

MINUTES OF MEETING OF STATE BUDGET AND CONTROL BOARD

SEPTEMBER 9, 1965

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The State Budget and Control Board met in the Conference Room of the Governor's Office, in the Wade Hampton Building, at 10:30 A. M., on Tuesday, September 9, 1965, with all members of the Board present. Also present were Messrs. J. M. Smith, F. E. McEachern, Jr. and P. C. Smith.

The following business was transacted.

STATE RETIREMENT SYSTEM

Mr. Tatum Gressette, Director of the State Retirement System, appeared before the Board in connection with the following items.

1. Computation of Retirement Benefits

Section 61-105, Code of Laws of S. C. 1962, as amended, reads in part as follows:

"(B) Upon retirement from service on or after July 1, 1964 a Class Two member shall receive a service retirement allowance as follows:

(1) If the member's service retirement date occurs on or after his sixty-fifth birthday, such allowance shall be equal to one per cent of the portion of his average final compensation not in excess of the Social Security break-point, plus one and one-half per cent of the portion of such compensation in excess of such break-point, multiplied by the number of years of his creditable service."

Mr. Gressette called the Board's attention to recent Federal Legislation providing that the break-point for Social Security will be raised to \$6,600.00 on January 1, 1966 from the present \$4,800.00. The effect of this change will mean a reduction in benefits of personnel retiring after January 1, 1966. For example, an employee sixty-five years of age with thirty-five years experience and an average compensation of at least \$6,600.00 will receive \$315.00 less in benefits after January 1, 1966 as a result of the change in break-point.

Mr. Gressette recommended that the Budget and Control Board ask the General Assembly to amend the above quoted law so as to set the Social Security break-point at a fixed figure of \$4,800.00 thereby preventing benefit reductions that will otherwise occur after January 1, 1966.

The Board agreed to request the suggested amendment.

2. Employment of Retired Persons

Under present regulations of the Budget and Control Board a person on retirement may return to employment within the Retirement System and earn as much as \$1,200.00 per year without reduction of his retirement benefits.

Mr. Gressette called the Board's attention to the continuing increase in cost of living and suggested that the above allowance be increased to \$1,800.00.

The Board approved the change as requested.

3. Consultative Employment

Section 61-110, Code of Laws of S. C. 1962, reads as follows:

"Any teacher or employee especially skilled in scientific knowledge and attainment may be temporarily employed by any part of the government or any agency thereof in a consultative capacity on a per diem compensation without such temporary consultative employment in any way affecting, reducing or cancelling his retirement benefits but such temporary consultative employment shall not exceed four months in any one year."

Mr. Gressette suggested to the Board that it recommend to the General Assembly that this section of the Code be deleted entirely.

After discussion, the Board agreed to recommend this legislation.

4. Colleton County Department of Education

Mr. Gressette reported to the Board that the Colleton County Department of Education has failed to remit approximately \$21,000.00 of retirement deductions due the System since July 1, 1965. He stated to the Board that he had been unsuccessful in efforts to secure payment of this amount up to this time.

The Board directed Mr. Gressette to make formal demand for payment and to further advise Colleton County authorities of the provision of law authorizing the withholding of any State Funds payable to Colleton County to cover the amount due.

PORTS AUTHORITY

Captain C. G. Barr, General Manager of the State Ports Authority, Mr. Luther Rosebrock, Comptroller, and Mr. W. W. Johnson, member of the Authority Board, appeared before the Board to discuss terms of a proposed contract between the

Authority and the State Farm Bureau for the Bureau's operation of the additional grain elevator to be constructed at the Authority's North Charleston Terminal.

The Board noted that the 1965 General Assembly made provision for the construction of an additional elevator by the authorization of State Ports bonds for that purpose in the amount of \$2,500,000.00. This legislation further provides that the retirement of the bonds, together with interest thereon, shall be paid from the proceeds of a fee for use of the facilities to be imposed on a per bushel basis. The Act further provides the imposition of this fee "shall be effective prior to the issuance of such State Ports bonds".

In reviewing terms of the proposed management contract between the Authority and the Bureau, the Board noted that a schedule of per bushel fees has been developed by the Authority which will, on the basis of a projected volume of business, be sufficient to retire the \$2,500,000.00 of bonds as required in the Act authorizing their issuance.

Captain Barr indicated that it was desired that the management contract become effective on the date of completion of construction of the new elevator and that the per bushel fee for debt retirement also be imposed as of that date.

Captain Barr further stated that present plans indicate that actual issuance of the bonds will be necessary about February 1, 1966 and that completion of the facility and the effective date of the contract with the Bureau will be about October 1, 1966.

The question was raised as to whether or not the imposition of the per bushel charge could be delayed until October 1, 1966 if the bonds are to be issued as of February 1, 1966. It was agreed that the opinion of the Attorney General would be sought on this matter.

The Board discussed other items to be included in the contract but no action was taken.

(After conclusion of the above matter Mr. Bates was excused from the remainder of the meeting.)

CIVIL CONTINGENT FUND - Requests for Allocations - Declined

1. Alcoholic Rehabilitation Center

The Board declined to approve a request of the Alcoholic Rehabilitation Center for an allocation of \$2,148.00 to supplement other funds for construction of an addition to its facilities at Florence.

2. Legislative Committee

The Board declined to make additional funds available from the Civil Contingent Fund to a Legislative committee established by the 1965 General Assembly to "Study the Feasibility of Establishing State-Supported Junior Colleges". The Board noted that the resolution creating the Committee provides that "the expenses of the Committee shall not exceed \$1,000.00".

WHITTEN VILLAGE - Salary of Superintendent

The Board declined to approve a request of the Board of Trustees of Whitten Village to increase the salary of the new Superintendent, Dr. Roy Suber, from the present amount of \$17,310.00 to \$18,600.00.

COLLEGE LOAN PROGRAMS

A financial report prepared by the State Auditor's Office on College Student Loan Programs for 1964-65 was presented to the Board, together with a tabulation of requests from colleges for State funds for these programs for 1965-1966. A copy of the report and requests are attached herewith as a part of the minutes. (No. 1)

The Board approved allocation of the requests totalling \$94,756.34, to be paid from the appropriation of \$100,000.00 in Section 67 of the 1965-1966 General Appropriation Act for South Carolina Defense Scholarship Fund.

PERMANENT IMPROVEMENTS

1. Retarded Children's Habilitation Center

Evaluation and Diagnostic Clinic - \$ 100,000.00

The Board approved an additional \$100,000.00 for the above project, increasing the total to \$250,000.00. The additional \$100,000.00 will be provided through the issuance of notes authorized for construction of the Center.



2. University of South Carolina

Dormitory for Graduate Students - \$ 3,370,000.00

The University requested the Board's approval of the construction of a 14-story dormitory to be located in the 900 Block of Barnwell Street, to accommodate 600 graduate students.

In view of the magnitude of the project no action was taken at this meeting in order that representatives of the University might appear before the Board at a later meeting.

REPORT ON GENERAL FUND OPERATIONS FOR 1964-65

In accord with the provisions of Sections 1-783 and 21-293 of the 1962 Code, the Board received from the State Auditor a report on General Fund operations for the fiscal year 1964-65. A copy of this report is attached herewith as a part of the minutes. (No. 2)

The Board noted that the report shows a surplus of \$6,422,031.72 available at the end of the year for distribution to counties for general school purposes as provided for in the above sections of the Code. The Secretary was accordingly directed to advise the State Superintendent of Education of the availability of this surplus in order that distribution to counties may be effected immediately.

SOUTH CAROLINA SANATORIUM - Laundry Boiler

Authorities of the South Carolina Sanatorium requested the Board's approval of the expenditure of funds to replace a worn-out laundry boiler. It was indicated that this boiler had recently given way completely, making it necessary to have laundry work done by commercial firms in the City of Columbia.

The Board declined to approve the request, with the suggestion to the Sanatorium authorities that arrangements be made for laundry service at the central laundry operated now by the Department of Corrections in the vicinity of the Sanatorium.

UNIVERSITY OF SOUTH CAROLINA - Russell House Elevator

The University of South Carolina is currently involved in the construction of an addition to Russell House and requested the Board's approval to eliminate an

elevator originally proposed from the first floor to the basement area. It was indicated that the purpose of this elevator as originally proposed was primarily to accommodate handicapped students normally unable to use regular stairways. It was pointed out that the necessity of handicapped persons going to the basement area would be considerably infrequent and that an elevator was not a primary necessity.

The Board approved the elimination of the elevator.

STATE LAW ENFORCEMENT DIVISION - Television Programs

The Board approved the expenditure of \$10,000.00 of funds appropriated for operation of the Law Enforcement Division for the production of television programs designed for instruction of local county and municipal police officers.

It was understood that an allocation of this amount would be made to the Division from the Civil Contingent Fund later in the year if necessary because of this expenditure.

BOILER MACHINERY INSURANCE COVERAGE

Mr. McEachern reported that on August 25, 1965 quotations were received by the General Services Division for providing boiler and machinery insurance coverage.

Kemper Group (American Motorists) was the low bidder with a quotation of \$48,000.00 for the first year of a three-year term. A tabulation of all bids received is attached herewith. (No. 3)

On recommendation of Mr. McEachern the Board approved the acceptance of the Kemper Group bid.

SURPLUS PROPERTY PROGRAM - Additional Personnel Authorized

At Mr. McEachern's request the Board approved the employment of certain additional personnel for the surplus property program, to be paid from the Surplus Property Revolving Fund.

