C. Wetterau
President

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Financial Highlights

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<u>Results of operations</u>	<u>Year ended April 3, 1971</u>	<u>Year ended March 28, 1970</u>	<u>Percent Increase</u>
Sales	\$372,229,000	336,211,000	10.71
Earnings before income taxes	8,438,000	7,611,000	10.87
Net earnings	4,381,000	3,893,000	12.53
As a percentage of sales:			
Total Company	1.18%	1.16%	—
Wholesale Food Operations	.84%	.86%	—
Per share of common stock			
Primary earnings	1.32	1.18	11.57
Fully diluted earnings	1.29	1.15	12.27
Cash dividends to common stockholders	1,442,000	1,440,000	—
Annual dividend rate—year end	.44	.44	—
Earnings reinvested in business	2,939,000	2,582,000	—
Common shares outstanding—year end	3,335,000	3,235,000	—

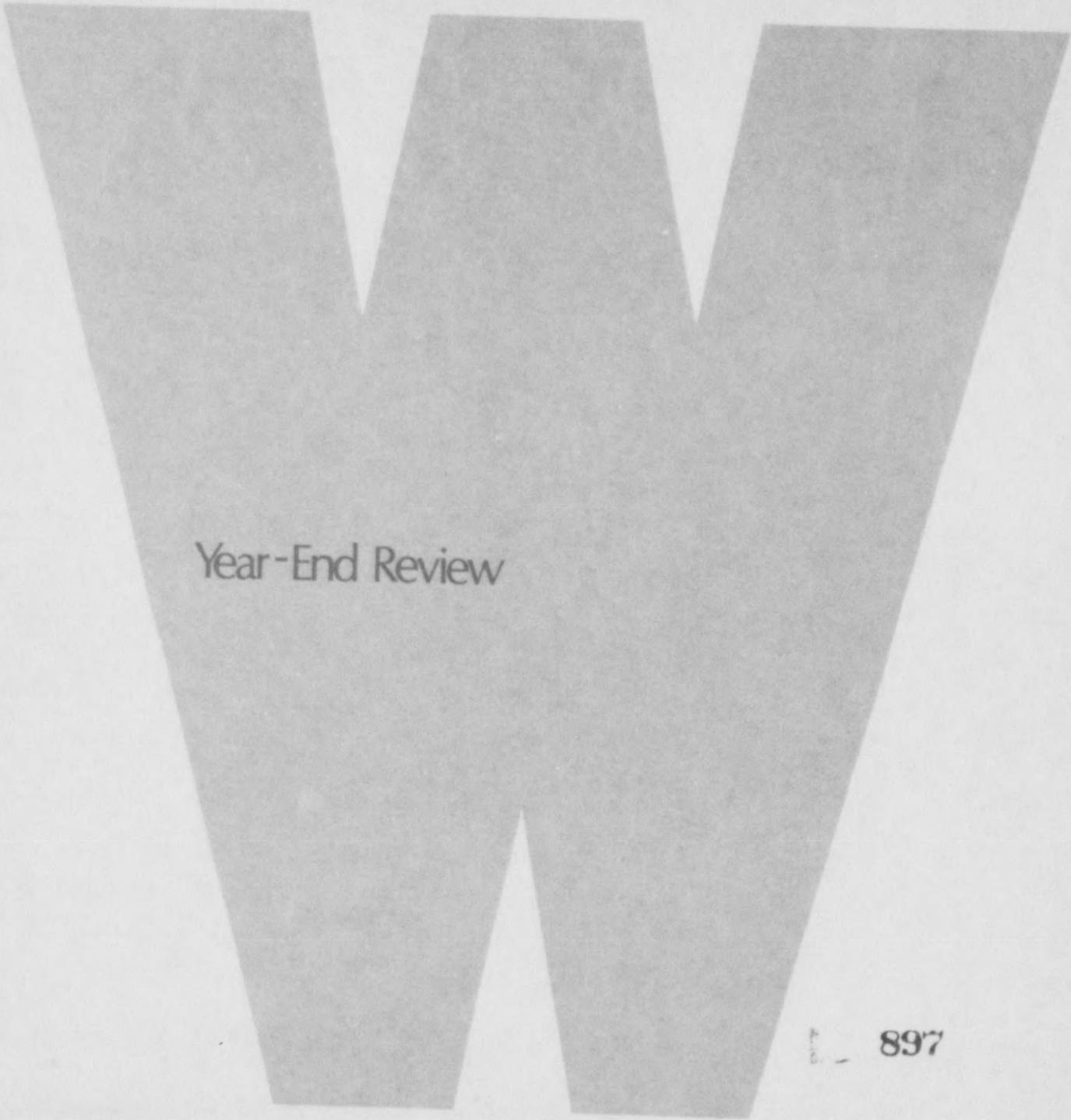
Distribution of our sales dollars - 1971

Five year comparisons

L - 895

To buy merchandise for resale	\$339,996,000
To our employees	15,638,000
To government in form of taxes	6,732,000
To provide for depreciation, rent, utilities and other expenses	5,482,000
To provide for growth and improved earnings capacity	2,939,000
To stockholders: Dividends	1,442,000

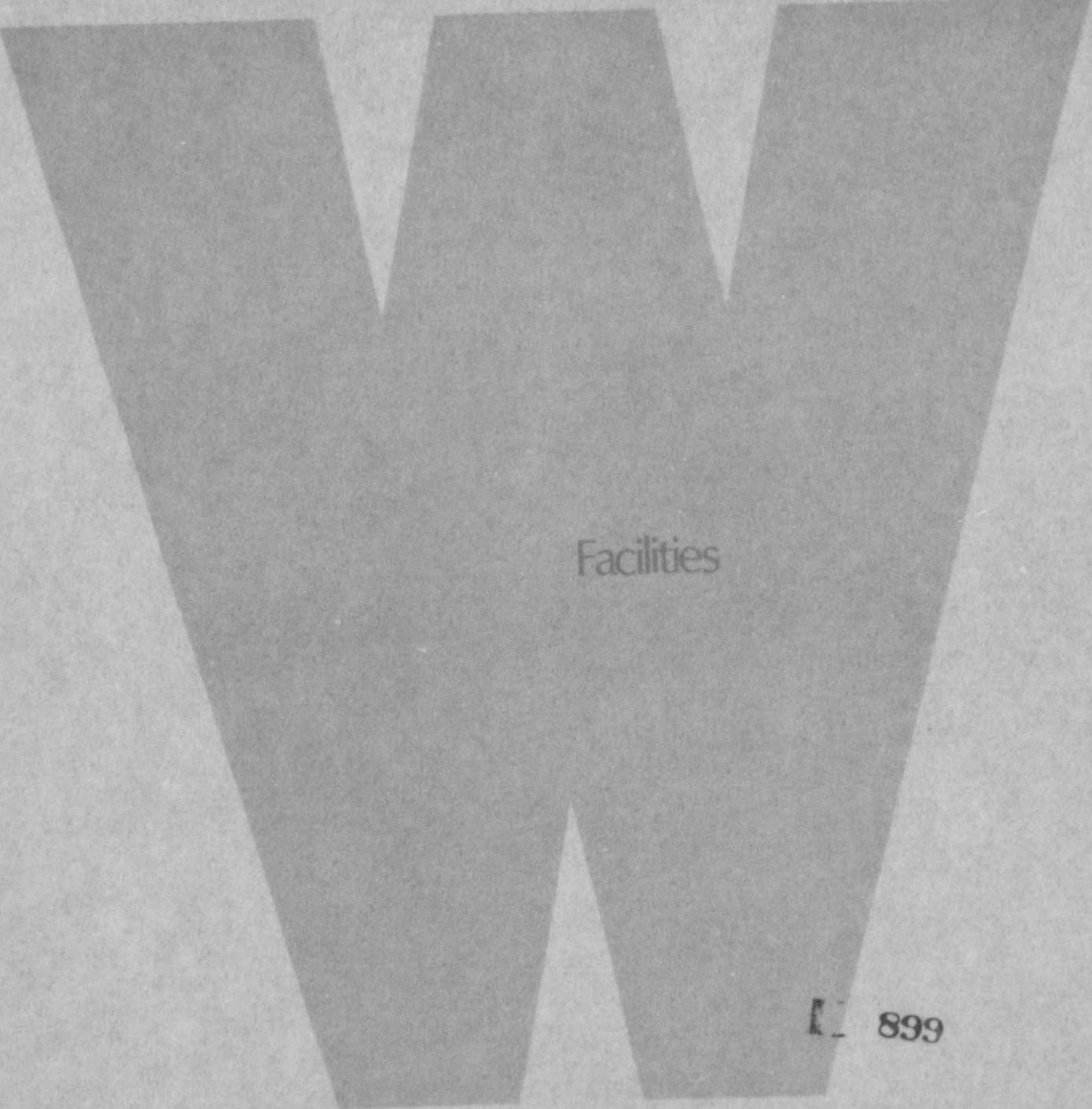
	<u>1971</u>	<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>1967</u>
Net Sales	\$372,229,000	336,211,000	301,186,000	261,816,000	226,686,000
Net Earnings	4,381,000	3,893,000	3,398,000	2,950,000	2,396,000
Primary Earnings Per Common Share	1.32	1.18	1.05	.95	.79
Annual Cash Dividend Rate -Year End	.44	.44	.40	.35	.31
Stock Dividends	2%	3%	-	-	-

A large, light gray, stylized letter 'W' graphic that serves as a background for the text. The 'W' is composed of three vertical strokes that are slightly curved at the top and bottom, creating a modern, geometric look.

Year-End Review

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A large, stylized, light gray letter 'W' is centered on a white background. The letter has a slightly irregular, hand-drawn appearance. The word 'Facilities' is printed in a simple, sans-serif font across the middle of the 'W'.

Facilities

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Wetterau Foods, Inc.

F 900

Officers

Oliver G. Wetterau
Chairman of the Board

Ted C. Wetterau
President

Oliver J. Cleveland
First Vice President

Charles E. Drewett, Jr.
First Vice President

Robert K. Crutsinger
Vice President—Affiliated Operations

John R. Figg
Vice President—Special Projects

Robert J. Schneider
Secretary

Jerome A. Rueff
Treasurer

Lawrence C. Hild
Assistant Secretary

Robert E. Beckermann
Vice President—Advertising

Charles L. Cockelreas
Vice President—General Manager, Mexico Division

Paul A. Cox
Vice President—General Manager, Hazelwood Division

Wayne H. Davis
Vice President and Corporate Controller

Melville O. Hampe
Vice President—Personnel

Joseph A. Pollard
Vice President—General Manager, Thomas & Howard Division

Ferlyn H. Prather
Vice President—General Manager, Scott City Division

Clifton J. Roberts
Vice President—General Manager, Non-Foods Division

Richard M. Sherman
Vice President—General Manager, Holbrook Division

Leonard V. Waldron
Vice President—General Manager, Bloomington Division

Directors

Oliver G. Wetterau

Ted C. Wetterau

William O. Buhman

Charles L. Cockelreas

Gordon Ellis

John R. Figg

Milton F. Lewis

Clifford P. McKinney, Sr.

Clinton H. Poertner

Ferlyn H. Prather

Jerome A. Rueff

Richard M. Sherman

Stanley Simon

Leonard V. Waldron

Executive Committee

Oliver G. Wetterau

Ted C. Wetterau

Ferlyn H. Prather

Jerome A. Rueff

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Wetterau
Foods, Inc.

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Foods Divisions

Bloomington Division, Bloomington, Indiana

Hazelwood Division, Hazelwood, Missouri

Mexico Division, Mexico, Missouri

Scott City Division, Scott City, Missouri

The Holbrook Grocery Company, Keene, New Hampshire

Thomas & Howard Company, Charleston and Allendale, South Carolina

Affiliated Operations

Non-Foods Division, Desloge, Missouri

Mohr Distributors, Inc., Hazelwood, Missouri

Gateway Bakery, Hazelwood, Missouri

Monarch Printing Co., Hazelwood, Missouri

Wetterau Finance Co., Hazelwood, Missouri

Wetterau Builders, Inc., Hazelwood, Missouri

Wetterau Education Institute, Hazelwood, Missouri

Eighteen Sixty Nine, Inc., Florissant, Missouri

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Food Divisions

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Introduction

From corporate headquarters located in suburban St. Louis, Wetterau Foods, Inc. administers the operations of its Foods Divisions and Affiliated Operations.

The Foods Divisions supply more than 400 IGA supermarkets in seven midwestern states and New England as well as 76 Red & White supermarkets and 160 other independently-owned food stores in the southeastern U. S.

Overall the Foods Divisions have sales of about \$350,000,000 from nearly 650 stores in seven Midwestern states, three New England states and three states in the Southeast. These divisions contribute about 70 percent of Wetterau Foods' net income and constitute the major portion of our company's operations.

Affiliated Operations include a bakery, finance company, construction firm, printing company, non-foods division, several general merchandise discount stores, a continuing education and training program and an advertising agency.

These affiliated businesses were first developed to provide the many services required by Wetterau's food retailers but have been expanded to include services for other clients.

Hazelwood

Expansion highlighted the progress of the four midwestern divisions during fiscal 1971. The company's largest division, HAZELWOOD, which serves 137 IGA Foodliners in Illinois and Missouri from headquarters in suburban St. Louis, had four new stores under construction during the year. Seven stores were remodeled and the Hazelwood warehouse was enlarged with 9,500 square feet of freezer space.

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Food Divisions

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Bloomington

The BLOOMINGTON DIVISION also enjoyed considerable physical growth during fiscal 1971. Serving 98 IGA Foodliners in Indiana and Eastern Illinois, Bloomington presently has seven more stores either under construction or on the drawing board. Six stores were enlarged during the year and Bloomington's headquarters are undergoing considerable expansion at the present time. Eight thousand square feet of office space, 6,750 square feet of frozen food facilities, 1,940 square feet of dairy warehouse and 9,000 square feet of produce warehouse facilities are being added to the Bloomington complex.

Scott City

At the SCOTT CITY DIVISION, which serves 61 IGA Foodliners in Illinois, Kentucky, Arkansas, Missouri and Tennessee, seven new stores are either under construction or in the planning stage. Twelve remodelings are underway or planned and the freezer space at Scott City was doubled during the year.

In Tribute

Few men have contributed more to the growth of Welterau Foods, Inc. than Ferlyn Prather. Mr. Prather retired April 30, 1971 as general manager of the Scott City Division after more than 45 years of service with the company. His leadership in this Division during the past 37 years has earned him not only the respect of his company, but the loyalty of scores of IGA retailers and the friendship and admiration of countless colleagues in the grocery industry.

Food Divisions

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Mexico

The MEXICO DIVISION, which supplies 75 IGA stores in Missouri and Southern Iowa, plans to expand its warehouse facilities also during the coming year to accommodate its growing number of retailers. Five new stores have either been built or are planned for construction this year and three major remodelings are moving toward completion. The installation of a new warehousing procedure for filling retail orders during the year is expected to increase warehouse production up to 15 percent at Mexico.

Holbrook

The HOLBROOK DIVISION, which supplies 62 IGA food stores in New Hampshire, Massachusetts and Vermont from Headquarters in Keene, New Hampshire, also enjoyed substantial growth during its second year as a Wetterau foods division. Six new or remodeled stores were added to the Holbrook territory during fiscal 1971 and three stores are planned or under construction at the present time. Additional land was acquired adjacent to Holbrook's present location as a site for enlarged warehousing facilities in the near future.

Thomas & Howard

Two hundred thirty-five food stores in three southeastern states are served by the company's THOMAS & HOWARD DIVISION in Charleston, South Carolina. Seventy-six of these stores are part of the Red & White program and during fiscal 1971, eight new stores were built and seven remodelings were completed. Several improved methods—such as expanded computer services and more efficient merchandising procedures—will greatly enhance Thomas & Howard's economy of operation.

Affiliated Operations

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The increasing number of services required by the retailers supplied by Wetterau Foods, Inc. has prompted your company to assume additional responsibilities in affiliated operations during the past decade. Although subsidiary operations were instituted to serve the retailer, effective merchandising has enabled these operations to become profitable in other ways.

Non-Foods

For example, the NON-FOODS DIVISION was acquired in 1964 to supply retailers more effectively with a complete inventory of non-food items required in supermarkets. Since then, Non-Foods has expanded its operations into the development of Disco Marts—small discount centers which feature health and beauty aids. The success of this division, located at Desloge, Missouri, is evident in the fact that during fiscal 1971 2,000 square feet of office space was added and 2,300 square feet of existing office space was remodeled to facilitate the additional volume generated by Non-Foods.

Wetterau Builders, Inc.

WETTERAU BUILDERS, INC. was established originally to expedite construction services to retailers for new stores and remodelings, as well as divisional warehouse expansion. However, since its formation, WBI has constructed numerous other commercial buildings and several churches.

In fiscal 1971, WBI built six new IGA Foodliners, a Mohr Valu Department Store, two store remodelings, several offices, warehouse and freezer additions, three commercial buildings and four churches. Seventeen additional projects are now underway.

Affiliated Operations

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Wetterau Finance Co.

WETTERAU FINANCE CO. provides our retailers with the necessary capital for new fixtures and equipment, store expansion, remodeling and multiple store ownership. Wetterau Finance has progressed along with our retailers.

During the 1970-71 fiscal year, Wetterau Finance increased its loans to retailers more than 30 percent over the prior fiscal year. In meeting this need, Wetterau Finance has become a vital factor in the parent company's growth and shall contribute significantly to the continued expansion of both Wetterau Foods, Inc., and its retailers.

Monarch Printing Co.

MONARCH PRINTING COMPANY was acquired two years ago to meet Wetterau Foods' growing need for printed material. Monarch supplies the printing needs of Wetterau headquarters, divisions, subsidiaries and retailers. In addition, they have been building steadily a clientele of outside accounts.

To handle this growing business, Monarch has added such modern equipment as computerized typesetting and an automatic film processing unit for photographic plates. Monarch will move into facilities at the new Wetterau building at 8840 Pershall Road in St. Louis County to better accommodate its growing work load and the new equipment.

Affiliated Operations

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Gateway Bakery

The new 135,000 square foot building at 8840 Pershall Road acquired by your company during the fiscal year will also house GATEWAY BAKERY. This subsidiary was acquired two years ago to implement the retailer's need for an in-store bake-off program including frozen doughs, finished baked products, packaging and label program, training school and field supervision.

In its new facility, Gateway will have among the most modern automatic equipment in the bakery field to not only supply all Wetterau Foods Divisions, but other grocery wholesalers in the Midwest and on the East Coast.

Mohr Distributors, Inc.

MOHR DISTRIBUTORS, INC. also is headquartered at 8840 Pershall Road with complete offices and warehouse facilities.

This division operates three Mohr Valu family department stores in Missouri and Illinois. Ground was broken recently for two new centers in Excelsior Springs, Missouri and Carbondale, Illinois comprising 80,000 square feet. Also, your company acquired Gibson Products Company of Kennett, Mo., a 32,000 square-foot discount store. This store is scheduled to be renamed in the near future and operated as a facility of Mohr Distributors, Inc.

This fall a new Mohr Valu is scheduled to open in Richmond, Missouri and negotiations are presently underway for two additional centers by the end of this fiscal year.

Affiliated Operations

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Eighteen Sixty Nine, Inc.

When Wetterau's sophisticated new computer center was completed at 407 Dunn Road, across from staff headquarters, room was also made for your company's newest subsidiary, EIGHTEEN SIXTY NINE, INC. This advertising agency was established not only to provide greater creative services for Wetterau's retailers but also to develop advertising accounts in non-related fields. Besides performing creative chores for Wetterau and several other IGA wholesalers, Eighteen Sixty Nine, Inc. clients include a national publishing company, the regional division of a major appliance manufacturer, a meat packing company, a new line of convenience foods, a large retail hardware chain, petroleum, men's clothing manufacturer and several others.

Eighteen Sixty Nine is a full service agency providing complete media research as well as print, radio and television concepts and production.

Wetterau Education Institute

Closely related to the activities of all of Wetterau's operations is the WETTERAU EDUCATION INSTITUTE. This Institute, which enjoys national acclaim, not only trains people for a variety of retail food store jobs, but also upgrades the managerial skills of Wetterau personnel on a divisional level. Last year more than 4,000 people attended 121 days of specially programmed seminars sponsored by the Institute. Such programs ranged from checker-bagger training in retail stores to profit programs for non-food items and even a series of seminars to enable stores to comply with new government regulations for sanitation.

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A large, dark gray, stylized letter 'W' graphic is centered on a light gray background. The 'W' is composed of three vertical strokes that are slightly tapered at the top and bottom. The word 'Facilities' is printed in a dark gray, sans-serif font across the middle of the 'W'.

Facilities

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Financial

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Ten Year Financial Review

(in thousands, except per share data)

	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
Net sales	\$372,229	336,211	301,186	261,816	226,686	205,099	134,114	119,962	108,994	99,959
Income taxes	4,057	3,718	2,939	2,265	2,095	1,688	1,027	1,214	989	916
Net earnings	4,381	3,893	3,398	2,950	2,396	1,969	1,322	1,153	960	839
Cash dividends paid	1,442	1,440	1,028	873	737	554	480	410	235	231
Common shares outstanding— year end	3,335	3,235	3,085	2,959	2,935	2,861	2,277	2,257	2,252	2,250
Per common share data:										
Primary earnings	1.32	1.18	1.05	.95	.79	.67	.52	.45	.42	.37
Fully diluted earnings	1.29	1.15	1.01	.90	.74	.66	—	—	—	—
Annual dividend rate—year end	.44	.44	.40	.35	.31	.27	.18	.13	.11	.08

1. All poolings of interests have been included from the beginning of the 1966 fiscal year, except figures for John R. Figg, Inc., which have been included from the beginning of the 1962 fiscal year.
2. All appropriate figures have been adjusted to reflect all stock splits and stock dividends. Earnings per share for 1966 through 1971 are based on weighted average number of shares outstanding during the respective years. Earnings per share for 1962 through 1965 are based on shares outstanding at the end of each year.

Wetterau Foods, Inc. and Consolidated Subsidiaries

Consolidated Balance Sheet

April 3, 1971 with comparative figures as at March 28, 1970

Assets

Current assets:

	<u>1971</u>	<u>1970</u>
Cash	\$ 4,299,000	1,493,000
Marketable securities, at cost plus accrued interest, which approximates market	—	118,000
Accounts receivable, less allowance for doubtful receivables of \$622,000 (\$462,000 in 1970)	8,085,000	8,272,000
Equity in trade notes sold to unconsolidated finance subsidiary	255,000	258,000
Interim financing for retail store construction	1,999,000	1,672,000
Advances to unconsolidated finance subsidiary	275,000	616,000
Merchandise inventories, at the lower of cost (first-in, first-out) or replacement market	18,265,000	15,380,000
Prepaid expenses	623,000	411,000
Total current assets	<u>33,801,000</u>	<u>28,220,000</u>
Notes and accounts receivable—deferred maturities	659,000	440,000
Equity in trade notes sold to unconsolidated finance subsidiary—deferred	470,000	445,000
Investment in unconsolidated finance subsidiary, at equity in underlying net assets	1,888,000	1,755,000
Other investments	369,000	472,000
Property, plant and equipment, at cost less accumulated depreciation and amortization of \$7,100,000 (\$6,240,000 in 1970)	18,892,000	14,808,000
Other assets	146,000	151,000
	<u>\$56,225,000</u>	<u>46,291,000</u>

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity

	<u>1971</u>	<u>1970</u>
Current liabilities:		
Notes payable to banks	\$ 4,600,000	—
Current maturities of long-term debt	393,000	707,000
Accounts payable	18,083,000	15,307,000
Dividends payable	—	350,000
Accrued expenses	886,000	674,000
Taxes on income	1,040,000	955,000
Total current liabilities	<u>25,002,000</u>	<u>17,993,000</u>
Deferred taxes on income, due principally to accelerated depreciation	833,000	660,000
Long-term debt, less current maturities	<u>3,787,000</u>	<u>4,298,000</u>
Stockholders' equity:		
Common stock of \$1 par value per share. Authorized 5,000,000 shares; issued 3,335,425 shares (3,234,867 in 1970)	3,335,000	3,235,000
Additional paid-in capital	6,288,000	4,793,000
Retained earnings	16,980,000	15,312,000
Total stockholders' equity	<u>26,603,000</u>	<u>23,340,000</u>
	<u>\$56,225,000</u>	<u>46,291,000</u>

Wetterau Foods, Inc. and Consolidated Subsidiaries

Consolidated Statement of Earnings

Fifty-three weeks ended April 3, 1971 with comparative figures for the fifty-two weeks ended March 28, 1970

	<u>1971</u>	<u>1970</u>
Income:		
Net sales	\$372,229,000	336,211,000
Discount on purchases	3,541,000	2,957,000
Other income, net	2,090,000	2,092,000
Net earnings of unconsolidated finance subsidiary	303,000	206,000
	<u>378,163,000</u>	<u>341,466,000</u>
Cost and expenses:		
Cost of goods sold	349,213,000	316,758,000
Selling, general and administrative expenses	18,356,000	15,411,000
Depreciation and amortization	1,693,000	1,388,000
Interest	463,000	298,000
Taxes on income including \$173,000 deferred, (\$250,000 in 1970)	4,057,000	3,718,000
	<u>373,782,000</u>	<u>337,573,000</u>
Net earnings	<u>\$ 4,381,000</u>	<u>3,893,000</u>
Per share of common stock:		
Primary earnings	<u>\$ 1.32</u>	<u>1.18</u>
Fully diluted earnings	<u>\$ 1.29</u>	<u>1.15</u>
		923

See accompanying notes to consolidated financial statements.

Wetterau Foods, Inc. and Consolidated Subsidiaries

Consolidated Statement of Stockholders' Equity

Fifty-three weeks ended April 3, 1971

	Common stock	Additional paid-in capital	Retained earnings	Total
Balance at beginning of period as previously reported	\$3,178,000	4,762,000	15,047,000	22,987,000
Company acquired under pooling of interests concept	57,000	31,000	265,000	353,000
Balance at beginning of period as restated	3,235,000	4,793,000	15,312,000	23,340,000
Add (deduct):				
Net earnings	—	—	4,381,000	4,381,000
Conversion of \$190,000 of the 4½% convertible subordinated debentures into 17,798 common shares	18,000	170,000	—	188,000
Stock options exercised	16,000	120,000	—	136,000
Issuance of 3,132 common shares based upon the earnings performance of a previously acquired company	3,000	(3,000)	—	—
Dividends:				
Cash	—	—	(1,442,000)	(1,442,000)
2% Common stock	63,000	1,208,000	(1,271,000)	—
Balance at end of period	<u>\$3,335,000</u>	<u>6,288,000</u>	<u>16,980,000</u>	<u>26,603,000</u>

See accompanying notes to consolidated financial statements.

Wetterau Foods, Inc. and Consolidated Subsidiaries

Consolidated Statement of Changes in Financial Position

Fifty-three weeks ended April 3, 1971 with comparative figures for the fifty-two weeks ended March 28, 1970

Working capital was provided by:

Net earnings

Expenses not requiring outlay of working capital:

Depreciation and amortization

Increase in deferred taxes on income

Less net earnings of unconsolidated finance subsidiary

From operations

Decrease in notes and accounts receivable—deferred maturities

Decrease in advances to unconsolidated finance subsidiary

Disposal of property, plant and equipment

Net increase in long-term debt

Conversion of 4% convertible subordinated debentures

Proceeds from stock options exercised

Sale of Merchants Investment Corporation

Other, net

Working capital was used for:

Increase in notes and accounts receivable—deferred maturities

Purchase of property, plant and equipment

Net decrease in long-term debt

Issuance of common stock for conversion of 4% convertible subordinated debentures

Purchase of treasury stock

Cash dividends

Other, net

Increase (decrease) in working capital

Changes in working capital—increase (decrease):

Current assets:

Cash

Accounts receivable

Interim financing for retail store construction

Merchandise inventories

Advances to unconsolidated finance subsidiary

Current liabilities:

Notes payable to banks

Current maturities of long-term debt

Accounts payable and accrued expenses

Other current assets and liabilities, net

Increase (decrease) in working capital

	1971	1970
Net earnings	\$4,381,000	3,893,000
Expenses not requiring outlay of working capital:		
Depreciation and amortization	1,693,000	1,388,000
Increase in deferred taxes on income	173,000	250,000
	<u>6,247,000</u>	<u>5,531,000</u>
Less net earnings of unconsolidated finance subsidiary	303,000	206,000
From operations	<u>5,944,000</u>	<u>5,325,000</u>
Decrease in notes and accounts receivable—deferred maturities	—	381,000
Decrease in advances to unconsolidated finance subsidiary	—	1,635,000
Disposal of property, plant and equipment	985,000	675,000
Net increase in long-term debt	—	216,000
Conversion of 4% convertible subordinated debentures	190,000	581,000
Proceeds from stock options exercised	136,000	77,000
Sale of Merchants Investment Corporation	170,000	—
Other, net	81,000	—
	<u>\$7,506,000</u>	<u>8,890,000</u>
Working capital was used for:		
Increase in notes and accounts receivable—deferred maturities	219,000	—
Purchase of property, plant and equipment	6,762,000	5,774,000
Net decrease in long-term debt	321,000	—
Issuance of common stock for conversion of 4% convertible subordinated debentures	190,000	581,000
Purchase of treasury stock	—	893,000
Cash dividends	1,442,000	1,311,000
Other, net	—	87,000
	<u>8,934,000</u>	<u>8,646,000</u>
Increase (decrease) in working capital	<u>(1,428,000)</u>	<u>244,000</u>
	<u>\$7,506,000</u>	<u>8,890,000</u>
Changes in working capital—increase (decrease):		
Current assets:		
Cash	2,806,000	(537,000)
Accounts receivable	(187,000)	1,748,000
Interim financing for retail store construction	327,000	1,070,000
Merchandise inventories	2,885,000	1,069,000
Advances to unconsolidated finance subsidiary	(341,000)	(1,449,000)
Current liabilities:		
Notes payable to banks	(4,600,000)	2,055,000
Current maturities of long-term debt	314,000	(382,000)
Accounts payable and accrued expenses	(2,988,000)	(3,467,000)
Other current assets and liabilities, net	356,000	137,000
Increase (decrease) in working capital	<u>\$(1,428,000)</u>	<u>244,000</u>

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

April 3, 1971

(1) Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of all wholly-owned subsidiaries except Wetterau Finance Co. All significant intercompany transactions have been eliminated in consolidation. Certain 1970 accounts have been reclassified to conform to the 1971 presentation.