HIGH HILL DRAINAGE DISTRICT - Supervisors Appointed

At the request of Mr. John L. McGowan, Attorney for High Hill Drainage

District of Florence County, the Board appointed the following persons to the Board of Supervisors of the District:

I. L. Hutchinson	-	1 Year
M. D. McGee	-	2 Years
H. B. Sparrow	-	3 Years

DEDICATORY PLAQUE FOR J. MARION SIMS BUILDING

The Board gave its approval to the Dedicatory Plaque to be affixed to the J. Marion Sims Building, as follows:

J. MARION SIMS BUILDING  
STATE BOARD OF HEALTH OF SOUTH CAROLINA

Governors

Robert E. McNair	(1965- )
Donald S. Russell	(1963-1965)
Ernest F. Hollings	(1959-1963)

Edgar A. Brown, Chairman, Senate Finance Committee  
Solomon Blatt, Speaker of House of Representatives  
Robert J. Aycock, Chairman, Ways & Means Committee of House  
E. C. Rhodes, Comptroller General  
Jeff B. Bates, State Treasurer  
James M. Smith, State Auditor

State Health Officer

G. S. T. Peeples, M.D.

Business Manager

Walter P. Boylston

Administrator, Hospital Construction

S. J. Ulmer, Jr.

Division of General Services

F. E. McEachern, Jr. - Walter B. Brown

Architects

Baker, Gill & Wilkins

Contractor

Roberson Construction Company

1965

Project constructed with Federal Assistance under Public Law 725, as amended, Administered by the U. S. Public Health Service and the South Carolina State Board of Health.

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STATE AGENCY OF VOCATIONAL REHABILITATION - Computer Approved

The Board approved the rental of an IBM Model 360 Computer by the State Agency of Vocational Rehabilitation.

No further business was considered and the meeting adjourned at 1:30

P. M.

SUMMARY REPORTCOLLEGE STUDENT LOAN PROGRAMS

No. 1  
Sep. 9, 1965

- o -

	<u>Loans Outstanding</u> <u>June 30 1965</u>		<u>Funds</u> <u>Requested</u> <u>for 1965-66</u>
	<u>Number</u>	<u>Amount</u>	
<u>National Defense Student Loan</u> <u>Program</u>			
The Citadel	235	156 092 74	2 618 34
Clemson	488	298 873 03	9 308 00
State College	321	143 503 98	3 410 00
University of S. C.	1693	1 179 179 85	36 341 00
Winthrop	599	396 738 55	15 179 00
	<u>3336</u>	<u>2 174 388 15</u>	<u>66 856 34</u>
<u>Health Professions Educational</u> <u>Assistance Program</u>			
Medical College	29	22 000 00	2 600 00
<u>Nurse Training Loan Program</u>			
University of S. C.			3 800 00
<u>United Student Aid Funds, Inc.</u>			
The Citadel	59	27 749 42	1 000 00
Clemson	278	166 419 44	6 500 00
Medical College	79	67 500 00	2 000 00
State College	62	24 000 00	
University of S. C.	497	211 763 85	8 000 00
Winthrop	203	108 643 84	4 000 00
	<u>1178</u>	<u>606 076 55</u>	<u>21 500 00</u>
<u>Totals - All Programs</u>	<u>4543</u>	<u>2 802 464 70</u>	<u>94 756 34</u>
<u>State Funds Appropriated for</u> <u>1965-66</u>			
National Defense Scholarship Fund			100 000 00

DETAILED REPORTS  
1964-65

NATIONAL DEFENSE STUDENT LOAN PROGRAM

1964-1965

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	Total	Citadel	Clemson	Medical <sup>(1)</sup> College	State College	University of S. C.	Winthrop
<b>I. RECEIPTS AND EXPENDITURES</b>							
Cash Balance, July 1 1964	167 911 19	6 412 96	81 100 56		4 366 92	33 405 90	42 624 85
<u>Receipts</u>							
Federal Funds	441 535 00	24 685 00	39 227 00	19 800 00	35 723 00	245 000 00	77 100 00
State Funds	53 040 52	2 103 74	9 459 94	2 200 00	3 969 22	26 670 10	8 637 52
Loan Repayments -							
Principal	47 530 64	4 472 30	2 193 97		1 234 24	25 439 72	14 190 41
Interest	6 758 31	646 88	510 40		249 97	4 667 96	683 10
Total Receipts	548 864 47	31 907 92	51 391 31	22 000 00	41 176 43	301 777 78	100 611 03
Total Balance and Receipts	716 775 66	38 320 88	132 491 87	22 000 00	45 543 35	335 183 68	143 235 88
<u>Expenditures</u>							
Loans to Students	668 553 79	33 950 00	124 147 00	22 000 00	44 003 29	315 175 00	129 278 50
Cash Balance, June 30 1965							
Federal Funds	41 452 37	3 590 30	7 510 38			18 007 81	12 343 88
State Funds	6 769 50	780 58	834 49		1 540 06	2 000 87	1 613 50
	48 221 87	4 370 88	8 344 87		1 540 06	20 008 68	13 957 38
<b>II. LOANS</b>							
Loans Outstanding, July 1 1964	1 595 432 30	127 865 04	177 175 00		102 621 66	898 525 80	289 244 80
(Number)	(2539)	(195)	(284)		(238)	(1365)	(457)
Add: Loans Made, 1964-65	668 553 79	33 950 00	124 147 00	22 000 00	44 003 29	315 175 00	129 278 50
Less: Payments Received (Principal)	47 530 64	4 472 30	2 193 97		1 234 24	25 439 72	14 190 41
*Amounts Cancelled	18 292 30		255 00		1 886 73	8 556 23	7 594 34
Losses Written Off	1 775 00	1 250 00				525 00	
	67 597 94	5 722 30	2 448 97		3 120 97	34 520 95	21 784 75
Loans Outstanding, June 30 1965	2 196 388 15	156 092 74	298 873 03	22 000 00	143 503 98	1 179 179 85	396 738 55
(Number)	(3365)	(235)	(488)	(29)	(321)	(1693)	(599)

\*Cancellations as authorized by the National  
Defense Education Act (for teaching).

(1) The Medical College Program is under the Health  
Professions Educational Assistance Act of 1963  
(Federal).

205

705

NATIONAL DEFENSE STUDENT LOAN PROGRAM

1964-1965

(Continued)

	<u>Total</u>	<u>Citadel</u>	<u>Clemson</u>	<u>Medical College</u>	<u>State College</u>	<u>University of S. C.</u>	<u>Winthrop</u>
III. <u>FUND REQUIREMENTS, 1965-66</u>							
Federal Allocation Approved	645 742 00	29 700 00	83 771 00	23 400 00	44 550 00	327 071 00	137 250 00
State Funds Required	<u>69 456 34</u>	<u>2 618 34</u>	<u>9 308 00</u>	<u>2 600 00</u>	<u>3 410 00</u>	<u>36 341 00</u>	<u>15 179 00</u>
Total	<u>715 198 34</u>	<u>32 318 34</u>	<u>93 079 00</u>	<u>26 000 00</u>	<u>47 960 00</u>	<u>363 412 00</u>	<u>152 429 00</u>

UNITED STUDENT AID FUNDS, INC.

Current Status, End of 1964-65

Amount on Deposit with United Student Aid Funds, Inc.	<u>57 000 00</u>	<u>4 000 00</u>	<u>10 000 00</u>	<u>9 000 00</u>	<u>5 000 00</u>	<u>18 000 00</u>	<u>11 000 00</u>
Loan Capacity	871 046 50	50 000 00	250 000 00	112 500 00	83 546 50	237 500 00	137 500 00
Amount of Loans, June 30 1965	606 076 55	27 749 42	166 419 44	67 500 00	24 000 00	211 763 85	108 643 84
Number of Loans	<u>(1178)</u>	<u>(59)</u>	<u>(278)</u>	<u>(79)</u>	<u>(62)</u>	<u>(497)</u>	<u>(230)</u>
Additional Loan Capacity Available	<u>264 969 95</u>	<u>22 250 58</u>	<u>83 580 56</u>	<u>45 000 00</u>	<u>59 546 50</u>	<u>25 736 15</u>	<u>28 856 16</u>
State Funds Requested for Additional Deposits, 1965-66	<u>21 500 00</u>	<u>1 000 00</u>	<u>6 500 00</u>	<u>2 000 00</u>		<u>8 000 00</u>	<u>4 000 00</u>

NURSE TRAINING LOAN PROGRAM

State Funds Requested for 1965-66	<u>3 800 00</u>					<u>3 800 00</u>
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No. 2  
Sep. 9, 1965

STATE OF SOUTH CAROLINA

GENERAL FUND OPERATIONS

YEAR 1964-65

- o -

Reserves Held at Beginning of Year

General Fund Reserve 2 000 000 00

Reserve to Pay Appropriations

Brought Forward from Previous Year 1 352 322 68

Total Balance July 1 1964 3 352 322 68

Revenue Realized 246 087 572 99

Total Available Funds 249 439 895 67

Total Appropriations 1964-65

Operating 214 918 087 39

Aid to Subdivisions 22 892 463 96

Permanent Improvements 3 507 323 57

Total 241 317 874 92

Less - Deductions

Appropriations Carried Forward  
to 1965-66

4 975 289 87

Unspent Appropriations Lapsed

1 300 010 97

Total 6 275 300 84

Actual Expenditures 1964-65 235 042 574 08

Balance June 30 1965 14 397 321 59

Reserves for 1965-66

General Fund Reserve 3 000 000 00

Reserve to Pay Appropriations

Brought Forward from 1964-65  
to 1965-66

4 975 289 87

7 975 289 87

Surplus June 30 1965

*To counties*

6 422 031 72

(Attached Surplus Distribution Statement  
prepared by Supt. of Education's Office).