During 1971 the Company acquired Gibson Products Company of Kennett, Missouri which has been accounted for as a pooling of interests. The 1970 financial statements have been restated (the effect of which is not significant) to include the accounts of this company which was acquired in exchange for 57,143 shares of common stock.

On November 30, 1970 the Company sold Merchants Investment Corporation, a finance subsidiary. The effect of this transaction is not material.

(2) Property, Plant and Equipment:

Property, plant and equipment at April 3, 1971 is stated at cost and consists of the following:

Land	\$ 758,000
Buildings	10,361,000
Delivery equipment	4,947,000
Warehouse equipment	2,195,000
Furniture and fixtures	5,376,000
Leasehold improvements	1,045,000
Construction in progress	1,310,000
	<u>\$25,992,000</u>

Buildings and all equipment are depreciated on a straight-line basis over the estimated useful lives of the various classes of assets. Leasehold improvements are amortized over the terms of the respective leases.

(3) Long-Term Debt:

Following are particulars of the long-term debt, less current maturities:

5¼% promissory notes, payable in semiannual installments of \$100,000, with final payment of \$234,000 on September 15, 1979	\$1,634,000
--	-------------

4½% convertible subordinated debentures due July 31, 1980	567,000
7% promissory note, payable in quarterly installments of \$10,000 through December 31, 1972, and \$12,500 quarterly thereafter until December 31, 1982	530,000
5½% mortgage note, payable in monthly installments of \$7,912 including principal and interest with final payment on November 1, 1979, secured by land and buildings with an undepreciated cost of \$2,784,000	593,000
4% promissory notes, payable in annual installments of \$20,000 through September 15, 1972, annual installments of \$40,000 September 15, 1973 through September 15, 1976 with final payment of \$60,000 on September 15, 1977	240,000
Other, at 4½% to 7% interest rates payable in varying amounts through 1975	<u>223,000</u>
	<u>\$3,787,000</u>

The 4½% convertible subordinated debentures are convertible at any time prior to maturity, unless previously redeemed, into common stock of the Company at \$10.58 per share, subject to adjustment under certain conditions. At April 3, 1971, 53,592 shares of common stock were reserved for conversion of these debentures. The debentures are redeemable at the option of the Company.

The long-term debt agreements contain provisions restricting among other things, the payment of cash dividends and the redemption of capital stock. Consolidated retained earnings not restricted under these provisions approximates \$6,529,000 at April 3, 1971.

Notes to Consolidated Financial Statements (continued)

(4) Capital Stock:

On August 11, 1970, the Board of Directors declared a 2% common stock dividend. All appropriate figures in the accompanying financial statements and related notes have been adjusted to reflect the dividend.

During 1971, 3,132 common shares were issued pursuant to the terms of an agreement relating to a previously acquired company which provided for a maximum of 78,732 shares to be issued if defined earnings exceed agreed-upon levels for each of the six months and four fiscal periods ending March 30, 1974. Based upon earnings for the fifty-three weeks ended April 3, 1971, approximately 4,900 common shares are issuable. The issuable common shares have been included in the computation of primary earnings per share (note 5) and will be reflected in the financial statements when issued.

The Company is authorized to issue 590,000 shares of \$5 par value preferred stock. At April 3, 1971, none of this stock had been issued.

Under a stock option plan adopted by the Company in 1965, options may be granted to officers and key employees to purchase shares of common stock of the Company at prices equal to market value on the dates the options are granted. The options become exercisable in installments and expire five years from date of grant. Changes during the period in the number of shares reserved for options granted are summarized as follows:

	Average price	Shares under option
Options outstanding at beginning of period	\$14.58	71,773
Add (deduct):		
Options granted	18.14	5,100
Options exercised	8.30	(16,459)
Options cancelled	11.36	(1,498)
Options outstanding at end of period (of which 19,858 shares are exercisable)	<u>16.77</u>	<u>58,916</u>

(5) Earnings Per Share of Common Stock:

Primary earnings per share are based on the weighted average number of common shares outstanding during the respective periods, adjusted to give effect to shares issuable to former stockholders of an acquired company based upon earnings performance (note 4). Common shares issuable under the Company's stock option plan (note 4) are not included in primary earnings per share as the dilutive effect is not material.

Fully diluted earnings per share are based on the assumption that the 4½% convertible subordinated debentures outstanding at the end of the respective periods had been converted into common stock at the beginning of each period and that those shares issuable under the stock option plan at the end of the respective periods had been exercised with the proceeds used to acquire treasury stock. Contingently issuable common shares (note 4) would not further reduce fully diluted earnings per share.

(6) Contingent Liabilities and Commitments:

At April 3, 1971, a consolidated subsidiary of the Company is contingently liable as the endorser on notes signed by various retail customers in the amount of \$307,000. In addition, the Company has guaranteed the collectibility of notes aggregating approximately \$240,000 which are payable to the finance subsidiary sold during 1971 (note 1).

The Company operates at a number of locations under lease agreements expiring at various dates to 1989. The minimum annual rentals under these leases aggregate \$460,000 plus taxes, insurance, and maintenance. In addition, the Company leases premises and equipment which are subsequently subleased to customers. The majority of the leases have been assigned to the finance subsidiary. Minimum annual rentals required to be paid under the terms of the leases, which expire at various dates to 1991 aggregate approximately \$2,998,000.

Wetterau Finance Co.

Balance Sheet

April 3, 1971 with comparative figures as at March 28, 1970

Assets

Cash

Marketable securities

Notes receivable (including amounts maturing
after one year)

Deductions:

Unearned finance charges

Funds withheld pending collection of receivables

Allowance for doubtful notes

Total deductions

Notes receivable, net

Other assets

Liabilities and Stockholder's Equity

Notes payable to banks

Advances from parent

Accounts payable and accrued expenses

Taxes on income

Long-term debt

Stockholder's equity:

Common stock

Additional paid-in capital

Retained earnings

Total stockholder's equity

See accompanying notes to financial statements.

	1971	1970
Cash	\$ 18,000	18,000
Marketable securities	—	209,000
Notes receivable (including amounts maturing after one year)	7,989,000	7,310,000
Deductions:		
Unearned finance charges	1,335,000	1,020,000
Funds withheld pending collection of receivables	725,000	703,000
Allowance for doubtful notes	—	18,000
Total deductions	2,060,000	1,741,000
Notes receivable, net	5,929,000	5,569,000
Other assets	26,000	28,000
	<u>\$5,973,000</u>	<u>5,824,000</u>
Liabilities and Stockholder's Equity		
Notes payable to banks	3,675,000	2,700,000
Advances from parent	275,000	616,000
Accounts payable and accrued expenses	39,000	200,000
Taxes on income	96,000	71,000
Long-term debt	—	482,000
Stockholder's equity:		
Common stock	200,000	230,000
Additional paid-in capital	200,000	475,000
Retained earnings	1,488,000	1,050,000
Total stockholder's equity	1,888,000	1,755,000
	<u>\$5,973,000</u>	<u>5,824,000</u>

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Wetterau Finance Co.

Statement of Earnings and Retained Earnings

Fifty-three weeks ended April 3, 1971 with
comparative figures for the fifty-two weeks ended March 28, 1970

	<u>1971</u>	<u>1970</u>
Income:		
Interest collected	\$ 165,000	126,000
Finance charges earned, net	546,000	445,000
Rental income, net	226,000	181,000
	<u>937,000</u>	<u>752,000</u>
Deductions:		
Interest expense	311,000	299,000
Other operating expenses	36,000	37,000
Taxes on income	287,000	210,000
	<u>634,000</u>	<u>546,000</u>
Net earnings	303,000	206,000
Retained earnings at beginning of period	1,050,000	844,000
Sale of Merchants Investment Corporation	135,000	-
Retained earnings at end of period	<u>\$1,488,000</u>	<u>1,050,000</u>

See accompanying notes to financial statements.

Wetterau Finance Co.

Statement of Changes in Financial Position

Fifty-three weeks ended April 3, 1971 with
comparative figures for the fifty-two weeks ended March 28, 1970

	<u>1971</u>	<u>1970</u>
Funds provided:		
Net earnings (exclusive of earnings of Merchants Investment Corporation in 1971)	\$ 297,000	206,000
Increase in notes payable	975,000	2,700,000
Decrease in cash	—	144,000
	<u>\$1,272,000</u>	<u>3,050,000</u>
Funds used:		
Increase in notes receivable, net	758,000	192,000
Reduction of long-term debt	32,000	32,000
Decrease in amounts due parent	341,000	2,726,000
Increase in cash	10,000	—
Other, net	131,000	100,000
	<u>\$1,272,000</u>	<u>3,050,000</u>
		930

See accompanying notes to financial statements.

Notes to Financial Statements

April 3, 1971

(1) Basis of Presentation:

On November 30, 1970, Wetterau Foods, Inc. sold Merchants Investment Corporation (a finance subsidiary) which had previously been combined with Wetterau Finance Co. for financial statement presentation. The 1970 balance sheet, statement of earnings, and statement of changes in financial position reflect the combined accounts of the two finance subsidiaries. The 1971 statement of earnings includes the operations of Merchants Investment Corporation for the period prior to disposition; and the 1971 statement of changes in financial position reflects only the changes in the financial position of Wetterau Finance Co. The interest income and net earnings attributable to Merchants Investment Corporation for the respective periods were as follows:

	<u>1971</u>	<u>1970</u>
Interest income	<u>\$27,000</u>	<u>43,000</u>
Net earnings	<u>\$ 6,000</u>	<u>11,000</u>

Certain 1970 accounts have been reclassified to conform to the 1971 presentation.

(2) Commitments:

Wetterau Finance Co. is obligated under terms of leases expiring at various dates to 1991 with minimum annual rentals aggregating approximately \$2,206,000. Annual income under terms of subleases exceeds rental payments.

Accountants' Report

The Board of Directors and Stockholders
Wetterau Foods, Inc.:

We have examined the consolidated balance sheet of Wetterau Foods, Inc., and consolidated subsidiaries as of April 3, 1971 and the related statements of earnings, stockholders' equity, and changes in financial position for the fifty-three weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the balance sheet of Wetterau Finance Co. as of April 3, 1971 and the related statement of earnings and retained earnings and the statement of changes in financial position for the fifty-three weeks then ended.

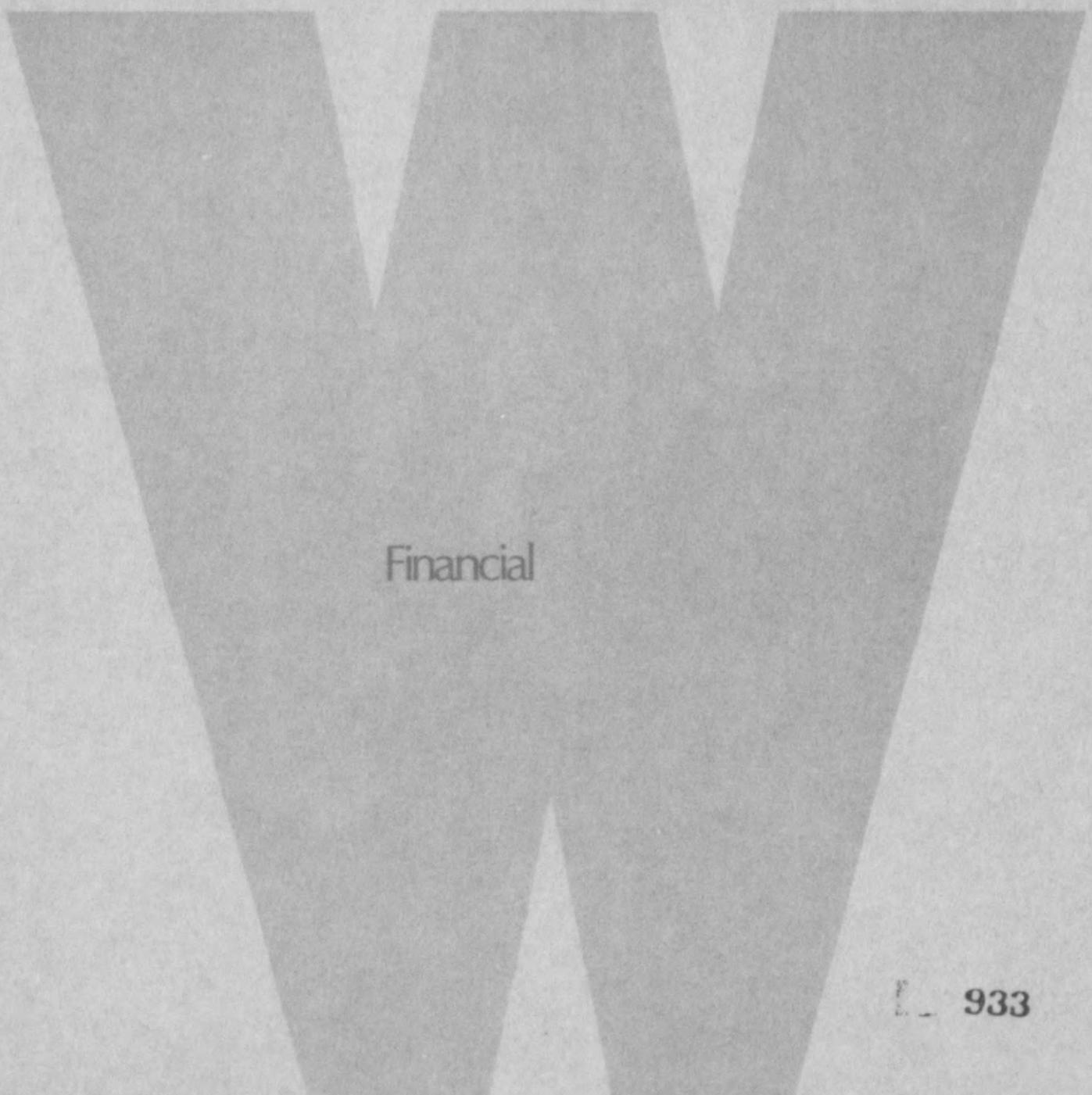
In our opinion, such financial statements present fairly (a) the financial position of Wetterau Foods, Inc., and consolidated subsidiaries at April 3, 1971 and the results of their operations, changes in stockholders' equity, and changes in financial position for the fifty-three weeks then ended, and (b) the financial position of Wetterau Finance Co. at April 3, 1971 and the results of its operations for the fifty-three weeks then ended, all in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fifty-two week period. Also in our opinion, the accompanying statement of changes in financial position of Wetterau Finance Co. for the fifty-three weeks ended April 3, 1971 presents fairly the information set forth therein.

Paul Marwick, Mitchell & Co.

Certified Public Accountants
720 Olive Street
Saint Louis, Missouri 63101

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May 6, 1971

A large, light gray, stylized letter 'W' graphic that serves as a background for the text. The 'W' is composed of three vertical strokes that are slightly tapered at the top and bottom, with a central vertical stroke that is narrower than the two side strokes.

Financial

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WETTERAU INC.

8400 PERSHALL ROAD ■ HAZELWOOD, MISSOURI 63042

May 2, 1974

Mr. Huger Sinkler
Sinkler, Gibbs, Simmons Geurard
12 Prioleau Street
Charleston, South Carolina 29402

Dear Mr. Sinkler:

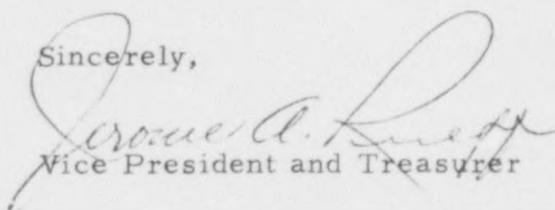
Enclosed are two copies of Wetterau's annual reports for the last three years, together with two copies of the interim statements which have been published since the latest annual report.

Peat, Marwick, Mitchell & Co. has not completed the examination of our financial statements for the year ended March 30, 1974, and therefore we are unable to tell you what the results were for fiscal 1974. I believe I can say without fear of contradiction, that we see no major obstacle to the continuation of the trend of sales and earnings exhibited in the enclosed interim report for the nine months ended December 29, 1973.

During the past ten years ended March 31, 1973, cash dividends have been paid to our stockholders equal to approximately 31% of the net earnings reported. During the year ended March 31, 1974, cash dividends have maintained approximately the same relationship to net earnings as for the previous ten years.

Bob Schneider and I will be in touch with you shortly to discuss our comments on the proposed lease.

Sincerely,


Vice President and Treasurer

JAR:DS

Enclosures

cc: Mr. R. J. Schneider

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WETTERAU INC.

8400 PERSHALL ROAD ■ HAZELWOOD, MISSOURI 63042

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Sinkler, Gibbs, Simmons Geurard
12 Prioleau Street
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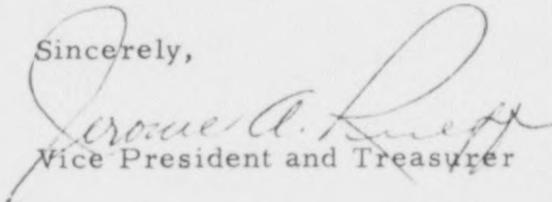
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Sincerely,


Vice President and Treasurer

JAR:DS

Enclosures

cc: Mr. R. J. Schneider

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wetterau inc.

HAZELWOOD, ST. LOUIS COUNTY, MO.

Summary of Consolidated Income and Dividends on Common Stock (unaudited)

	13 weeks ended June 30, 1973	
	June 30, 1973	July 1, 1972
Income		
Net sales	\$127,570,000	\$113,472,000
Discount on purchases	1,182,000	1,081,000
Other income	638,000	516,000
Net earnings of unconsolidated finance subsidiary	143,000	139,000
	<u>129,533,000</u>	<u>115,208,000</u>
Costs and expenses		
Costs of goods sold	119,256,000	106,396,000
Selling, general and administrative expenses	6,684,000	5,480,000
Depreciation and amortization	635,000	529,000
Interest	228,000	170,000
Federal and state taxes on income	1,213,000	1,268,000
	<u>128,016,000</u>	<u>113,843,000</u>
Net earnings	<u>\$ 1,517,000</u>	<u>\$ 1,365,000</u>
Dividends — common stock	<u>\$ 406,718</u>	<u>\$ 385,508</u>
Primary earnings per common share	<u>\$.34</u>	<u>\$.30</u>
Fully diluted earnings per common share	<u>\$.33</u>	<u>\$.30</u>
Weighted average common shares outstanding	<u>4,514,887</u>	<u>4,496,606</u>

NOTE: Prior year figures have been restated to include the acquisition of Bi-Go Markets, Inc., as a pooling of interests and to reflect a 25% stock dividend effective August 1, 1972.

Fully diluted earnings per common share are based on the assumption that all exercisable stock options had been converted into common shares.

to our shareholders:

Sales for the first 13 weeks ended June 30, 1973, were \$127,570,000, which was a 12.42% increase over the first quarter a year ago.

Net earnings for the first quarter amounted to \$1,517,000, for a gain of 11.15% over the same period a year earlier.

Per share earnings for the first quarter were 34¢ versus 30¢ a year ago, up 10.71%. Prior year figures have been restated to reflect the 25% stock dividend effective August 1, 1972, and to include the acquisition of Bi-Go Markets, Inc., as a pooling of interests.

During the first quarter, 12 new supermarkets were added and 7 were remodeled. Of the new stores being served, 7 are in areas not formerly developed by our company, and 5 replaced existing stores.

A 61,000 square-foot addition to the Mexico division distribution center has been completed during the quarter. This doubles the size of the division's perishable operation, and enables it to reach maximum service levels.

At our Non-Foods operation, Desloge, Mo., work has begun on an expansion which will add 39,000 square feet to the existing 60,000 square-foot warehouse. This addition will relieve crowded conditions and enable the unit to accommodate its steadily increasing sales volume.

A similar expansion is taking place at the Mohr Distributors' warehouse, 8840 Pershall Road, Hazelwood, Mo., to increase the available space from 75,000 to 155,000 square feet. About 40% of the foundation construction is completed on that project.

Foundation work for the new distribution center at Charleston, S.C., is 90% complete. It is expected to be in operation by February 15, 1974.

Sincerely,



Oliver G. Wetterau
Chairman of the Board



Ted C. Wetterau
President

13 week report

June 30, 1973

Wetterau Inc.

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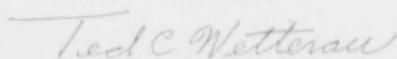
During the second quarter seven new supermarkets were added and six were remodeled. Eleven new stores, including two new Mohr Value Centers, and five remodels were under construction during the quarter just ended. Ten new stores and 15 remodels are on the drawing board, including two new Mohr Value Centers. The store development activity reported above does not include that of the Greenville division which was acquired during the last month of the quarter.

Scheduled for occupancy in February, 1974, is a new 15,000-square-foot office building at the Greenville, Ky., division. A warehouse expansion of 63,000 square feet is also due to be completed at Greenville in the third fiscal quarter. The new warehouse at Charleston, S. C., is also scheduled to be occupied in February, 1974. Construction was continued during the quarter on an expansion of 39,000 square feet at the Non-Foods distribution center at Desloge, Mo., as well as on an 80,000-square-foot addition at the Mohr Distributors' warehouse in Hazelwood, Mo.

Respectfully,



Oliver G. Wetterau
Chairman of the Board



Ted C. Wetterau
President



26 week report

September 29, 1973

Wetterau Inc.

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In the third quarter of fiscal 1974, six supermarkets were added and five were remodeled. Four of the new stores were in areas not previously served by our company.

In addition, new Mohr Value Centers were opened in October at Marion, Ill., and in November at Macomb, Ill. Two of our Mohr Distributors subsidiaries acquired six Carps Super Stores located at Flat River, Rolla, Cape Girardeau and Kirksville, Mo., and Jacksonville and Mount Vernon, Ill., during the past quarter.

Thirty-six new or remodeled supermarkets are under construction or are on the drawing board and are scheduled for completion over the next 12 months. Mohr Value plans call for the opening of three new stores each year.

As a priority user our company will receive 100% of current requirements for propane, butane, motor gasoline and middle distillate fuel, under revised Federal Energy Office Petroleum and Price Regulations which took effect January 15, 1974.

Respectfully,



Ted C. Wetterau
President

39 week report

December 29, 1973

Wetterau Inc.

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wetterau inc.

HAZELWOOD, ST. LOUIS COUNTY, MO.

Summary of Consolidated Income and Dividends on Common Stock (unaudited)

13 weeks ended			39 weeks ended	
12/29/73	12/30/72		12/29/73	12/30/72
		Income		
\$159,866,000	\$135,153,000	Net sales	\$455,021,000	\$392,247,000
1,485,000	1,356,000	Discount on purchases	4,327,000	3,913,000
876,000	599,000	Other income	2,458,000	1,845,000
		Net earnings of unconsolidated finance subsidiary	442,000	381,000
<u>119,000</u>	<u>140,000</u>			
<u>162,346,000</u>	<u>137,246,000</u>		<u>462,248,000</u>	<u>398,385,000</u>
		Costs and expenses		
148,954,000	126,286,000	Cost of goods sold	425,402,000	367,554,000
8,302,000	7,028,000	Selling, general and administrative expenses	23,212,000	19,420,000
842,000	578,000	Depreciation and amortization	2,187,000	1,768,000
542,000	277,000	Interest	1,183,000	651,000
1,795,000	1,409,000	Federal and state taxes on income	4,785,000	4,176,000
<u>180,435,000</u>	<u>135,578,000</u>		<u>456,778,000</u>	<u>393,569,000</u>
<u>\$ 1,911,000</u>	<u>\$ 1,670,000</u>	Net earnings	<u>\$ 5,469,000</u>	<u>\$ 4,817,000</u>
\$ 565,000	\$ 395,000	Dividends — common stock	\$ 1,466,000	\$ 1,171,000
\$.37	\$.33	Primary earnings per common share	\$ 1.06	\$.94
\$.37	\$.33	Fully diluted earnings per common share	\$ 1.06	\$.94
<u>5,136,339</u>	<u>5,116,977</u>	Weighted average common shares outstanding	<u>5,136,339</u>	<u>5,116,977</u>

NOTE: Prior year figures have been restated to include the acquisition of Bi-Go Markets, Inc., J. Zinsmeister Co., and Jansen Select Foods, Inc., as a pooling of interests and to reflect a 4% stock dividend effective August 31, 1973.

Fully diluted earnings per common share are based on the assumption that all exercisable stock options had been converted into common shares.

to our shareholders:

Wetterau Inc., Hazelwood, Mo., achieved new records in sales and earnings for the third fiscal quarter and the 39 weeks ended December 29, 1973.

For the 13 weeks just ended, Wetterau had net sales of \$159,866,000 compared to \$135,153,000 for the same period a year earlier. This was an increase of 18.29 percent.

Net earnings for the quarter were \$1,911,000 versus \$1,670,000 for the comparable period a year ago. This represented a gain in earnings of 14.43 percent.

Primary earnings per common share amounted to 37¢ for the quarter, compared with 33¢ a year earlier, which was a 14.01 percent rise.

For the first three quarters of Wetterau's fiscal year sales were \$455,021,000 up 16 percent over sales of \$392,247,000 for the same 39 week period a year ago. Nine month net earnings were \$5,469,000 compared to \$4,817,000 a year ago, which was a rise of 13.53 percent. Per share earnings for the first three quarters were \$1.06 versus 94¢ for the like period a year earlier, up 13.11 percent.

Wetterau Inc. is in its 44th year of consecutive sales increases and is first among all publicly held companies in that category. It is second among publicly held companies with earnings increases for 20 years or more with nearly 37 consecutive years of increases, as reported by the John S. Herold Service, "America's Fastest Growing Companies."

3-10

THIS CASE MAY HAVE SOME OR ALL OF THE FOLLOWING DEFECTS WHICH MAY BE QUESTIONABLE WHEN READING. IN SPECIAL PROBLEM AREAS, THIS ROLL NOTE MAY BE REFILMED BEFORE THE DOCUMENT OR DOCUMENTS IN QUESTION.

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WETTERAU INC.
ANNUAL REPORT 1973

941

WETTERAU INC.
ANNUAL REPORT 1973

941

ANNUAL MEETING

The next annual meeting of shareholders of Wetterau Foods, Inc. will be held at the Wetterau Industries building, 8920 Pershall Road, Hazelwood, Missouri at 10:00 A.M., Tuesday, August 14, 1973. A formal notice of the meeting, with proxy materials, will be mailed to shareholders.

Wetterau Foods, Inc. • 8400 Pershall Road • Hazelwood, Missouri 63042

942



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942

WETTERAU INC.

A new name has been selected for your company—Wetterau Inc. For some time, management has considered the need for a corporate identification which reflects the company's changing role from a wholesaler of grocery supplies to a multi-faceted merchandising group providing independent retail food stores with complete marketing services as well as food products.

The new corporate name will be submitted for approval at the next meeting of shareholders on August 14, 1973.

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FINANCIAL HIGHLIGHTS

<u>Results of operations</u>	<u>Year ended March 31, 1973</u>	<u>Year ended April 1, 1972</u>	<u>Percent Increase</u>
Sales	\$459,380,000	405,851,000	13.19
Earnings before income taxes	9,716,000	8,946,000	8.61
Net earnings	5,609,000	5,001,000	12.16
Percent earned on sales	1.22%	1.23%	
Per share of common stock:			
Primary earnings	1.28	1.15	10.56
Fully diluted earnings	1.27	1.14	10.84
Cash dividends to common stockholders	1,567,000	1,527,000	
Annual dividend rate—year end36	.35	
Earnings reinvested in business	4,042,000	3,474,000	
Common shares outstanding—year end	4,396,000	4,375,000	

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WETTERAU FOOD SERVICES WETTERAU INDUSTRIES

WETTERAU FOOD SERVICES

Bloomington, Indiana
Charleston, South Carolina
Hazelwood, Missouri
Holbrook
Keene, New Hampshire
Mexico, Missouri
Scott City, Missouri

WETTERAU INDUSTRIES

Mohr Distributors, Inc.
Wetterau Transport
Wetterau Builders, Inc.
Non Foods—Desloge
Non Foods—Charleston
Gateway Bakery
Monarch Printing Company, Inc.
Creative Management Institute
Eighteen Sixty Nine, Inc.