DISTRIBUTION OF STATE SURPLUS  
1964-65

<u>County &amp; District</u>	<u>For School Purposes</u>	<u>For School Lunch</u>
Abbeville	\$ 48,533.89	\$ 2,367.00
Aiken	226,696.75	10,885.00
Allendale	30,144.75	1,485.00
Anderson		
District 1		1,935.00
District 2		1,766.00
District 3		928.00
District 4		1,025.00
District 5		5,377.50
Total	228,777.31	11,031.50
Bamberg		
District 1		795.00
District 2		948.00
District 3		201.00
Total	40,398.26	1,944.00
Barnwell		
District 19		611.00
District 29		707.50
District 45		1,022.00
Total	48,561.88	2,340.50
Beaufort		
District 1		4,020.50
District 2		467.00
Total	95,183.15	4,487.50
Berkeley	141,449.89	6,753.00
Calhoun		
District 1		1,058.00
District 2		571.00
Total	33,382.21	1,629.00
Charleston		
District 1		664.50
District 2		1,983.50
District 3		2,265.50
District 4		8,661.00
District 9		1,374.50
District 10		3,554.00
District 20		5,509.50
District 23		1,654.50
Total	542,801.48	25,667.00
Cherokee	84,080.63	4,066.50
Chester	79,882.20	3,845.00

Distribution of State Surplus (Continued)

<u>County &amp; District</u>	<u>For School Purposes</u>	<u>For School Lunch</u>
Chesterfield		
District 1		\$ 994.00
District 2		1,555.00
District 3		521.00
District 4		876.00
District 5		266.00
District 6		189.00
Total	\$ 92,076.32	4,401.00
Clarendon		
District 1		1,313.00
District 2		1,989.00
District 3		750.00
Total	84,901.66	4,052.00
Colleton	78,538.70	3,787.50
Darlington	147,122.44	6,892.50
Dillon		
District 1		908.50
District 2		2,218.50
District 3		1,072.00
Total	91,936.37	4,199.00
Dorchester		
District 1		941.50
District 2		1,872.00
District 3		795.00
Total	73,995.06	3,608.50
Edgefield	41,704.44	1,984.50
Fairfield	55,456.64	2,700.00
Florence		
District 1		6,283.50
District 2		962.00
District 3		2,597.00
District 4		987.00
District 5		673.50
Total	242,436.22	11,503.00
Georgetown	105,977.80	5,158.50
Greenville	501,750.14	23,877.00
Greenwood		
District 50		4,458.50
District 51		816.00
District 52		575.50
Total	119,888.60	5,850.00
Hampton		
District 1		1,445.50
District 2		953.50
Total	49,075.02	2,399.00

Distribution of State Surplus (Continued)

<u>County &amp; District</u>	<u>For School Purposes</u>	<u>For School Lunch</u>
Horry	\$182,100.06	\$ 8,612.00
Jasper	35,164.22	1,670.00
Kershaw	90,201.02	4,377.50
Lancaster	108,898.04	5,326.50
Laurens		
District 55		2,652.50
District 56		<u>2,236.50</u>
Total	100,417.20	4,889.00
Lee	61,306.46	2,874.00
Lexington		
District 1		1,965.00
District 2		4,305.00
District 3		1,237.50
District 4		606.00
District 5		<u>878.50</u>
Total	182,753.15	8,992.00
McCormick	23,296.64	1,105.00
Marion		
District 1		1,782.50
District 2		1,749.50
District 3		577.00
District 4		<u>317.00</u>
Total	91,348.58	4,426.00
Marlboro	77,549.74	3,551.00
Newberry	66,652.47	3,237.00
Oconee	89,333.34	4,331.50
Orangeburg		
District 1		713.50
District 2		650.50
District 3		2,251.50
District 4		642.00
District 5		3,447.50
District 6		643.00
District 7		528.00
District 8		<u>352.50</u>
Total	192,586.81	9,228.50
Pickens	111,920.91	5,491.00
Richland		
District 1		15,408.50
District 2		<u>2,850.00</u>



Distribution of State Surplus (Continued)

<u>County &amp; District</u>	<u>For School Purposes</u>	<u>For School Lunch</u>
Richland (Continued)		
District 5		\$ 2,926.00
Total	\$437,504.77	21,184.50
Saluda	24,733.44	1,227.00
Spartanburg		
District 1		2,032.00
District 2		2,268.50
District 3		1,526.50
District 4		1,306.00
District 5		1,657.00
District 6		2,687.50
District 7		6,242.00
Total	364,004.19	17,719.50
Sumter		
District 2		4,567.50
District 17		5,121.00
Total	203,269.49	9,688.50
Union	74,293.61	3,676.00
Williamsburg	123,760.49	5,963.00
York		
District 1		1,778.50
District 2		1,093.50
District 3		5,736.00
District 4		1,019.00
Total	202,075.28	9,627.00
STATE TOTAL	\$6,127,921.72	\$294,110.00

6,127,921.72

294,110.00

6,422,031.72

## BOILER AND MACHINERY COVERAGE

No. 3

Sep. 9, 1965

The following specifications for boiler and machinery coverage were drawn up and distributed to interested insurance agents and carriers:

Request for quotations providing for boiler and machinery coverage reinsuring the contracts of the Division of General Services on the insurance liability covering public schools, county-owned properties and State-owned buildings now insured against fire and extended coverage by the Division of General Services.

1. Blanket policy with \$1,000,000.00 limit per accident.
2. Bodily injury liability -excluded.
3. Blanket Group
  - (a) Broad coverage on all steam and hot water boilers and other fired vessels. Furnace explosion included and losses to be paid in full with no participation under fire policy.
  - (b) All unfired pressure vessels.
  - (c) All refrigerating systems and air conditioning vessels and piping 15 H. P. or more.

4. Inspection

All insured equipment to be inspected regularly and frequently by fully qualified engineers in the employ of the company. A claim agent or engineer to be conveniently located in South Carolina so as to be available to the Division at all times.

Following each inspection, a report in duplicate to be provided to the Division of General Services. A survey of all properties to be completed within six months from the inception date of the policy, with a schedule delivered to the Division.

5. Claims

To be investigated by insuring company and adjusted with the Division of General Services. Upon completion of repairs, drafts for the amount of damage to be made payable to the Division.

6. Policy

Master policy to be issued in the name of Division of General Services and a listing of items covered at each location to be furnished.

Automatic coverage on new items to be included.

No cancellation or suspension of coverage on any items without prior advisement to the Division of General Services.

Policy to be issued for a term of three years, payable annually, with a notice of 120 day cancellation provided.

The cost of the coverage should be figured on a firm, lump-sum premium.

7. Award

The right is reserved to reject any or all proposals. The contract will be awarded on the basis of facilities of the carrier for inspection, engineering and claims service, with due consideration of cost.

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On August 25, 1965 at 11 a.m. quotations were received at the Division of General Services office building at 300 Gervais Street. The following quotations were submitted:

Fred W. Vaughn Insurance Co. - Kemper Group (American Motorist)	\$ 48,000.00
W. E. McNulty Agency - Kemper Group (American Motorist)	48,000.00
Caine and Company - Kemper Group (American Motorist)	48,000.00
Claude P. Davis - Commercial Union	82,240.00
Foster and Caldwell - Commercial Union	82,240.00
Alister G. Furman - Commercial Union	83,740.00
Prudence Agency - Zurich American Insurance Co.	89,500.00
Frank E. Perkins, Jr. - Boston Manufacturing and Mutual Boiler	96,000.00
Boyle-Vaughn - Travelers Indemnity Company	121,204.00
C. M. Turner, Jr. - Hartford Steam Boiler	125,000.00
Dana Insurance Agency - Hartford Steam Boiler	131,250.00
Thomas C. Brown Company - Pacific Indemnity	149,000.00
Neill O'D. Bultman Agency - Hartford Steam Boiler	175,000.00
J. V. Epps - Great American Insurance Company	257,500.00
Alternate Fire and Boiler	325,000.00

AGENDA MATERIALS  
AND SUPPORTING DOCUMENTS  
FOR THE MEETING OF  
SEPTEMBER 9, 1965



AGENDA ITEMS

BUDGET AND CONTROL BOARD MEETING

10:30 A. M., SEPTEMBER 9, 1965, GOVERNOR'S OFFICE

- o -

ALCOHOLIC REHABILITATION CENTER - Request for Allocation from  
Civil Contingent Fund

no ✓  
The Center recently received bids on the construction of an addition to its Vocational Rehabilitation facility in Florence. The addition is being financed jointly with Federal Funds under the Vocational Rehabilitation Program with 30% State Funds - 70% Federal.

The bid has exceeded the original estimated cost and an additional \$2,148.00 of State Funds will be necessary to award the contract. This amount is requested from the Civil Contingent Fund.

LEGISLATIVE COMMITTEE - Request for Allocation from Civil  
Contingent Fund

no  
At the 1965 session of the General Assembly a Concurrent Resolution was adopted establishing a Legislative Committee to "Study the Feasibility of Establishing State-Supported Junior Colleges". The resolution provides that "the expenses of the Committee shall not exceed \$1,000.00".