WETTERAU FOOD SERVICES WETTERAU INDUSTRIES

WETTERAU FOOD SERVICES

Bloomington, Indiana
Charleston, South Carolina
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Holbrook
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Mexico, Missouri
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WETTERAU INDUSTRIES

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Wetterau Transport
Wetterau Builders, Inc.
Non Foods—Desloge
Non Foods—Charleston
Gateway Bakery
Monarch Printing Company, Inc.
Creative Management Institute
Eighteen Sixty Nine, Inc.

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horizon one billion

TO OUR SHAREHOLDERS

The management of your company is pleased to report that substantial increases in sales and earnings were recorded during fiscal 1973.

Sales rose 13.19 percent to a new high of \$459,380,000 compared to \$405,851,000 last year.

Net earnings increased from \$5,001,000 in fiscal 1972 to \$5,609,000 for fiscal 1973—a 12.16 percent gain.

Corporate growth during the past year provides ample evidence that sales of \$1 billion can be regarded as a realistic goal by 1980. How this *Horizon One Billion* can be achieved is the theme of this annual report.

To facilitate this growth toward \$1 billion in sales, management has been realigned and two major operating groups established—within Wetterau Inc.—*Wetterau Food Services* and *Wetterau Industries*.

Wetterau Inc. has always appreciated and promoted the philosophy of equal employment opportunity in a safe and healthy working environment. We have established policies to guide us in keeping these programs updated and meaningful.

In transmitting this report to shareholders, we wish to acknowledge the dedicated efforts of our employees and executive staff and the sound counsel of the members of our board of directors and the cooperation of our independent retailers.

Respectfully,



Oliver G. Wetterau, Chairman



Ted C. Wetterau, President



Top administrative responsibilities at Wetterau Inc. are guided by Ted Wetterau, president and chief executive officer (left), and Oliver G. Wetterau, chairman of the board. This year marks the 104th anniversary of the company.



In the retail food business, the term "resetting a store" means to arrange items in an existing food store in a manner which will create greater sales and improve profits.

During fiscal 1973 the management of your company initiated a corporate plan to "reset for the billion dollar market."

This plan calls for the arrangement of corporate responsibilities which will provide optimum resources and management skills to achieve \$1 billion in sales by the end of this decade.

How realistic this plan is can be illustrated simply. During the past 10 years, sales have grown 15 percent per year. Fiscal 1973 sales in excess of \$459 million—with the addition of sales of the J. Zinsmeister Company of \$57 million—if compounded at a modest 10 percent rate—will reach \$1 billion by 1980 (see chart on facing page). Greater sales growth or additional sales from acquisitions will enable Wetterau Inc. to reach the \$1 billion plateau sooner.

In 1931, total company sales were \$1,599,000. Since 1930 we have had a total sales volume of 3.6 billion. In the last 10 years—1964 through 1973—we have recorded \$2.8 billion in sales or 78 percent of the total volume done in the last 43 year span. In the last 5 years our sales have totaled approximately \$1.9 billion, or 52 percent of the total. Over the last 10

years sales have grown at 15 percent compound rate.

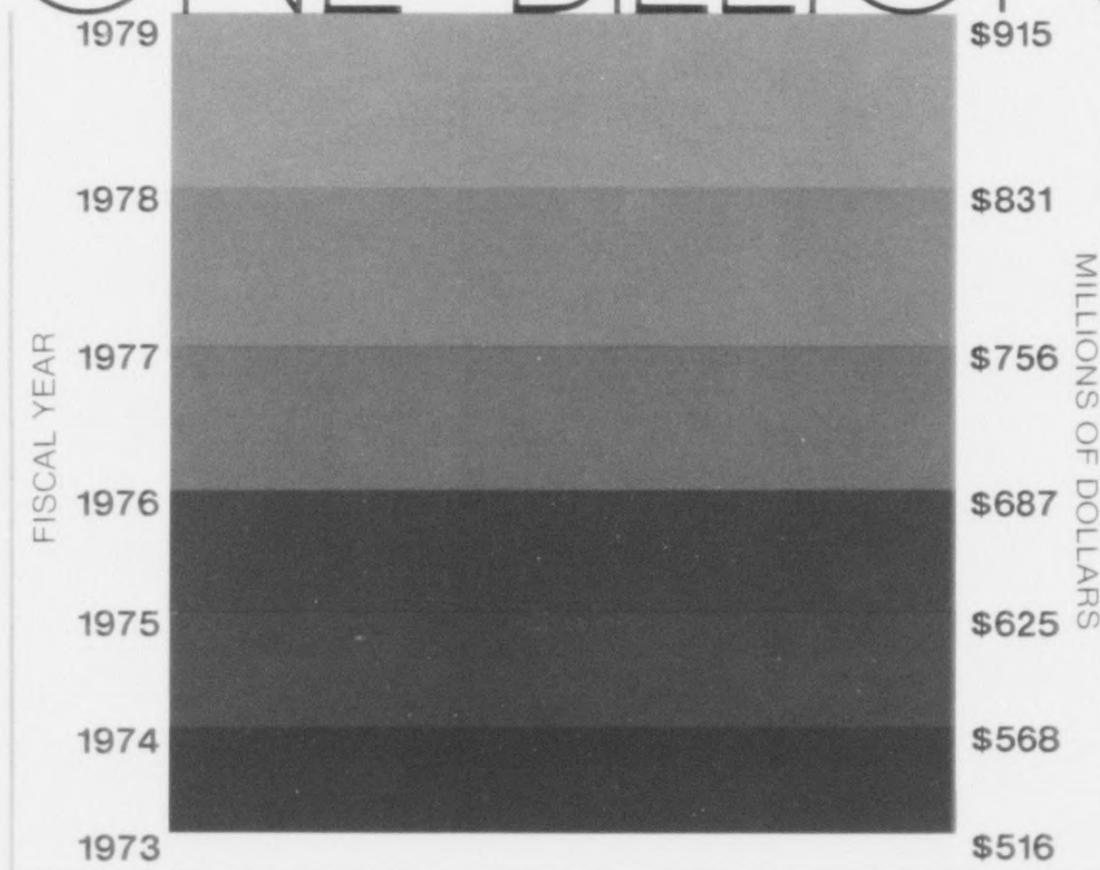
In Forbes 25th Annual Report on American Industry (January 1973) comparisons are made in certain key areas for some 700 companies over a five year period ended in September 1972. The Forbes report credits Wetterau with a 14.9 percent compound growth rate in sales, which places Wetterau first among several of its more prominent contemporaries.

Earnings growth has kept pace with sales growth and over the past five fiscal years Wetterau *earnings per share* grew at an annual compound rate of 11.7 percent. The Forbes report, on a different basis, rated Wetterau's growth in earnings per share at 12.1 percent, 132nd among some 700 companies.

Wetterau Inc. has not neglected return on equity and return on total capital. The Forbes report rates Wetterau 78th among 768 companies with a five year average return on equity of 18.3 percent. Forbes ranks Wetterau 63rd with a five year average return on total capital of 15.6 percent. This latter comparison corroborates the findings of the First National Bank of Chicago which show that Wetterau is covering fixed charges five times compared to a very acceptable 2½ times for this industry. This simply means that Wetterau is relatively unleveraged and could carry considerably more debt especially if the company can find profitable ways to employ it.

1980

ONE BILLION



COMPOUND AT 10% GROWTH RATE PER YEAR TO 1980

This chart illustrates how Wetterau Inc. sales—with the addition of J. Zinsmeister Company—if compounded at a 10 percent increase per year—will reach \$1 billion by 1980.



SEMPRICES VETTERAU FOOD SERVICES



Wetterau Food Services supplies food products to 573 retail food stores—457 IGA Foodliners in the Midwest and New England and 72 Red and White supermarkets and 44 unaffiliated food stores in the southeastern United States.

The Food Services provides independent retailers with sales and merchandising aids and a full line of accounting, business and insurance services. Financing programs for equipping and remodeling retail stores are administered by Wetterau Finance Company and are regarded as unique in the supermarket industry. These services are provided to independent retailers in 14 states from six strategically located food divisions. Wetterau Food Services accounts for 91 percent of total corporate sales.

Wetterau Inc. has approximately 2 million square feet of warehouse space and operates a fleet of 189 tractors and 270 semi-trailers. These facilities offer a solid base for expansion. During fiscal 1973, the populous metropolitan areas of Kansas City and Memphis became prime areas for growth.

The Kansas City market is part of a 14 county trading area located in Missouri which will be served by the Food Services' Mexico Division. A 61,000 square foot addition to warehouse space in



This new 250,000 square foot warehouse will serve 72 Red & White Food Stores in the Company's Charleston Division. The new facility will be one of the most efficient in the Southeast.

Mexico will double the size of the produce, frozen food and dairy departments and accommodate this expanded area.

In 1971, the Scott City Division enlarged its produce warehouse space by 50 percent. Such expansion will assist that division in meeting the needs of a developing 15-county territory in Mississippi. The opening of an IGA Foodliner in Southaven, Mississippi—a suburb of Memphis—marked the beginning of vigorous expansion plans for IGA in this area in Tennessee and Mississippi.



The acquisition of new territory in northern Vermont from another IGA distributor increases the marketing area of the Holbrook Division to include the entire state of Vermont with the exception of Essex County. A 41,000 square foot warehouse addition recently completed will assist greatly in serving this new trading area.

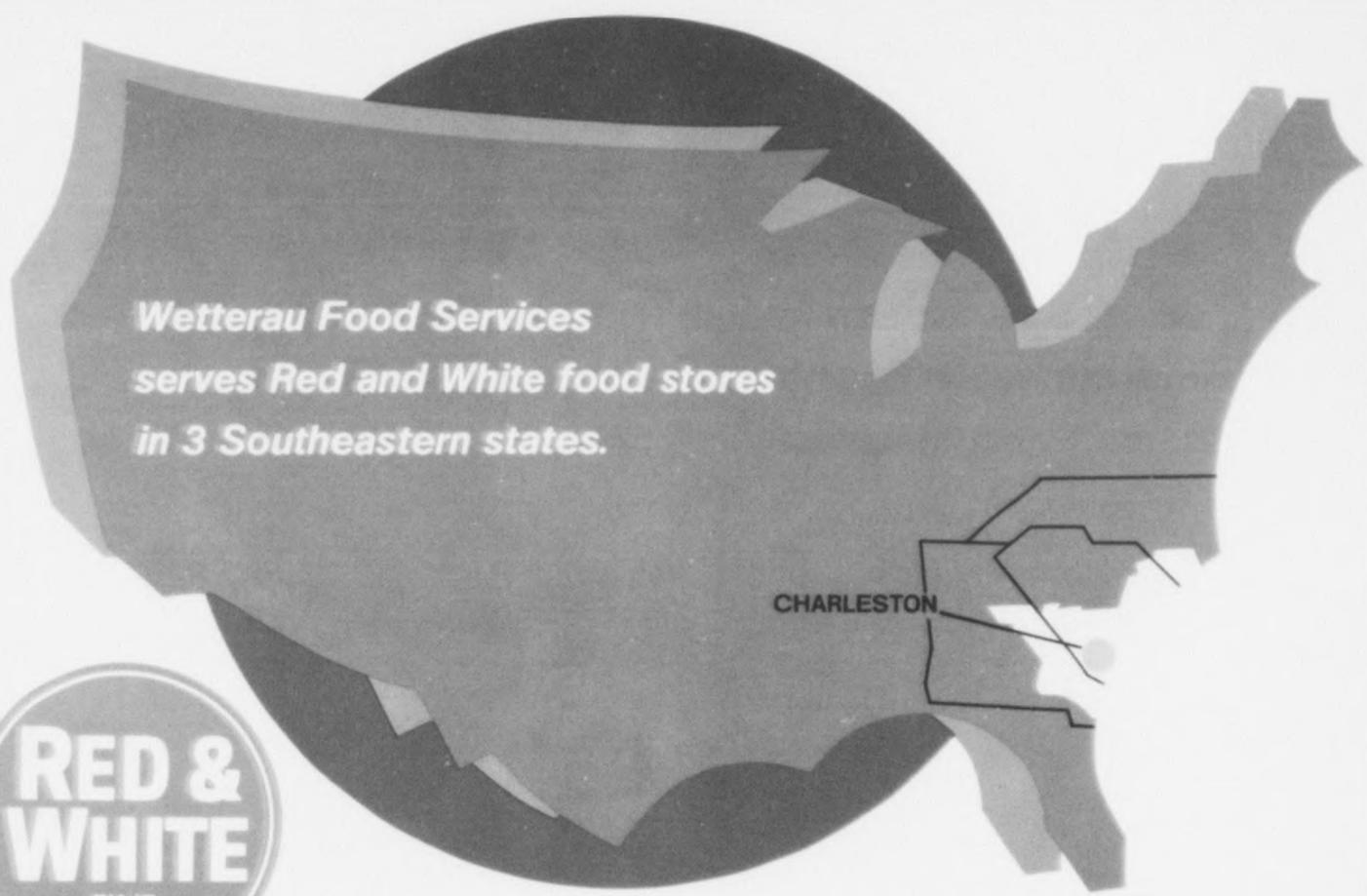
The most notable example of expansion throughout the company's Food Services group was in Charleston where ground was broken last January for a modern distribution center.



A realignment of top management responsibilities was made during fiscal 1973 to accommodate the formation of Wetterau Food Services. Oliver J. Cleveland, right, formerly a first vice president of Wetterau Foods, Inc. was named executive vice president. Paul A. Cox became first vice president of the Food Services Division. He had been vice president and general manager of the Hazelwood Division.

This new 250,000 square foot facility will be completed within a year to serve Red & White supermarkets in the states of North Carolina, South Carolina and Georgia. Additional market expansion in these territories will take place in the important Savannah, and Augusta metropolitan areas. At present, Red & White supermarkets account for 32 percent of the food sales in the metropolitan Charleston area.

In addition to development of new stores in existing territories, opportunities arise on occasion for increased sales and profits through acquisition. On February 13, 1973, Wetterau Inc. entered into an agreement in principle to acquire substantially all of the outstanding stock of the J. Zinsmeister Company in Greenville, Kentucky. Sales of this company for the year ended December 31,



*Wetterau Food Services
serves Red and White food stores
in 3 Southeastern states.*

CHARLESTON



1972 were \$57 million. Consummation of this acquisition will increase Wetterau sales to well over the \$500 million mark in the coming year.

J. Zinsmeister Company presently serves 85 IGA supermarkets in Kentucky, Indiana and Tennessee and has been a member of the Independent Grocers' Alliance since 1953. The distribution center is currently undergoing a 77,000 square foot enlargement to give the facility a total of some 222,000 square feet.

Acquisitions such as these, which offer sound growth in sales and earnings as well as compatible management skills, will continue to interest Wetterau Inc.—and by the end of this decade greatly enhance the realization of

HORIZON ONE BILLION

Wetterau Inc. SERVICE TO THE RETAILER

The purpose of an annual report is to record corporate growth during the fiscal year and describe fine management policies which will enhance that growth in the future.

In addition, the management of Wetterau Inc. believes it is important to describe how the company serves the independent retailer through Wetterau Food Services and Wetterau Industries. Typically, a prospective IGA or Red & White food store owner has a history of successful retail management—either in an independent supermarket or chain store. Oftentimes, his only obstacle to store ownership is lack of capital. For this reason, Wetterau Finance Co. was established to finance new stores and equipment through their Equity Finance Plan. Not only is this program unique among companies servicing independent store owners, but its success has contributed substantially to corporate profits. Wetterau Food Services assists the retailer in market selection and develops a program which includes personnel, insurance and accounting services, advertising and merchandising support as well as computerized profit projections based upon store size and setting.

Wetterau Industries augments these services with its group. The retailer's store probably will be built by Wetterau Builders, Inc.—and may be

located in the same shopping complex as a company-owned Mohr Value discount department store. The circulars the local retailer distributes to announce sales—as well as point-of-sale materials—are usually printed by Monarch Printing Company.

His store personnel will be trained by an expert team from Creative Management Institute, Radio and television commercials will be created especially for his market by Eighteen Sixty Nine, Inc. He will receive seafood from New England or corn-fed beef from the Midwest quickly via Wetterau Transport.

It will not be necessary for him to procure health and beauty aids, housewares, stationery, etc. from another source—because Wetterau Inc. recognized this need years ago and established Non Foods.

His store will have fresh, finished baked goods supplied by Gateway Bakery—perhaps even an in-store bakery or delicatessen with personnel trained by Wetterau Industries.

Wetterau Inc.'s total commitment to a philosophy which serves all of the needs of the independent retailer is the biggest single factor for the company's success in the past and promised continued growth in the future.





ASTER
RADE OF VALUES

ANNUAL
Spring
Garden
Show

WFI Equity Finance Plan

Your Key
To The
Big Dream

WETTERAU FOODS, INC.

Spring
Value
GO
round
at

IGA
24/7

Smoked
HAM
63¢

Chuck
Roast... 128¢
Ham Roast... 73¢

99

WETTERAU INDUSTRIES





Robert K. Crutsinger, center, was named executive vice president of Wetterau Inc. in charge of Wetterau Industries. He was formerly first vice president of Wetterau Foods, Inc. Appointed as first vice presidents of Wetterau Industries were Richard C. Nieman, Jr., left, and Gordon Ellis. Mr. Nieman was formerly assistant to the vice president and Mr. Ellis was formerly executive vice president and chief operating officer of Interstate Brands Corporation of Kansas City.

Wetterau Industries provides independent retailers with those collateral products and services necessary to conduct supermarket operations. For example: *Non Foods* supplies health and beauty aids, housewares and school supplies; *Monarch Printing* produces circulars, food labels and other promotional materials; *Eighteen Sixty Nine, Inc.* creates advertising themes for radio, television and print; and *Gateway Bakery* provides finished bakery products and frozen doughs for bake-off in retail stores and conducts training programs for in-store bakeries.

Wetterau Industries also has developed or acquired satellite businesses whose operations utilize warehousing, transportation and marketing methods similar to those used by the parent company and which offer the independent IGA and Red & White retailer a stronger position in the marketplace.



Left: Three-quarters of a million handbills roll off *Monarch Printing Company's* presses each week to help enhance retailers' sales.

Right: Delicious finished baked goods such as these are produced by *Gateway Bakery* for distribution to *Wetterau's* retailers. Many outside accounts also are supplied by *Gateway*.

Several years ago *Mohr Distributors, Inc.*, operators of three discount department stores, was acquired. Today there are 10 stores, most of them located in close proximity to IGA retail food stores. Each one benefits from the other's location. To accommodate this growth, 80,000 square feet of warehouse space is being added to *Mohr's* facilities this year.

Wetterau Transport was established during fiscal 1973 to satisfy the growing need for quick service between suppliers and the Foods Services divisions. For example, corn-fed beef from the Midwest is speeded to Red & White retailers in the southeastern U.S. to enhance meat sales in those stores, the transports returning with concentrated frozen orange juice from Florida. By the end of fiscal

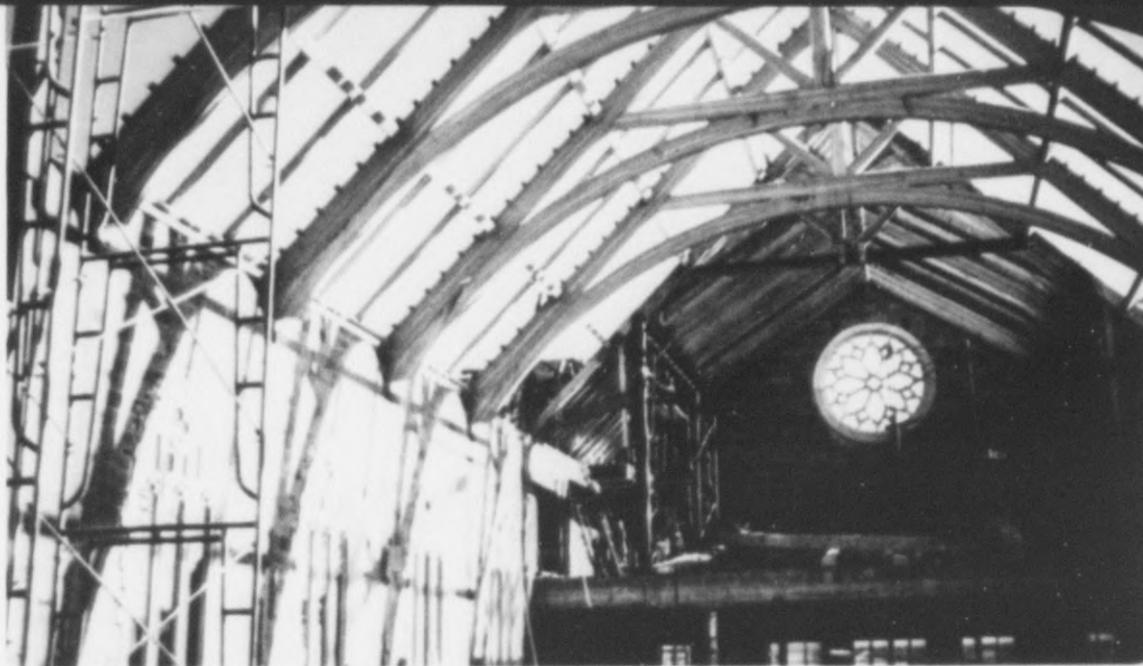


Top: Mohr Value Stores are frequently located adjacent to retail food stores for complete family shopping convenience. The food store and the discount department store both benefit from the other's location.
 Lower: Wetterau Transport will have eight tractor trailer rigs such as this in operation by the end of fiscal 1974.

1974 there will be eight tractor trailer rigs in operation.

Wetterau Builders, Inc. was established to construct new retail food stores and division warehouse facilities. However, its operations have expanded to include construction of churches, commercial buildings and shopping centers. Forty building projects are slated for completion by WBI during fiscal 1974.

Seven years ago, Wetterau Education Institute was formed to provide training services for retail store employees and Wetterau personnel. Now recognized as one of the outstanding training programs in the country, the Institute will broaden its services to include clients throughout the supermarket industry and general retail-oriented businesses.



Top: Besides construction of commercial buildings, *Wetterau Builders, Inc.* is one of the leading builders of churches in the central United States.

Lower: Retail store employees learn a variety of skills—from checking and bagging groceries to maintaining a profitable frozen food section—in *CMI's* seminar programs.

To facilitate this expansion, the name *Creative Management Institute* has been selected to identify them as they develop broader responsibilities in the coming year.

One of the most unique features of *CMI's* program in the coming year will be a mobile unit, completely equipped with audio-visual equipment and other teaching aids, large enough to train retail employees at store locations.

Most of the *Wetterau Industries* are headquartered in warehouse and office facilities located at 8840 and 8920 Pershall Road in St. Louis County, near the corporate headquarters building. *Eighteen Sixty Nine, Inc.* presently occupies space at 407 Dunn Road, across from corporate headquarters. *Non Foods* is located in Desloge.

E-966

Missouri where a 39,000 square foot warehouse expansion is underway to facilitate steadily increasing sales. A new *Non Foods* distribution center was opened during fiscal 1973 in Charleston, S.C. to supply Red & White food stores as well as other retail businesses in that area.

The progress of Wetterau Industries in recent years provides great expectations for the future. Although combined sales from these divisions total only 9 percent of overall corporate sales, the Industries account for 27 percent of corporate profits. *Wetterau Finance Co.* is no longer considered an industry operation.

The parent company's long range goal for this group is to achieve earnings parity with Wetterau Food Services. Wetterau Industries' commitment to this goal—along with Wetterau Food Services' program of steady expansion—are ample evidence that Wetterau Inc. is on a realistic course to attain HORIZON ONE BILLION by the year 1980. It is not unrealistic to assume this goal can be reached at an even earlier date.



DIRECTORS

Oliver G. Wetterau
Oliver J. Cleveland
Robert K. Crutsinger
Gordon Ellis
Milton F. Lewis
Ferlyn Prather
Stanley Simon

Ted C. Wetterau
Charles L. Cockelreas
Gene K. Davis
Karl A. Hill
Clinton H. Poertner
Jerome A. Rueff
Leonard V. Waldron

EXECUTIVE COMMITTEE

Oliver G. Wetterau
Ted C. Wetterau
Charles L. Cockelreas
Ferlyn Prather
Jerome A. Rueff

IN MEMORIAM

Charles E. Drewett, Jr., first vice president and a member of the board of directors, died unexpectedly on Friday, January 26, 1973 of a heart attack at the age of 52.

Charlie joined Wetterau in 1958 as store engineer and was promoted to director of retail development in 1967. He became administrative assistant to the executive vice president two years later and advanced to first vice president in 1970 and was elected a director in 1971.

We remember Charlie as a man with a keen sense of humor whose contributions toward the growth of this company are countless. We have truly lost a good friend.



OFFICERS

Oliver G. Wetterau
Chairman of the Board

Ted C. Wetterau
President

Oliver J. Cleveland
Executive Vice President

Wayne H. Davis
Financial First Vice President

Gordon Ellis
First Vice President

Jerome A. Rueff
Vice President and Treasurer

Lawrence C. Hild
Assistant Secretary

Melville O. Hampe
Vice President

Richard C. Malecek
Vice President

William R. Miller
Vice President

Clifton J. Roberts
Vice President

H. Wallace Truelock
Vice President

Robert K. Crutsinger
Executive Vice President

Paul A. Cox
First Vice President

Richard C. Nieman, Jr.
First Vice President

Robert J. Schneider
Vice President and Secretary

Robert E. Beckermann
Vice President

William D. Holley
Vice President

James A. McConnell
Vice President

Joseph A. Pollard
Vice President

Van D. Spurgeon
Vice President

Leonard V. Waldron
Vice President

DIVISION MANAGERS

Leonard V. Waldron
General Manager, Bloomington Division

Joseph A. Pollard
General Manager, Charleston Division

William E. Williams
General Manager, Hazelwood Division

James A. McConnell
General Manager, Holbrook Division

William D. Holley
General Manager, Mexico Division

William R. Miller
General Manager, Scott City Division

Clifton J. Roberts
General Manager, Non Foods Division (Desloge)

Jerl K. Salmon
General Manager, Non Foods Division (Charleston)

Robert L. Hawkins
General Manager, Wetterau Transport Division

Thomas R. Crabtree
General Manager, Eighteen Sixty Nine, Inc.

Donald M. Pieper
General Manager, Gateway Bakery Division

Irving Brin
President, Mohr Distributors, Inc.

Norman Kessler
Vice President, Mohr Distributors, Inc.

Robert J. Livingston
General Manager, Monarch Printing Co.

Van D. Spurgeon
General Manager, Creative Management Institute

Kenneth V. Evans
General Manager, Wetterau Builders, Inc.

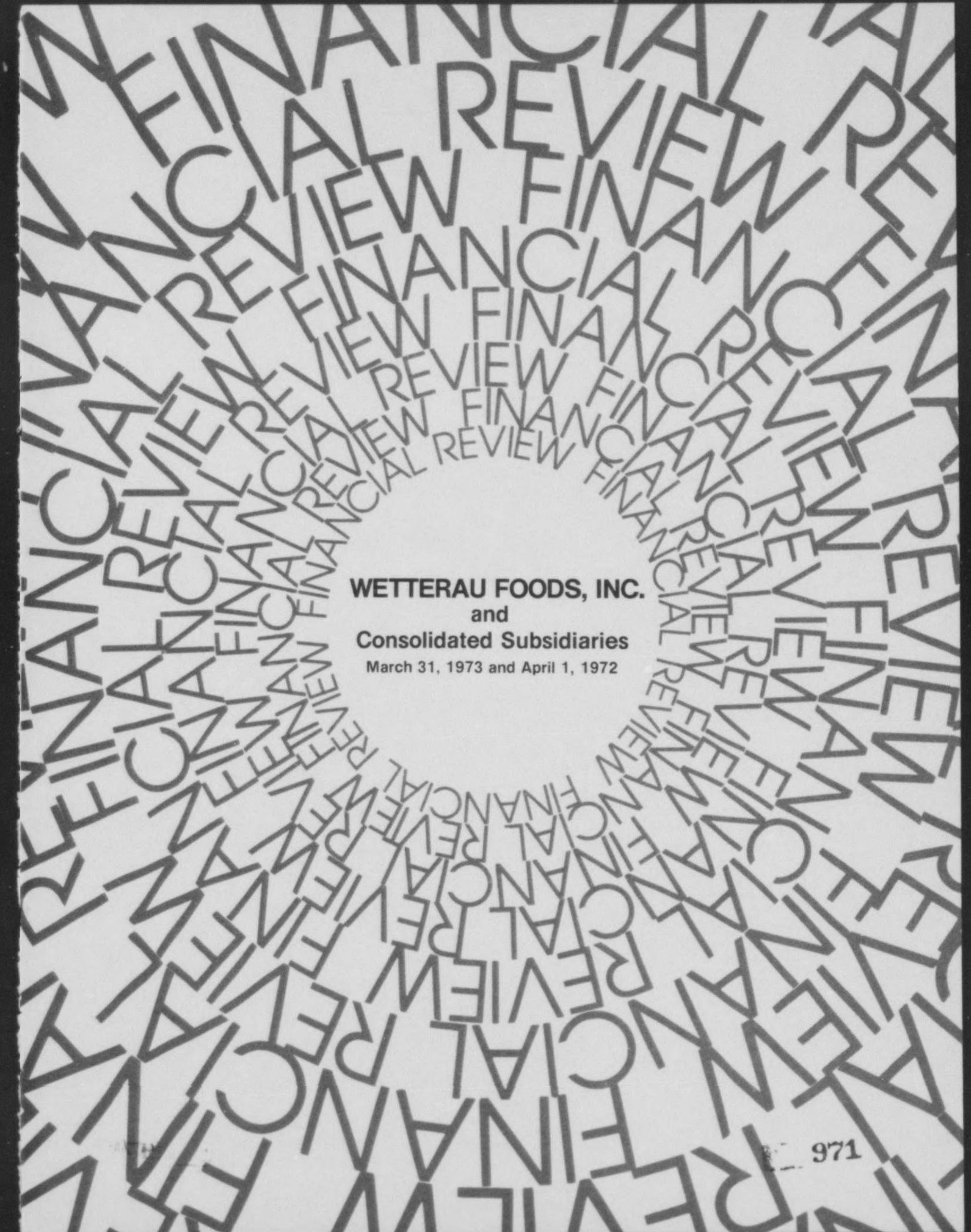
Lawrence C. Hild
Vice President, Wetterau Finance Co.