Senator John West, Chairman of the Committee, has indicated that the \$1,000.00 allocation is not sufficient to cover expenses of the Committee and has asked whether or not additional funds might be available from the Civil Contingent Fund.

UNIVERSITY OF SOUTH CAROLINA - Leasing of Parking Areas

qu  
On April 6, 1965 the Board had before it a request from the University of South Carolina to authorize them to lease certain areas near the main campus for parking purposes. It was proposed that parking charges would be imposed in amounts sufficient to off-set lease costs. At that time the Board declined to approve the proposal.

The University is now requesting the Board to review its position on this matter. The request has been renewed.

WHITTEN VILLAGE - Salary of Superintendent

no  
The Whitten Village Board is requesting an increase in the salary of Dr. Roy Suber, recently appointed Superintendent, from \$17,310.00 to \$18,600.00.

COLLEGE LOAN PROGRAMS - Reports for 1964-65 and Requests for State Funds for 1965-66

oh  
For the information of the Board there is attached herewith a detailed report on College Student Loan Programs for 1964-65.

Since 1963 the General Assembly has appropriated State Funds for matching Federal Funds for the following programs: (1) National Defense Student Loan Program, (2) Health Professions Educational Assistance Program, and (3) Nurse Training Loan Program. Under these three programs the State provides 10% to match 90% Federal Funds.

State Funds are also made available for deposits by State Colleges with United Student Aid Funds, Inc.

The Appropriation Act for 1965-66 (Miscellaneous Section) includes \$100,000.00 for allocation by the Budget and Control Board to State Colleges for these programs. The enclosed material shows requests from the Colleges of \$94,756.00 for the several programs for this year. It is recommended that these requested allocations be approved.

PERMANENT IMPROVEMENTS

Retarded Children's Habilitation Center

Evaluation and Diagnostic Clinic - \$ 100,000.00

oh  
On February 18, 1965 the Board approved the construction of an Evaluation and Diagnostic Clinic for the Center, at an estimated cost of \$150,000.00, to be financed by \$50,000.00 of State Funds and \$100,000.00 of Federal Hill-Burton Funds.

At the time the project was originally proposed the estimate of \$150,000.00 was made without the benefit of detailed architectural plans. The immediate purpose in requesting the Board's approval was to obtain an allocation of Hill-Burton funds available at that time.

Subsequently, architectural plans were developed and bids were taken on the project on August 24, 1964. It now appears that a total of \$250,000.00 will be required for the projects. Since no additional Federal Funds are immediately available the Center is requesting the Board to approve an additional \$100,000.00 for this project, to be provided under the Legislative authorization for \$1,500,000.00 of bonds for the Center.

University of South Carolina

Dormitory for Graduate Students - \$3,370,000.00

*Over*  
The University is proposing the construction of a 14 story dormitory, primarily for graduate students, to be located on property now owned by the University in the 900 block of Barnwell Street. The facility will accommodate 600 students.

It is proposed that this project be financed by the issuance of dormitory revenue bonds for which the University now has authorization. Projected revenue figures based on existing dormitory facilities indicate that the University has the required revenue capacity to support this amount of additional bonds.

Representatives from the University will appear before the Board in connection with this project.

RETIREMENT SYSTEM

Mr. Tatum Gressette will appear before the Board to discuss the following two items relating to the Retirement System:

*[Handwritten initials]*  
(1) The formula for determination of retirement benefits is based partially on consideration of the maximum compensation used in the Federal social security program. The present maximum of \$4,800.00 will be increased to \$6,600.00 on January 1, 1966. The effect of this change will mean, under present retirement laws, that retirement benefits will be reduced somewhat.

Mr. Gressette is proposing that the law be amended so as to provide that the formula be fixed on a \$4,800.00 Social Security figure.

(2) Under present Board regulations a retired employee may continue

working for the State (or other employer under the Retirement System) and earn a maximum of \$1,200.00 per year without affecting his retirement benefits.

Mr. Gressette is proposing that this maximum of \$1,200.00 be increased to a higher figure. *to 1800*

REPORT ON GENERAL FUND OPERATIONS FOR 1964-65

Under Section 1-783 of the Code, the Budget and Control Board is directed to determine the status of the General Fund at the close of each year and to make allocations to counties of any surplus, etc.

A report on the General Fund for 1964-65 will be made to the Board at this meeting.

OFFICE OF ECONOMIC OPPORTUNITY

*12,000* *(OK)*

The Board will be requested to fix the salary of Mr. Townes Holland, newly appointed director of the State Office of Economic Opportunity.

STATE PORTS AUTHORITY

Representatives of the State Ports Authority are expected to appear before the Board to discuss matters relating to the construction of the additional grain elevator in Charleston and the issuance of \$2,500,000.00 of bonds authorized by the General Assembly for this purpose.

S. C. Sanitarium

Laundry Boiler

*100 70*

House of S. C.

Elevator - Res. Hous. Extension - 8,500

SLED

TV Inst. Progr - Local police officer,

310,000

*cc 7 end of year if needed*



Pd. Mtg.

9-9-65

10:30 A.M.

Long Anna

Gen Ofc.

All Present

1. Retirement

1. General:

1) Retirement Benefit formula -

No increase in cost.

Law change recommended.

Change

Law

2) Earnings of Retired person -

1200 - 1800 Increase.

Pd. Reg.

~~3) Scientific Pension~~

3) Scientific Pension

Change Law

Number new 9 ✓

Sept. Ed.

4) Bulletin average

- 40,000

21,000 Pd.

June 30 - July 31

Write author's

- 10 Days



(2)

Order - Price, Johnson, Bushnell

Re: \$500,000 GO Bond Issue

Issuing 7 PM contract only one.

To include record of trust fees

(See Schedule)

in accord with provision of Act.

Prima to operate as Ind. Cont.

Proposed - Effective Date: Ind. Date,  
(check legality).

OK

Bonds to be issued Feb. 1

Delay Prime Payment 1 year.

[Prater Order]

1. 20

PRESENT FORMULA  
1965

Upon retirement at age 65 or later, the annual normal retirement allowance will be equal to 1% of the first \$4,800 (maximum wages covered under Social Security) of average final salary, plus 1½% of the salary in excess of \$4,800, multiplied by the number of years of creditable service.

Average final salary means, the average salary for the best 5 consecutive fiscal years of the last 10 years prior to retirement.

Example:

A member retiring at age 65, with 35 years of service and averaging \$6,600, his retirement allowance is calculated as follows:

$$\begin{array}{r} \$6,600 \\ \underline{4,800 \text{ times } 1\% = \$ 48.00} \\ \$1,800 \text{ times } 1\frac{1}{2}\% \quad \underline{27.00} \\ \$ 75.00 \end{array}$$

$$\begin{array}{r} \$75.00 \text{ times } 35 \text{ years} = \$2,625 \text{ annual allowance or} \\ \$ 218.75 \text{ monthly} \end{array}$$

PRESENT CONTRIBUTION RATE FOR MEMBERS

4% on earnings up to \$4,800 per annum, plus  
6% on earnings above \$4,800 per annum

PRESENT CONTRIBUTION RATE FOR EMPLOYER

6.8% of total payroll.

$$\begin{array}{r} 2625 \\ 12 \\ \hline 52.50 \\ 2625 \\ \hline 315.00 \end{array}$$

$$\begin{array}{r} 218.75 \\ 192.50 \\ \hline 26.25 \end{array}$$

$$\begin{array}{r} 2625 \\ 2310 \\ \hline 315 \end{array}$$

FUTURE FORMULA  
1966

Upon retirement at age 65 or later, the annual retirement allowance will be equal to 1% of the first \$6,600 (maximum wages covered under Social Security) of average final salary, plus 1½% of the salary in excess of \$6,600, multiplied by the number of years of creditable service.

Average final salary means, the average salary for the best 5 consecutive fiscal years of the last 10 years prior to retirement.

Example:

A member retiring at age 65, with 35 years of service and averaging \$6,600, his retirement allowance would be calculated as follows:

\$6,600 times 1% = \$66.00

\$66.00 times 35 years = \$2,310.00 annual  
allowance or                      \$ 192.50 monthly

FUTURE CONTRIBUTION RATE FOR MEMBERS

4% on earnings up to \$6,600 per annum, plus  
6% on earnings above \$6,600 per annum

FUTURE CONTRIBUTION RATE FOR EMPLOYER

No change.

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COMPARISON

Present Formula	---	\$2,625.00 per year
Future Formula	---	<u>\$2,310.00</u> per year
Difference	---	\$ 315.00 per year

(R494, H1008)

**An Act To Amend Act 821 Of 1956, As Amended, Relating To The South Carolina State Ports Authority, So As To Authorize The Authority To Construct Additional Facilities For Storing And Exporting Soy Beans And Other Small Grains; To Increase By Two Million Five Hundred Thousand Dollars The Amount Of General Obligation Bonds Of The State Which May Be Issued For State Ports Facilities; And To Provide For Special Charges For The Use Of Such Facilities.**

Be it enacted by the General Assembly of the State of South Carolina:

**SECTION 1.** The General Assembly, by Act 821 of 1956, as amended by Act 32 of 1957, authorized the issuance of State bonds to the extent of twenty-one million dollars to provide docking facilities at the State ports of South Carolina. Section 4 of Part II of Act 207 of 1961 authorized an additional one million dollars of bonds in order that a grain elevator and necessary attendant facilities for storing and exporting soy beans and other small grains might be constructed. The facilities constructed with the one million dollars last provided have proved extremely useful, but the demand therefor has exceeded the capacity with the result that the facilities for storing and exporting soy beans and other small grains should be greatly enlarged. The General Assembly has decided to authorize such expansion and proposes to provide an additional two million five hundred thousand dollars therefor. Notwithstanding the need for the additional facilities, the General Assembly has determined that, if possible, the bonds should be self-liquidating, and to that end intends to prescribe, as a condition precedent to the issuance of additional State Ports Authority bonds pursuant to the provisions of this amendatory act of 1965, that the State Ports Authority shall place into effect, maintain, and to the extent herein provided, revise when necessary, a schedule of rates and charges upon all receiving the benefit of such facilities, based upon a per bushel charge, sufficient to provide for the payment of the principal and interest of such additional State Ports Authority bonds. To accomplish these results it proposes to further amend Act 821 of 1956 in order to furnish an appropriate statutory vehicle for the issuance of two million five hundred thousand dollars of additional State Ports bonds.

**SECTION 2.** Act 821 of 1956, as amended, is further amended by adding after Section 2 the following:

"Section 2A. In addition to the twenty-two million dollars of State Ports bonds, whose issuance is authorized by Section 2, addi-

tional State Ports bonds, to the extent of two million five hundred thousand dollars, may be issued, in order to enlarge and improve facilities at the Port of Charleston for storing and exporting soy beans and other small grains, and the State Ports Authority shall be fully authorized and empowered to construct such additions and improvements to the existing facilities with the proceeds of the bonds herein authorized."

**SECTION 3.** Section 3 of Act 821 of 1956 is amended by adding at the end thereof the following:

"(4) In the instance of any State Ports bonds, issued to expand existing grain facilities, the Authority shall include in its request to the State Budget and Control Board a schedule of rates and charges to be imposed upon a per bushel basis upon all those who may utilize such facilities, together with an estimate showing the revenues to be raised therefrom. Such schedule of charges shall be effective prior to the issuance of such State Ports bonds. In preparing the schedule the State Ports Authority shall assume that the State will issue the bonds authorized by this act as serial bonds payable in twenty successive equal annual instalments, beginning one year from the date of issuance and at a rate of not more than three per cent interest per annum. On such basis the aggregate of principal and interest to be paid by the State will amount to three million two hundred eighty-seven thousand five hundred dollars. The schedule to be presented to the State Budget and Control Board must be such as to establish that the revenue to be derived from the per bushel charge over such twenty-year period will be equal to the sum of three million two hundred eighty-seven thousand five hundred dollars. The General Assembly is aware that in the initial phases of operation the revenues may be less than in later years and such factor may be taken into account in the preparation of the rate schedule, but the estimate must show that at the end of five years and thereafter, the revenue will equal the annual debt service requirements on the bonds here authorized for such years, and that any deficit, incurred in the first five years that such bonds shall be outstanding, will be restored during the life of the bonds. Such schedule may be revised from time to time, with the approval of the State Budget and Control Board, and shall be revised whenever required by the State Budget and Control Board, but all revisions so made shall take into account the legislative mandate herewith expressed that the revenue derived from the expanded facilities provide reimbursement to the State of the aggregate sums



paid by it by way of principal and interest on the bonds herewith authorized. *Provided*, that if in any full fiscal year after the beginning of the operations of the expanded facilities the payments made by the then operator or lessee shall be less than one hundred thousand dollars, the State Ports Authority and the Budget and Control Board shall forthwith terminate or renegotiate any existing management or lease agreement, and in no event shall any new or renegotiated contract provide for annual payments of less than one hundred thousand dollars as provided in the act.

(5) The State Ports Authority shall review at the end of each fiscal year the entire operation and status of the grain storage facilities as operated by any lessee or holder of a management contract to determine that the method and conduct of operation has been in an efficient and economical manner with due regard for the interests of the State, the farmers and the lessee. The lessee or operator shall submit within ninety days of the end of each fiscal year a complete audit by a certified public accountant approved by the State Ports Authority. The Ports Authority shall thereafter submit an annual report to the Budget and Control Board and the General Assembly, on the operation of the grain facility.

(6) That any option in any existing contract or management agreement shall be terminated and at the termination of the existing management contract or lease, the State Ports Authority shall have the right and responsibility of operating or leasing the facilities on such terms as they may deem best. *Provided*, that first priority in negotiating any new agreement or lease shall be given to the then existing operator or lessee."

The section when amended shall read as follows:

"Section 3. Prior to the issuance of any State Ports bonds, the Authority shall transmit to the State Budget and Control Board (herein called the State Board) a request for the issuance thereof, and shall embody in such request the following information:

(1) A schedule showing the aggregate of State Ports bonds issued pursuant to previous requests; the purposes for which the proceeds thereof were expended; and the annual debt service requirements thereof.

(2) The amount of bonds then sought to be issued, the purposes for which their proceeds are to be expended, and a suggested maturity schedule for such bonds.

(3) A schedule showing estimated future debt service requirements on all outstanding State Ports bonds and the bonds then requested to be issued.

(4) In the instance of any State Ports bonds, issued to expand existing grain facilities, the Authority shall include in its request to the State Budget and Control Board a schedule of rates and charges to be imposed upon a per bushel basis upon all those who may utilize such facilities, together with an estimate showing the revenues to be raised therefrom. Such schedule of charges shall be effective prior to the issuance of such State Ports bonds. In preparing the schedule the State Ports Authority shall assume that the State will issue the bonds authorized by this act as serial bonds payable in twenty successive equal annual instalments, beginning one year from the date of issuance and at a rate of not more than three per cent interest per annum. On such basis the aggregate of principal and interest to be paid by the State will amount to three million two hundred eighty-seven thousand five hundred dollars. The schedule to be presented to the State Budget and Control Board must be such as to establish that the revenue to be derived from the per bushel charge over such twenty-year period will be equal to the sum of three million two hundred eighty-seven thousand five hundred dollars. The General Assembly is aware that in the initial phases of operation the revenues may be less than in later years and such factor may be taken into account in the preparation of the rate schedule, but the estimate must show that at the end of five years and thereafter, the revenue will equal the annual debt service requirements on the bonds here authorized for such years, and that any deficit, incurred in the first five years that such bonds shall be outstanding, will be restored during the life of the bonds. Such schedule may be revised from time to time, with the approval of the State Budget and Control Board, and shall be revised whenever required by the State Budget and Control Board, but all revisions so made shall take into account the legislative mandate herewith expressed that the revenue derived from the expanded facilities provide reimbursement to the State of the aggregate sums paid by it by way of principal and interest on the bonds herewith authorized. *Provided*, that if in any full fiscal year after the beginning of the operations of the expanded facilities the payments made by the then operator or lessee shall be less than one hundred thousand dollars, the State Ports Authority and the Budget and Control Board shall forthwith terminate or renegotiate any existing management or lease agreement, and in no event shall any new or renegotiated contract provide for annual payments of less than one hundred thousand dollars as provided in the act.

(5) The State Ports Authority shall review at the end of each fiscal year the entire operation and status of the grain storage facilities

as operated by any lessee or holder of a management contract to determine that the method and conduct of operation has been in an efficient and economical manner with due regard for the interests of the State, the farmers and the lessee. The lessee or operator shall submit within ninety days of the end of each fiscal year a complete audit by a certified public accountant approved by the State Ports Authority. The Ports Authority shall thereafter submit an annual report to the Budget and Control Board and the General Assembly, on the operation of the grain facility.

(6) That any option in any existing contract or management agreement shall be terminated and at the termination of the existing management contract or lease, the State Ports Authority shall have the right and responsibility of operating or leasing the facilities on such terms as they may deem best. *Provided*, that first priority in negotiating any new agreement or lease shall be given to the then existing operator or lessee."

**SECTION 4.** Section 6 of Act 821 of 1956, as amended by Act 207 of 1961, is further amended by adding at the end thereof the following:

"In the instance of any State Ports bonds authorized to expand existing grain or soy bean facilities, all revenues derived from the per bushel charge imposed upon all who may utilize the facilities, pursuant to item (4) of Section 3 of Act 821 of 1956, as amended, shall be set apart by the State Treasurer in a separate fund and applied to the payment of the principal and interest of additional State Ports Authority bonds issued for the purpose of expanding the facilities."

The section when amended shall read as follows:

"Section 6. For the payment of the principal and interest on all State Ports bonds at any time issued and outstanding, there shall be pledged the full faith, credit and taxing power of the State of South Carolina, and in addition thereto, but subject to the provisions of this section, the entire amount of revenue derived from the tax levied on income, pursuant to Chapter 5 of Title 65, Code of Laws of South Carolina, 1962, as amended. The revenues derived from such tax during each fiscal year shall be discharged from each pledge when provision has been made for the payment in full of the principal and interest of all State Ports bonds matured or maturing in such fiscal year, and there shall be applied to the payment of such bonds annually such amounts from the net revenues derived by the Authority from its operations as shall from time to time be determined and directed by the State Budget and Control Board. The pledge of such revenue

derived from such tax shall preclude the repeal of such tax until such pledge has been fully discharged but it shall not preclude the revision of such tax as to rate, if the State Auditor shall certify that his estimate of the revenue to be derived annually from the tax as thus revised will not be less than one hundred and fifty per cent of that sum which is equal to the maximum annual principal and interest requirements on all State Ports bonds outstanding, or then requested to be issued on the date such certificate bears. Such certificate shall be appended to the enrolled act and be presented to the Joint Assembly of the General Assembly on the occasion such act is presented for ratification.