Company financial operations are headed by Wayne H. Davis, financial first vice president (second from right). Heading up key financial and information systems are (left to right): Robert F. Harris, controller of Wetterau Food Services; John C. Hembrow, controller of Wetterau Industries; Richard C. Malecek, director of data processing; and Jerome A. Rjeff, treasurer of Wetterau Inc.

FINANCIAL ADMINISTRATION

Development of *Wetterau Food Services* and *Wetterau Industries* as major divisions of Wetterau Inc. necessitated a realignment of responsibilities for the financial administration of the company. Wayne H. Davis, formerly vice president, was named financial first vice president. Robert F. Harris, formerly controller of the Charleston Division, was named vice president and controller of Wetterau Food Services. John C. Hembrow, formerly controller of several of the company's affiliated operations, was named vice president and controller of Wetterau Industries.



WETTERAU FOODS, INC.
and
Consolidated Subsidiaries
March 31, 1973 and April 1, 1972

Wetterau Foods, Inc. and Consolidated Subsidiaries

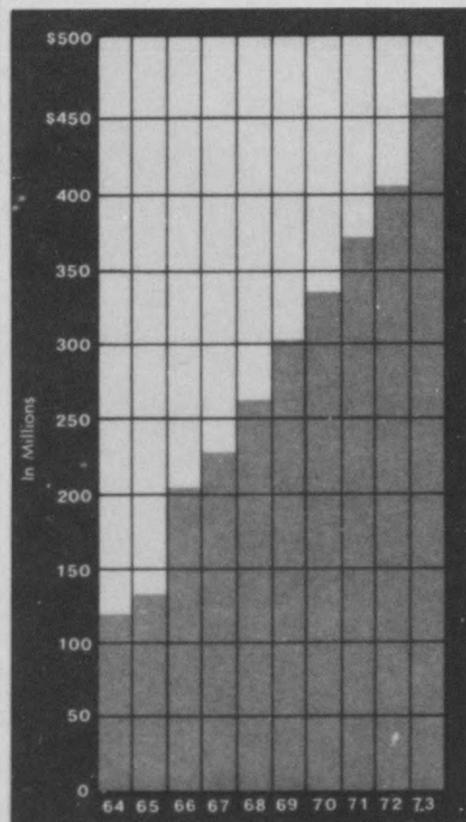
TEN YEAR FINANCIAL REVIEW

(In thousands except for per share data)

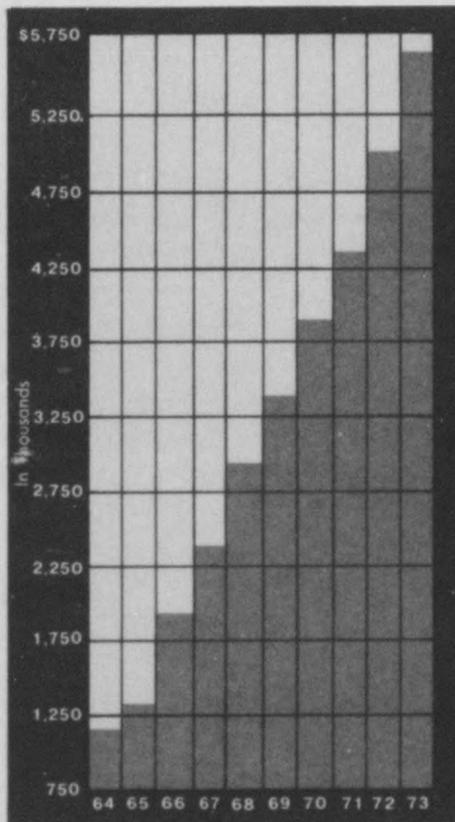
	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964
Net sales	\$459,380	405,851	372,229	336,211	301,186	261,316	226,686	205,099	134,114	119,962
Income taxes	4,107	3,945	4,057	3,718	2,939	2,265	2,095	1,688	1,027	1,214
Net earnings	5,609	5,001	4,381	3,893	3,398	2,950	2,396	1,969	1,322	1,153
Cash dividends paid	1,567	1,527	1,442	1,440	1,028	873	737	554	480	410
Common shares outstanding— year end	4,396	4,375	4,294	4,246	4,167	4,017	3,997	3,960	3,423	3,354
Per common share data:										
Primary earnings	1.28	1.15	1.02	.91	.81	.74	.62	.52	.40	.35
Fully diluted earnings	1.27	1.14	1.00	.89	.78	.74	.57	.51	—	—
Annual dividend rate —year end	.36	.35	.35	.35	.32	.28	.25	.22	.14	.10

1. All poolings of interests have been included from the beginning of the 1966 fiscal year.
2. All appropriate figures have been adjusted to reflect all stock splits and stock dividends. Earnings per share for 1966 through 1973 are based on weighted average number of shares outstanding during the respective years. Earnings per share for 1964 and 1965 are based on shares outstanding at the end of each year.

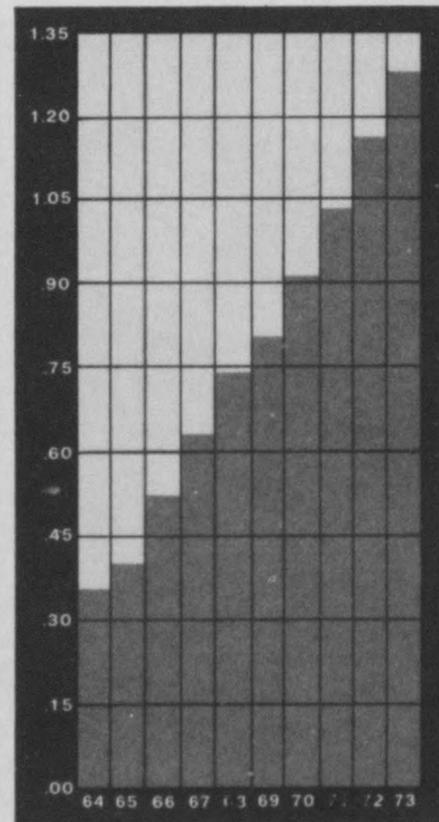
Sales Growth



Net Earnings



Earnings Per Share



972

Wetterau Foods, Inc. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS

Fifty-two week periods ended March 31, 1973 and April 1, 1972

	<u>1973</u>	<u>1972</u>
INCOME:		
Net sales	\$459,380,000	405,851,000
Discount on purchases	4,494,000	3,891,000
Other income, net	2,806,000	2,680,000
Net earnings of unconsolidated finance subsidiary	<u>547,000</u>	<u>383,000</u>
	<u>467,227,000</u>	<u>412,805,000</u>
COST AND EXPENSES:		
Cost of goods sold	430,836,000	381,123,000
Selling, general and administrative expenses	23,485,000	20,156,000
Depreciation and amortization	2,380,000	1,924,000
Interest	810,000	656,000
Taxes on income including \$290,000 deferred (\$224,000 in 1972)	<u>4,107,000</u>	<u>3,945,000</u>
	<u>461,618,000</u>	<u>407,804,000</u>
NET EARNINGS	<u>\$ 5,609,000</u>	<u>5,001,000</u>
Per share of common stock:		
Primary earnings	<u>\$1.28</u>	<u>1.15</u>
Fully diluted earnings	<u>\$1.28¹⁹⁷³</u>	<u>1.14</u>
See accompanying notes to consolidated financial statements.		

Wetterau Foods, Inc. and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEET

March 31, 1973 and April 1, 1972

	<u>1973</u>	<u>1972</u>
ASSETS		
Current assets:		
Cash	\$ 1,532,000	1,562,000
Receivables, less allowance for doubtful accounts of \$572,000 (\$489,000 in 1972)	12,529,000	10,305,000
Equity in trade notes sold to unconsolidated finance subsidiary	275,000	323,000
Interim financing for retail store construction	1,033,000	1,192,000
Advances to unconsolidated finance subsidiary	418,000	15,000
Merchandise inventories, at the lower of cost (first-in, first-out) or replacement market	24,986,000	19,019,000
Prepaid expenses	<u>989,000</u>	<u>801,000</u>
Total current assets	<u>41,762,000</u>	<u>33,217,000</u>
Notes and accounts receivable—deferred maturities	791,000	719,000
Equity in trade notes sold to unconsolidated finance subsidiary—deferred	950,000	877,000
Investment in unconsolidated finance subsidiary	2,818,000	2,271,000
Other investments, at cost	323,000	409,000
Property, plant and equipment, at cost less accumulated depreciation and amortization of \$8,183,000 (\$7,504,000 in 1972)	24,785,000	20,882,000
Other assets	<u>130,000</u>	<u>95,000</u>
	<u>\$ 71,559,000</u>	<u>58,470,000</u>
See accompanying notes to consolidated financial statements.		

	<u>1973</u>	<u>1972</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable to banks	\$ 3,300,000	300,000
Current maturities of long-term debt	708,000	379,000
Accounts payable	22,907,000	16,925,000
Accrued expenses	1,048,000	966,000
Taxes on income	<u>325,000</u>	<u>484,000</u>
Total current liabilities	<u>28,288,000</u>	<u>19,054,000</u>
Deferred taxes on income	<u>1,217,000</u>	<u>927,000</u>
Long-term debt, less current maturities	<u>7,066,000</u>	<u>7,774,000</u>
Stockholders' equity:		
Common stock of \$1 par value per share. Authorized 10,000,000 shares; issued 4,396,202 shares (4,374,887 in 1972)	4,396,000	4,375,000
Additional paid-in capital	8,661,000	8,451,000
Retained earnings	<u>21,931,000</u>	<u>17,889,000</u>
Total stockholders' equity	<u>34,988,000</u>	<u>30,715,000</u>
	<u>\$ 71,559,000</u>	<u>58,470,000</u>

Wetterau Foods, Inc. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Fifty-two week periods ended March 31, 1973 and April 1, 1972

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total</u>
Fifty-two week period ended March 31, 1973				
Balance at beginning of period	\$4,375,000	8,451,000	17,889,000	30,715,000
Net earnings	—	—	5,609,000	5,609,000
Stock options exercised	19,000	212,000	—	231,000
Issuance of 2,038 common shares based upon the earnings performance of previously acquired companies ...	2,000	(2,000)	—	—
Cash dividends—\$.36 per share	—	—	(1,567,000)	(1,567,000)
Balance at end of period	<u>\$4,396,000</u>	<u>8,661,000</u>	<u>21,931,000</u>	<u>34,988,000</u>
Fifty-two week period ended April 1, 1972				
Balance at beginning of period, as previously reported	3,335,000	6,288,000	16,980,000	26,603,000
Adjustment to reflect 25% common stock split	875,000	(875,000)	—	—
Balance at beginning of period, as restated	4,210,000	5,413,000	16,980,000	26,603,000
Net earnings	—	—	5,001,000	5,001,000
Conversion of \$567,000 of the 4-1/8% convertible subordinated debentures into 54,819 common shares	55,000	504,000	—	559,000
Stock options exercised	5,000	74,000	—	79,000
Issuance of 4,912 common shares based upon the earnings performance of previously acquired companies ...	5,000	(5,000)	—	—
Dividends:				
Cash—\$.35 per share	—	—	(1,527,000)	(1,527,000)
3% Common stock	100,000	2,465,000	(2,565,000)	—
Balance at end of period	<u>\$4,375,000</u>	<u>8,451,000</u>	<u>17,889,000</u>	<u>30,715,000</u>
See accompanying notes to consolidated financial statements.				976

Wetterau Foods, Inc. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Fifty-two week periods ended March 31, 1973 and April 1, 1972

	1973	1972
WORKING CAPITAL PROVIDED:		
Net earnings	\$ 5,609,000	5,001,000
Depreciation and amortization	2,414,000	1,952,000
Increase in deferred taxes on income	290,000	224,000
	<u>8,313,000</u>	<u>7,177,000</u>
Less net earnings of unconsolidated finance subsidiary ..	547,000	383,000
Working capital provided from operations	7,766,000	6,794,000
Disposal of property, plant and equipment, net of accumulated depreciation and amortization	1,311,000	746,000
Issuance of long-term debt	—	5,000,000
Issuance of common stock for conversion of 4-1/8% convertible subordinated debentures	—	567,000
Proceeds from stock options exercised	231,000	79,000
Other changes, net	17,000	—
Decrease in working capital	689,000	—
	<u>\$10,014,000</u>	<u>13,186,000</u>
WORKING CAPITAL USED:		
Increase in notes and accounts receivable— deferred maturities	72,000	60,000
Increase in equity in trade notes sold to unconsolidated finance subsidiary—deferred	73,000	407,000
Additions to property, plant and equipment	7,594,000	4,660,000
Reduction of long-term debt	708,000	446,000
Conversion of 4-1/8% convertible subordinated debentures	—	567,000
Cash dividends	1,567,000	1,527,000
Other changes, net	—	25,000
Increase in working capital	—	5,494,000
	<u>\$10,014,000</u>	<u>13,186,000</u>
CHANGES IN WORKING CAPITAL:		
Current assets—(increase) (decrease):		
Cash	(30,000)	(2,737,000)
Receivables	2,224,000	2,220,000
Equity in trade notes sold to unconsolidated finance subsidiary	(48,000)	68,000
Interim financing for retail store construction	(159,000)	(807,000)
Advances to unconsolidated finance subsidiary	403,000	(260,000)
Merchandise inventories	5,967,000	754,000
Prepaid expenses	188,000	178,000
	<u>8,545,000</u>	<u>(584,000)</u>
Current liabilities—(increase) decrease:		
Notes payable to banks	(3,000,000)	4,300,000
Current maturities of long-term debt	(329,000)	14,000
Accounts payable and accrued expenses	(6,064,000)	1,078,000
Taxes on income	159,000	686,000
	<u>(9,234,000)</u>	<u>6,078,000</u>
Increase (decrease) in working capital	\$ (689,000)	5,494,000
See accompanying notes to consolidated financial statements.		