In the instance of any State Ports bonds authorized to expand existing grain or soy bean facilities, all revenues derived from the per bushel charge imposed upon all who may utilize the facilities, pursuant to item (4) of Section 3 of Act 821 of 1956, as amended, shall be set apart by the State Treasurer in a separate fund and applied to the payment of the principal and interest of additional State Ports Authority bonds issued for the purpose of expanding the facilities."

**SECTION 5.** Section 15 of Act 821 of 1956, as amended, is further amended by striking it out and inserting the following:

"Section 15. No bonds may be issued pursuant to this act after December 31, 1967."

**SECTION 6.** This act shall take effect upon approval by the Governor.

In the Senate House the 28th day of May

In the Year of Our Lord One Thousand Nine Hundred and Sixty-Five.

EDGAR A. BROWN,

*President Pro Tempore of the Senate.*

REX L. CARTER,

*Speaker Pro Tempore of the House of Representatives.*

Approved the 1st day of June, 1965.

ROBERT E. McNAIR,

*Governor.*

Printer's No. 128—S.

ROUGH DRAFT

NEW MANAGEMENT AGREEMENT

THE STATE OF SOUTH CAROLINA

THIS AGREEMENT entered into this \_\_\_\_\_ day of \_\_\_\_\_, 1965, by and between the South Carolina Farm Bureau Marketing Association, a South Carolina Corporation having its principal business office in Columbia, South Carolina, hereinafter called the "Association", and the South Carolina State Ports Authority, an agency of the State of South Carolina, hereinafter called the "Authority",

WITNESSETH:

WHEREAS, the Association is a corporation organized for the purposes of engaging in co-operative activities for the mutual benefit of its members and patrons in connection with the production, packaging, marketing, distribution and selling of agricultural products, and having capabilities to operate a grain elevator, AND

WHEREAS, the Authority has caused to be constructed at its North Charleston Terminal in the Port of Charleston a grain elevator and storage facility, hereinafter called the "Elevator", AND

WHEREAS, the Association and the Authority heretofore, on August 31, 1962, entered into a Management Agreement in connection with the operation of the elevator at the North Charleston Terminal in the Port of Charleston, which Management Agreement was later amended by instrument dated November 14, 1962; and

WHEREAS, the said Management Agreement as amended was renewed by the Association for a period of six years beginning at midnight October 4, 1964, and terminating at midnight October 3, 1970; and

WHEREAS, the Association and the Authority entered into a Supplemental Management Agreement on July 21, 1964, fixing the amount of compensation which the Association shall receive for its services during the renewal period of said agreement at one-half the net profits derived from its operation of the Elevator; the remaining one-half to be paid over and delivered to the Authority; in the event the cost of operation of the Elevator shall exceed the revenue or return therefrom, any deficit will be paid by the Association; and



WHEREAS, the General Assembly of the State of South Carolina, passed an act to authorize The Authority to construct additional facilities for storing and exporting soy beans and other small grains; to increase by Two Million Five Hundred Thousand Dollars the amount of general obligation bonds of the State which may be issued for State Port Facilities; and to provide for special charges for the use of such facilities, AND

WHEREAS, the Authority is now causing to be constructed at its North Charleston Terminal in the Port of Charleston said additional facilities and is desirous of having said elevator, together with the additional facilities, operated by the Association as an independent contractor as the means of bringing to the State of South Carolina and to its citizens the greatest possible benefit from said elevator, NOW THEREFORE,

IN CONSIDERATION of the mutual promises and covenants hereinafter contained, it is hereby agreed by and between the parties hereto, as follows:

#### ARTICLE I

##### Contract Period and Renewal Options

The original Management Agreement between the Association and the Authority dated August 31, 1962, shall become null and void on the effective date of this Agreement as provided herein, at which time, this Agreement will supersede the original Agreement in its entirety.

The Association shall operate the Elevator for a period of six (6) years commencing and beginning at midnight October 4, 1966, and terminating at midnight October 3, 1972. The Authority will undertake to complete and ready the expanded facilities for operation by October 4, 1966, or earlier. If said additional facilities are not complete and ready for operation by said date, this Agreement will take effect on the date when the expanded facilities are delivered to the Association for its operation. It is hereby mutually agreed by the parties hereto that upon the expiration of the initial period of this Agreement, the Association may renew the Agreement for a period of six (6) years, but if the Association elects so to renew, written notice of such election shall be delivered to the Chairman of the Authority not less than ninety (90) days prior to the effective date of such renewal. In the event that the Association elects to exercise its option to renew the Agreement, all terms of the present Agreement shall continue in full

force and effect. It is contemplated that upon the final expiration of this Agreement and renewal option, the parties hereto shall negotiate as to further operation of the Elevator by the Association.

## ARTICLE II

### Facilities

(A) The Authority agrees to provide at its North Charleston Terminal:

(a) Berthing space suitable for the purpose of loading sea going ships up to six hundred and twenty-five (625') feet in length without turning; a "Vacuvator" for emergency unloading of small quantities of grains.

(b) Terminal and related facilities and equipment reasonably suitable to permit the safe and efficient conduct by the Association of the operations herein contemplated, which facilities and equipment are shown on the State Project Specifications and Drawings for the construction of the original Elevator and its addition, and are hereinafter referred to as the Elevator. Such facilities and equipment shall be inspected by the Association prior to the effective date of this Agreement, and the use by the Association of such facilities and equipment shall constitute the Association's acceptance of the same as being reasonably suited to the performance of the services to be performed by the Association hereunder.

(B) The title to all properties, real, chattel, or mixed, which the Authority may from time to time furnish to the Association and custody of which the Association accepts hereunder shall remain in the Authority.

(C) The title to any special facilities or equipment provided by the Association in the operation of the Elevator shall remain in the Association, notwithstanding that such equipment or parts thereof may be so installed as to become fixtures.

(D) Upon the Association's acceptance of custody thereof hereunder, and thereafter for the duration of this Agreement, the Elevator shall be under the exclusive operation of the Association. During the duration of this Agreement, the Authority shall give to the Association first priority in the use of the berthing space hereinbefore referred to for vessels being loaded from the Elevator.

### ARTICLE III

#### Independent Contractor

During the period of its operation of the Elevator, including the renewal of this Agreement, the Association shall have full, complete, and exclusive custody of the said Elevator, and full control and direction of its operation hereunder, including the selection and employment of its management and such other personnel as the Association in its sole discretion may deem necessary for the proper operation of the Elevator. The Association shall pay all wages and salaries of employees employed by it in the course of its operation of the Elevator as an expense of operation.

In the course of its operation of the Elevator, the Association shall make for its own account and not for the account of the Authority such contracts for the purchase, sale, storage, drying, processing, loading, distribution and other handling of soybeans, grain, seeds, and other similar agricultural commodities, products, and by-products and on such terms as it, in its sole discretion, may deem proper.

The Association shall pay as an expense of operation all costs, tolls, charges, dues, or rents connected with, incident to or arising out of the operation of the Elevator, including but not limited to the use of or consumption of electric power, gas, fuel oil, gasoline, motor fuels, lubricants, water, as well as all tolls or charges in connection with the use of telephone or telegraph service or other communications, as well as the costs of any chemicals, compounds, preservers, preparations, containers and packages of any kind whatsoever used in drying, cleaning, processing, packaging, protecting, preserving, storing, or otherwise handling grain, seeds, or beans or other similar agricultural products which may from time to time be handled by the Association, and all amounts which may become due by the Association to the Authority under the port charges tariff of the latter in effect from time to time, and any and all other costs and expenses of the operation of the Elevator during the period of its operation by the Association, including the renewal of this Agreement.

All matters pertaining to freight or transportation rates on costs shall be administered by the Association. The Authority upon request of the Association will assist it in the matter of negotiating such rates, and in the event that the Authority does so assist the Association, the Authority may charge the actual expense of such assistance to the Association, and the Association agrees to pay such charge as a cost of operation.

All grain, seed, beans, or other commodities purchased by the Association in the course of its operation of the Elevator shall, as between the parties hereto, remain the property of and in the possession of the Association, and the Authority shall have no claim against such commodities. Any costs, charges, tolls, fees, or taxes accruing against such commodities shall be paid by the Association as a cost of operation.

It is hereby agreed that the Association shall indemnify and save the Authority harmless of any claim of any nature arising out of or in anyway connected with the operation of the Elevator undertaken herein or any business done by the Association connected therewith or collateral thereto. The Association's liability under the foregoing provision shall include but not be limited to the defense of any suits brought against the Authority and the payment of all costs, expenses, damages, injury or loss to which the Authority may be subjected by reason of any act, omission or default of the Association in the performance of this Agreement or any other activity in which it may engage in connection with the said Elevator and its operation. In the event of a breach by the Association of the foregoing provision, continuing for more than ninety (90) days after notice from the Authority thereof, the Authority may at its option, declare this Agreement to be null and void thenceforth.

#### ARTICLE IV

##### Maintenance

The Authority agrees that it will maintain in useable and safe repair and condition the berthing space referred to in Article II, (A) (a) hereof.



The Association agrees that it will maintain the overhead gallery and all machinery, conveyers, belts, pulleys, drives, motors, dryers, scales or other mechanical devices and all other facilities and equipment delivered to it by the Authority and accepted by the Association hereunder. The Association will replace machinery components and moving parts worn through normal wear and tear except complete major components such as the car dumper or truck dumper. Maintenance hereunder shall include but not be limited to the repainting at least once every twenty-four (24) months, of all facilities and equipment which have been painted prior to the effective date of this Agreement. The Association may enforce any and all warranties on any facility or any portion thereof which the Authority might enforce, and the Authority agrees to assist and co-operate with the Association in such enforcement.

#### ARTICLE V

##### Insurance

(A) The Authority shall procure in its own name fire and extended coverage insurance covering the replacement value of the Elevator, but not to exceed Four Million (4,000,000.00) Dollars. The Authority shall annually present the bill or voucher for the premium on this coverage to the Association, which shall pay the same as a cost of operation. In the event of destruction of the Elevator or of its being so damaged as to be unoperable, the liability of the Authority to replace or repair shall be limited to the extent of the insurance recoverable on such loss.

(B) The Authority shall insure at its own expense the dock or berthing facility and the gallery against loss, destruction, or damage caused by collision by ships, whether such ships be using facility or not. The Association shall not be held liable for the cost of such insurance. All dockage fees and other charges received by the Authority under its ports charges tariff or otherwise shall be retained in full by the Authority. In the event of loss, damage, or destruction caused by the collision of ships with such facilities, the Authority shall repair or replace such facilities to the extent of the insurance recovery thereon.

(C) The Association shall purchase and keep in force the following insurance coverages, with the Authority included in all policies as a named insured, the costs of which are to be paid as costs of operation:



(1) Bodily injury liability in an amount of not less than Five Hundred Thousand (\$500,000.00) Dollars for injuries, including death, to any one person in any one occurrence, and in an amount of not less than One Million (\$1,000,000.00) Dollars covering injuries, including death, to more than one person in any one occurrence.

(2) Property damage liability in an amount of not less than Five Hundred Thousand (\$500,000.00) Dollars covering damage to or destruction of property in any one occurrence.

(3) Automobile and Motor Vehicle liability insurance providing:

(a) Bodily injury liability coverage in an amount of not less than One Hundred Thousand (\$100,000.00) Dollars for injuries, including death, to any one person in any one occurrence, and in an amount of not less than Three Hundred Thousand (\$300,000.00) Dollars covering injuries, including death, to more than one person in any one occurrence.

(b) Property damage liability in an amount of not less than One Hundred Thousand (\$100,000.00) Dollars covering damage to or destruction of property in any one occurrence.

(4) Statutory Workman's Compensation in an amount not less than required by law and in an insurer authorized to offer such coverage in South Carolina.

(5) The Association shall insure by an all risk policy for itself and the Authority as insureds any grain, seed, beans, or like commodities which it may from time to time handle, the costs or premiums thereof to be paid by the Association as an operating expense.

Upon obtaining or renewing each coverage enumerated herein, the party obtaining or renewing such coverage shall deliver to or cause to be delivered to the other party a duplicate policy or certificate of insurance coverage or other evidence of insurance satisfactory to the recipient, together with evidence of payment of the current premium.

## ARTICLE VI

### Financial Responsibility and Compensation

The Association shall maintain such books, records, and accounts as it deems necessary for the proper operation of the Elevator. The Association shall consult with the Authority as to the information the Authority may require. At the end of each year of operation an examination and analysis of the business shall be made by a certified public accountant or firm of certified public accountants acceptable to both the Association and the Authority; the cost of any such examination will be paid by the Association as a regular operating expense. The Authority anticipates an unqualified report and accountant's opinion. Should there be any areas requiring qualification, the Authority shall be so notified before completion of the examination.

At the annual examination by such certified public accountant or firm of certified public accountants, the net profit from operation of the Elevator shall be determined. The Association shall retain as its fee 74% of such net profits, the remaining 26% of such net profits to be paid over and delivered to the Authority. It is further agreed by the parties that in the event the cost of operation of the Elevator shall exceed the revenue or return therefrom, any deficit will be paid by the Association.

In accordance with the act authorizing construction of the additional facilities, and the issuance of the \$2.5 Million Bonds, a per bushel fee, as set forth in the attached schedule and made part of this Agreement, shall be paid by the Association to the Authority for transmittal to State of South Carolina. The first transmission of these fees will be made at the end of the first full fiscal year of operation following the fiscal year in which the expanded facilities are completed.

In view of the per bushel fee payments which the Association will be required to make, the Authority acquiesces in the retention of profits of the entire operation by the Association until a reserve fund equal to an average yearly bond payment (\$164,375.00) is set aside to make the payment to the State of South Carolina in case of emergency. In the event the payment is not needed during the amortization of the bond issue it would be divided on the same basis as any other profit.

As provided by the Act of the General Assembly authorizing the construction of said additional facilities and the issuance of \$2.5 Million Dollar Bonds for construction thereof, should the total annual payment by the Association to the State of South Carolina be less than One Hundred Thousand Dollars (\$100,000.00), this Agreement shall forthwith terminate or be renegotiated.

#### ARTICLE VII

##### Force Majeure

Neither party to this Agreement shall be liable for failure to perform any obligation hereunder in the event and to the extent that such performance is prevented or delayed by fire, explosion, earthquake, storm, flood, drought or otherwise adverse weather conditions, accident, breakdown of machinery or facilities not replaced or repaired, strike, lockout, combination of workmen or other labor difficulties, war, insurrection, riot, epidemic, act of God, or the public enemy, law, act, order, proclamation, decree, regulation, ordinance, instruction or request of the Government or other public authorities, judgement or decree of a court of competent jurisdiction, delay or failure of carriers or contractors, labor shortage or inability to obtain operating materials, plant equipment or materials required for maintenance or repairs, or any contingency or delay or failure or cause of any nature beyond the reasonable control of either party.

In the event that either party is unable to perform hereunder due to Force Majeure causes affecting its operations for a period exceeding six (6) months, the other party hereto shall have the option of terminating this Agreement and be relieved of any and all payments and obligations hereunder, except those which have accrued to the date of such interruption.

#### ARTICLE VIII

##### General Provisions

(A) Because of the nature of the business to be transacted by the Association in its operation of the Elevator, it is essential that details of the operation be held in confidence. It is, therefore, agreed that any information pertaining to operation of the Elevator which may from time to time

come to the Authority shall be kept in confidence by the Authority; except that the Authority shall be at liberty to release any and all information to State Officials.

(B) No waiver of any condition, covenant, or provision of this Agreement shall be construed as a waiver of any other covenant, condition, or provision, nor shall a waiver of any one breach hereof be construed as a waiver of any other or subsequent breach. Neither this Agreement nor any term or provision hereof may be changed, altered, waived, discharged or terminated orally, but only by an instrument in writing signed by the party or parties against which enforcement of the change, alteration, waiver, discharge or termination is sought. No course of dealing and no delay in exercising any rights hereunder shall operate or be construed as a waiver of any rights hereunder.

(C) Should any part, term, or provision of this Agreement be declared by any court of competent jurisdiction to be illegal or in conflict with any law of the State of South Carolina, the validity of the remaining parts, terms, or provisions shall not be affected thereby.

(D) The association shall not assign or transfer this Agreement or any of its rights or obligations hereunder without the prior written consent of the Authority.

(E) This Agreement shall inure to the benefit and shall be binding upon the successors and assigns of the parties hereto, provided that

Suggested Insertion:

The act of the legislature authorizing the construction of the \$2.5 Million Dollar addition to the Elevator is incorporated in its entirety in this contract and no part of this contract shall be in conflict with said act.

in custody of each of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names under their



come to the Authority shall be kept in confidence by the Authority; except that the Authority shall be at liberty to release any and all information to State Officials.

(B) No waiver of any condition, covenant, or provision of this Agreement shall be construed as a waiver of any other covenant, condition, or provision, nor shall a waiver of any one breach hereof be construed as a waiver of any other or subsequent breach. Neither this Agreement nor any term or provision hereof may be changed, altered, waived, discharged or terminated orally, but only by an instrument in writing signed by the party or parties against which enforcement of the change, alteration, waiver, discharge or termination is sought. No course of dealing and no delay in exercising any rights hereunder shall operate or be construed as a waiver of any rights hereunder.

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(D) The association shall not assign or transfer this Agreement or any of its rights or obligations hereunder without the prior written consent of the Authority.

(E) This Agreement shall inure to the benefit and shall be binding upon the successors and assigns of the parties hereto, provided that any such assignment complies with the provisions of paragraph (D) of this Article.

(F) This Agreement, executed in the State of South Carolina, shall be construed under the laws of South Carolina and any dispute arising hereunder shall be determined by the laws thereof.

(G) This Agreement shall be executed in eight (8) counterparts and each such counterpart shall have the same force and effect as each other counterpart. Four such counterparts shall be delivered to and remain in custody of each of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names under their



respective Seals by their proper officers thereunto duly authorized this  
\_\_\_\_\_ day of \_\_\_\_\_, 1962.