Wetterau Foods, Inc. and Consolidated Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1973 and April 1, 1972

1. Summary of Significant Accounting Policies:

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all wholly-owned subsidiaries except Wetterau Finance Co. All significant intercompany transactions have been eliminated in consolidation. Wetterau Finance Co. is not consolidated but is carried on the equity method of accounting and separate financial statements are included herein.

Depreciation and Amortization—Buildings and all equipment are depreciated on a straight-line basis over the estimated useful lives of the various classes of assets. Leasehold improvements are amortized over the terms of the respective leases.

Taxes on income—Deferred taxes on income result principally from deducting depreciation allowances for tax purposes in amounts greater than the allowances determined on the straight-line depreciation method used for financial reporting purposes.

The Company elected the "flow-through" method of accounting for the 7% investment tax credit which is reflected in the consolidated statement of earnings as a reduction of taxes on income of approximately \$197,000 in 1973 and \$162,000 in 1972.

No provision is made for taxes which would be payable if undistributed earnings of subsidiaries were paid as dividends to the parent company inasmuch as such earnings are reinvested in the businesses and are not currently available for dividend payments or such earnings will be remitted in the form of a tax-free liquidation.

2. Property, Plant and Equipment:

Property, plant and equipment consist of the following:

	<u>1973</u>	<u>1972</u>
Land	\$ 1,744,000	1,391,000
Buildings	13,170,000	12,384,000
Delivery equipment	7,101,000	5,849,000
Warehouse equipment	2,877,000	2,438,000

Manufacturing equipment	1,180,000	1,209,000
Furniture and fixtures	5,000,000	4,088,000
Leasehold improvements ..	1,098,000	956,000
Construction in progress	798,000	71,000
	<u>\$32,968,000</u>	<u>28,386,000</u>

3. Long-Term Debt:

Long-term debt is summarized as follows:

	<u>1973</u>	<u>1972</u>
8-3/4% promissory notes, payable in semiannual installments of \$300,000 beginning March 23, 1974 through September 23, 1980 and \$400,000 through September 23, 1986	\$5,000,000	5,000,000
5-1/4% promissory notes, payable in semiannual installments of \$100,000 with final payment of \$234,000 on September 15, 1979	1,434,000	1,634,000
7% promissory note, payable in quarterly installments of \$12,500 through December 31, 1982	488,000	530,000
Mortgage notes payable, at 5-1/2% to 7% interest rates, payable in varying amounts through 1979	523,000	640,000

Other, at 4% to 5% interest rates, payable in varying amounts through 1978	<u>329,000</u>	<u>349,000</u>
	<u>7,774,000</u>	8,153,000
Less current maturities	<u>708,000</u>	<u>379,000</u>
	<u>\$7,066,000</u>	<u>7,774,000</u>

The aggregate amounts of long-term debt maturing in each of the four fiscal years after 1974 are: 1975 — \$1,021,000; 1976 — \$966,000; 1977 — \$970,000; 1978 — \$995,000.

During 1971 the Company entered into note agreements with two insurance companies which provided for unsecured borrowings of \$9,000,000, of which \$5,000,000 was borrowed on September 29, 1971. The remaining \$4,000,000 was borrowed on April 2, 1973. The loan agreements contain provisions which restrict the payment of cash dividends and purchase, redemption or retirement of capital stock. Consolidated retained earnings approximating \$6,794,000 at March 31, 1973 were not restricted under these provisions. The loan agreements also contain provisions which require the Company to maintain certain minimum amounts of working capital.

Property, plant and equipment having a net carrying value of approximately \$2,613,000 at March 31, 1973, is pledged as collateral under the mortgage notes payable.

4. Capital Stock:

On May 9, 1972 the Board of Directors approved a 25% common stock split in the form of a stock dividend. All appropriate figures in the accompanying consolidated financial statements and related notes have been adjusted to reflect the stock split.

During 1972, 2,038 common shares were issued, and approximately 10,900 shares are issuable at March 31, 1973 pursuant to the terms of an agreement relating to previously acquired companies. In addition, a maximum of approximately 77,600 common shares are contingently issuable if defined net earnings of the aforementioned companies exceed agreed upon levels for the fiscal year ending March 30, 1974. The common shares issuable at March 31, 1973 have been included in the computation of primary earnings per share (note 6) and, when issued, will be reflected in the financial statements.

The Company is authorized to issue 590,000 shares of \$5 par value preferred stock. At March 31, 1973, none of this stock had been issued.

5. Stock Option Plans:

Under a qualified stock option plan adopted by the Company in 1965, certain officers and key employees may purchase shares of common stock at prices equal to market value on the dates the options are granted. The options become exercisable in installments and expire five years from date of grant.

The stockholders approved a new stock option plan in 1971, under which both qualified and non-qualified options may be granted. Qualified options must be granted at a price which is not less than market value at date of grant and expire five years from date of grant. Non-qualified options may be granted at a price which is not less than 75% of the market value at date of grant and expire not more than ten years from date of grant. The extent to which options are exercisable during the option periods is determined when the options are granted. At March 31, 1973, 129,213 shares of common stock were reserved for granting of future options. Changes in stock options are summarized as follows:

	<u>Shares</u>	<u>Average Price</u>
Options outstanding		
April 3, 1971	73,467	\$13.04
Add (deduct) options:		
Exercised	(4,816)	13.07
Cancelled	(431)	12.82
Options outstanding		
April 1, 1972	68,220	13.04
Add (deduct) options:		
Granted	31,725	27.63
Exercised	(19,277)	13.41
Cancelled	(464)	12.81
Options outstanding		
March 31, 1973 (of which 43,967 are exercisable)	<u>80,204</u>	<u>18.86</u>

6. Earnings Per Share of Common Stock:

Primary earnings per share are based on the weighted average number of common shares outstanding during the respective periods, adjusted

to give effect to shares issued and issuable to former stockholders of acquired companies based on earnings performance (note 4). Common shares issuable under the Company's stock option plans (note 5) are not included in primary earnings per share as the dilutive effect is not material.

Fully diluted earnings per share are based on the assumption that those shares issued and issuable under the stock option plans had been exercised at the beginning of the respective periods with the proceeds used to acquire treasury stock, and that conversion of all the 4-1/8% convertible subordinated debentures in 1972 had occurred at the beginning of that period. Contingently issuable common shares (note 4) would not further reduce fully diluted earnings per share.

7. Commitments:

The Company operates at a number of locations under lease agreements expiring at various dates to 1992. The minimum annual rentals under these leases aggregate \$921,000 plus taxes, insurance and maintenance. In addition, the Company leases premises and equipment which are subsequently

subleased to customers. Minimum annual rentals required to be paid under the terms of these leases, which expire at various dates to 1989, aggregate \$3,664,000. The majority of the subleases have been assigned to Wetterau Finance Co.

The Company and its subsidiaries have pension plans covering substantially all employees. Total expense of the plans was \$591,000 in 1973 and \$538,000 in 1972, which includes, as to one of the plans, amortization of prior service costs aggregating \$550,000 over a thirty year period. The total pension funds exceed the actuarially computed value of vested benefits as of the latest valuation date.

8. Subsequent Events:

The Company has agreed in principle to acquire Bi-Go Markets, Inc. and J. Zinsmeister Company in exchange for approximately 511,000 shares of its common stock. When consummated, the mergers will be accounted for as poolings of interests and accordingly, prior years' financial statements will be restated in subsequent reports to reflect retroactively the inclusion of the financial statements of these companies.

ACCOUNTANTS' REPORT

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
720 OLIVE STREET
ST. LOUIS, MISSOURI 63101

The Stockholders and Board of Directors
Wetterau Foods, Inc.:

We have examined the consolidated balance sheets of Wetterau Foods, Inc. and consolidated subsidiaries as of March 31, 1973 and April 1, 1972 and the related statements of earnings, stockholders' equity, and changes in financial position for the respective fifty-two week periods then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the balance sheets of Wetterau Finance Co. as of March 31, 1973 and April 1, 1972 and the related statements of earnings and retained earnings and changes in financial position for the respective fifty-two week periods then ended.

In our opinion, such financial statements present fairly (a) the financial position of Wetterau Foods, Inc. and consolidated subsidiaries at March 31, 1973 and April 1, 1972 and the results of their operations, changes in stockholders' equity, and changes in financial position for the respective fifty-two week periods then ended, and (b) the financial position of Wetterau Finance Co. at March 31, 1973 and April 1, 1972 and the results of its operations and changes in financial position for the respective fifty-two week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

May 9, 1973

Wetterau Finance Co.

STATEMENT OF EARNINGS AND RETAINED EARNINGS

Fifty-two week periods ended March 31, 1973 and April 1, 1972

	<u>1973</u>	<u>1972</u>
INCOME:		
Interest collected	\$ 252,000	161,000
Finance charges earned, net	981,000	762,000
Rental income, net	<u>275,000</u>	<u>233,000</u>
	<u>1,508,000</u>	<u>1,156,000</u>
DEDUCTIONS:		
Interest	375,000	286,000
Operating expenses	58,000	55,000
Lease termination expense	-	65,000
Taxes on income	<u>528,000</u>	<u>367,000</u>
	<u>961,000</u>	<u>773,000</u>
NET EARNINGS	547,000	383,000
Retained earnings at beginning of period	<u>1,871,000</u>	<u>1,488,000</u>
Retained earnings at end of period	<u>\$ 2,418,000</u>	<u>1,871,000</u>
See accompanying notes to financial statements.		982

Wetterau Finance Co.

BALANCE SHEET

March 31, 1973 and April 1, 1972

	<u>1973</u>	<u>1972</u>
ASSETS		
Cash	\$ 11,000	20,000
Notes receivable (including amounts maturing after one year)	13,130,000	12,112,000
Deductions:		
Unearned finance charges	2,776,000	2,528,000
Funds withheld pending collection of receivables .	1,225,000	1,200,000
Total deductions	4,001,000	3,728,000
Notes receivable, net	9,129,000	8,384,000
Other assets (principally accrued interest)	26,000	21,000
	<u>\$ 9,166,000</u>	<u>8,425,000</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
Notes payable to banks, short-term	5,700,000	6,000,000
Advances from parent	418,000	15,000
Accounts payable and accrued expenses	64,000	72,000
Taxes on income	166,000	67,000
Stockholder's equity:		
Common stock	200,000	200,000
Additional paid-in capital	200,000	200,000
Retained earnings	2,418,000	1,871,000
Total stockholder's equity	2,818,000	2,271,000
	<u>\$ 9,166,000</u>	<u>8,425,000</u>
See accompanying notes to financial statements.		

Wetterau Finance Co.

STATEMENT OF CHANGES IN FINANCIAL POSITION

Fifty-two week periods ended March 31, 1973 and April 1, 1972

	<u>1973</u>	<u>1972</u>
FUNDS PROVIDED:		
From operations:		
Net earnings	\$ 547,000	383,000
Non-cash charges to operations not requiring funds, net.	<u>86,000</u>	<u>9,000</u>
Total from operations	633,000	392,000
Increase in notes payable to banks	—	2,325,000
Increase in advances from parent	403,000	—
Decrease in cash	<u>9,000</u>	<u>—</u>
	<u>\$ 1,045,000</u>	<u>2,717,000</u>
FUNDS USED:		
Increase in notes receivable balances	1,018,000	4,123,000
Deduct:		
Increase in unearned finance charges	248,000	1,193,000
Increase in funds withheld pending collection of receivables	<u>25,000</u>	<u>475,000</u>
Funds invested in notes receivable	745,000	2,455,000
Decrease in notes payable to banks	300,000	—
Decrease in advances from parent	—	260,000
Increase in cash	<u>—</u>	<u>2,000</u>
	<u>\$ 1,045,000</u>	<u>2,717,000</u>

See accompanying notes to financial statements.

Wetterau Finance Co.

STATEMENT OF CHANGES IN FINANCIAL POSITION

Fifty-two week periods ended March 31, 1973 and April 1, 1972

	<u>1973</u>	<u>1972</u>
FUNDS PROVIDED:		
From operations:		
Net earnings	\$ 547,000	383,000
Non-cash charges to operations not requiring funds, net	<u>86,000</u>	<u>9,000</u>
Total from operations	633,000	392,000
Increase in notes payable to banks	—	2,325,000
Increase in advances from parent	403,000	—
Decrease in cash	<u>9,000</u>	<u>—</u>
	<u>\$ 1,045,000</u>	<u>2,717,000</u>
FUNDS USED:		
Increase in notes receivable balances	1,018,000	4,123,000
Deduct:		
Increase in unearned finance charges	248,000	1,193,000
Increase in funds withheld pending collection of receivables	<u>25,000</u>	<u>475,000</u>
Funds invested in notes receivable	745,000	2,455,000
Decrease in notes payable to banks	300,000	—
Decrease in advances from parent	—	260,000
Increase in cash	<u>—</u>	<u>2,000</u>
	<u>\$ 1,045,000</u>	<u>2,717,000</u>

See accompanying notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

March 31, 1973 and April 1, 1972

1. Intercompany Transactions:

All notes receivable held by Wetterau Finance Co., representing indebtedness of retail food stores and loans to stockholders of corporations operating retail food stores, were acquired from Wetterau Foods, Inc. Substantially all of the notes were purchased on a full recourse basis and provide for a guaranteed yield, which is currently 4% above the prime interest rate at date of purchase. During 1973 Wetterau Finance Co. received approximately \$84,000 of interest income and \$2,000 of additional discount (unearned finance charges) from Wetterau Foods, Inc. as a result of this guaranteed yield. During 1972 these amounts were \$40,000 and \$12,000, respectively.

Since Wetterau Finance Co. has no administrative staff, a management fee based upon collections of note payments is charged to Wetterau Finance Co. by Wetterau Foods, Inc. In addition, interest on advances at the prime rate is also paid to Wetterau Foods, Inc. Management fees and interest on advances in 1973 amounted to approximately \$37,000 and \$39,000, respectively (\$35,000 and \$10,000, respectively, in 1972).

2. Unearned Finance Charges:

The net finance charges on discounted receivables acquired are transferred to income monthly in proportion to the liquidation of the receivables. No part of the net finance charges acquired is transferred to income as acquisition charges in the month of acquisition.

3. Commitments:

Wetterau Finance Co. is obligated under terms of leases expiring at various dates to 1992 with minimum annual rentals aggregating approximately \$3,310,000. Annual income under terms of sub-leases to retail stores exceeds rental payments.

During 1972 Wetterau Finance Co. entered into a lease termination agreement providing for the cancellation of one lease upon payment of two months' rental and \$60,000.

983-B

Transfer Agent: The Boatmen's National Bank of St. Louis
300 North Broadway, St. Louis, Missouri 63102

983-C

E N D