SOUTH CAROLINA FARM BUREAU  
MARKETING ASSOCIATION

BY \_\_\_\_\_ (SEAL)

ITS \_\_\_\_\_

SIGNED, SEALED, AND DELIVERED  
IN THE PRESENCE OF:

\_\_\_\_\_  
As to South Carolina Farm Bureau  
Marketing Association

SOUTH CAROLINA STATE  
PORTS AUTHORITY

BY \_\_\_\_\_ (SEAL)

ITS \_\_\_\_\_

\_\_\_\_\_  
As to South Carolina State Ports  
Authority

SCHEDULE OF RATES FOR AMORTIZATION OF PROPOSED \$2,500,000 BOND  
ISSUE OVER TWENTY YEAR PERIOD OF TIME

<u>1ST YEAR</u>	<u>BUSHEL</u>	<u>RATE PER BUSHEL</u>	<u>TOTAL</u>
SOYBEANS	5,000,000	1-3/4¢	\$ 87,500.00
CORN	2,000,000	1-1/2¢	30,000.00
OTHER GRAIN	500,000	1¢	5,000.00
		TOTAL	<u>122,500.00</u>
 <u>2ND YEAR</u>			
SOYBEANS	5,500,000	1-3/4¢	96,250.00
CORN	2,000,000	1-1/2¢	30,000.00
OTHER GRAIN	500,000	1¢	5,000.00
		TOTAL	<u>131,250.00</u>
 <u>3RD YEAR</u>			
SOYBEANS	6,000,000	1-3/4¢	105,000.00
CORN	2,500,000	1-1/2¢	37,500.00
OTHER GRAIN	500,000	1¢	5,000.00
		TOTAL	<u>147,500.00</u>
 <u>4TH YEAR</u>			
SOYBEANS	7,000,000	1-3/4¢	122,500.00
CORN	2,500,000	1-1/2¢	37,500.00
OTHER GRAIN	500,000	1¢	5,000.00
		TOTAL	<u>165,000.00</u>
 <u>5TH YEAR</u>			
SOYBEANS	7,500,000	1-3/4¢	131,250.00
CORN	3,000,000	1-1/2¢	45,000.00
OTHER GRAIN	500,000	1¢	5,000.00
		TOTAL	<u>181,250.00</u>
 <u>6TH YEAR</u>			
SOYBEANS	8,000,000	1-3/4¢	140,000.00
CORN	3,000,000	1-1/2¢	45,000.00
OTHER GRAIN	750,000	1¢	7,500.00
		TOTAL	<u>192,500.00</u>

PAGE #2

<u>7TH YEAR</u>	<u>BUSHEL</u>	<u>RATE PER BUSHEL</u>	<u>TOTAL</u>
SOYBEANS	8,500,000	1-3/4¢	\$ 148,750.00
CORN	3,000,000	1-1/2¢	45,000.00
OTHER GRAIN	1,000,000	1¢	10,000.00
		TOTAL	<u>203,750.00</u>
 <u>8TH YEAR</u>			
SOYBEANS	8,500,000	1-3/4¢	148,750.00
CORN	3,000,000	1-1/2¢	45,000.00
OTHER GRAIN	1,000,000	1¢	10,000.00
		TOTAL	<u>203,750.00</u>
 <u>9TH YEAR</u>			
SOYBEANS	8,500,000	1-1/2¢	127,500.00
CORN	3,000,000	1-1/4¢	37,500.00
OTHER GRAIN	1,000,000	1¢	10,000.00
		TOTAL	<u>175,000.00</u>
 <u>10TH YEAR</u>			
SOYBEANS	8,500,000	1-1/2¢	127,500.00
CORN	3,000,000	1-1/4¢	37,500.00
OTHER GRAIN	1,000,000	1¢	10,000.00
		TOTAL	<u>175,000.00</u>
 <u>11TH YEAR</u>			
SOYBEANS	9,000,000	1-1/2¢	135,000.00
CORN	3,500,000	1¢	35,000.00
OTHER GRAIN	1,000,000	1¢	10,000.00
		TOTAL	<u>180,000.00</u>
 <u>12TH YEAR</u>			
SOYBEANS	9,500,000	1-1/4¢	118,750.00
CORN	3,500,000	1¢	35,000.00
OTHER GRAIN	1,000,000	1¢	10,000.00
		TOTAL	<u>163,750.00</u>
 <u>13TH YEAR</u>			
SOYBEANS	9,500,000	1-1/4¢	118,750.00
CORN	3,500,000	1¢	35,000.00
OTHER GRAIN	1,000,000	1¢	10,000.00
		TOTAL	<u>163,750.00</u>

<u>14TH YEAR</u>	<u>BUSHEL</u>	<u>RATE PER BUSHEL</u>	<u>TOTAL</u>
SOYBEANS	9,500,000	1-1/4¢	118,750.00
CORN	3,500,000	1¢	35,000.00
OTHER GRAIN	1,000,000	1¢	10,000.00
		TOTAL	163,750.00
<u>15TH YEAR</u>			
SOYBEANS	9,500,000	1-1/4¢	118,750.00
CORN	4,000,000	1¢	40,000.00
OTHER GRAIN	1,000,000	1¢	10,000.00
		TOTAL	168,750.00
<u>16TH YEAR</u>			
SOYBEANS	10,000,000	1¢	100,000.00
CORN	4,000,000	1¢	40,000.00
OTHER GRAIN	1,000,000	1¢	10,000.00
		TOTAL	150,000.00
<u>17TH YEAR</u>			
SOYBEANS	10,000,000	1¢	100,000.00
CORN	4,000,000	1¢	40,000.00
OTHER GRAIN	1,000,000	1¢	10,000.00
		TOTAL	150,000.00
<u>18TH YEAR</u>			
SOYBEANS	10,000,000	1¢	100,000.00
CORN	4,000,000	1¢	40,000.00
OTHER GRAIN	1,000,000	1¢	10,000.00
		TOTAL	150,000.00
<u>19TH YEAR</u>			
SOYBEANS	10,000,000	1¢	100,000.00
CORN	4,000,000	1¢	40,000.00
OTHER GRAIN	1,000,000	1¢	10,000.00
		TOTAL	150,000.00
<u>20TH YEAR</u>			
SOYBEANS	10,000,000	1¢	100,000.00
CORN	4,000,000	1¢	40,000.00
OTHER GRAIN	1,000,000	1¢	10,000.00
		TOTAL	150,000.00

## TOTALS FOR 20 YEAR PERIOD

PRINCIPAL \$2,500,000.00 INTEREST \$787,500.00 PRIN. &amp; INT. \$3,287,500.00

AVERAGE YEARLY PAYMENTS \$ 164,375.00



## SOUTH CAROLINA ALCOHOLIC REHABILITATION PROGRAM

1104 RUTLEDGE STATE OFFICE BUILDING  
1429 SENATE STREET  
TELEPHONE 758-2521  
COLUMBIA, SOUTH CAROLINA 29201

WILLIAM J. McCORD, M.S.P.H.  
PROGRAM DIRECTOR

EARL W. GRIFFITH  
EDUCATIONAL ASSOCIATE  
CHARLES A. WEAGLY, JR.  
COMMUNITY RELATIONS ASSOCIATE

August 31, 1965

S. C. Budget & Control Board  
Wade Hampton Office Building  
Columbia, S. C.

Attention: Mr. P. C. Smith

Gentlemen:

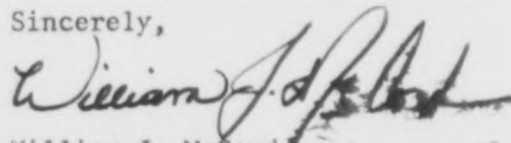
This letter is to request that \$2,148.02 be provided to this program from the Civil Contingent Fund for the purpose of enabling us to meet our obligation to provide 30 per cent of funds for the construction of an addition to the Vocational Rehabilitation facility at Palmetto Center, our in-patient treatment center in Florence.

The need for these funds is brought about by the fact that from the time the initial architect's estimation was made (April 21, 1964) to the time when bids were taken (August 10, 1965), the total cost had risen sharply, in fact, from \$16,475.30 to \$24,418.94. Consequently, that portion which made up 30 per cent of the total which we had to provide increased accordingly. We find that we have no source from which to get this increased amount of \$2,148.02, unless of course we wait until the next session of the legislature, and this will be complicated by the fact that we have another construction project which is to take place during this year which will probably be complicated by the same circumstances, that is, the inadequacy of appropriated moneys because of increased building costs from the time of the original estimate to the time of the taking of bids.

The amount of money which we have already allocated for this construction is not state appropriated, but a portion of the Federal money which was allocated for the original construction of Palmetto Center. This amounts to \$5,177.66. The Department of Vocational Rehabilitation has secured matching funds and everything else is ready for construction if the requested amount can be obtained. We are most anxious to complete this construction just as soon as possible since there exists a real need for this additional space and all other preparations have been completed.

For clarification, I have attached a breakdown of the financial situation.

Sincerely,



William J. McCord

WJM:pc

743



CORRECTION

<u>14TH YEAR</u>	<u>BUSHEL</u>	<u>RATE PER BUSHEL</u>	<u>TOTAL</u>
SOYBEANS	9,500,000	1-1/4¢	118,750.00
CORN	3,500,000	1¢	35,000.00
OTHER GRAIN	1,000,000	1¢	10,000.00
		TOTAL	163,750.00
<u>15TH YEAR</u>			
SOYBEANS	9,500,000	1-1/4¢	118,750.00
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OTHER GRAIN	1,000,000	1¢	10,000.00
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SOYBEANS	10,000,000	1¢	100,000.00
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		TOTAL	150,000.00
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CORN	4,000,000	1¢	40,000.00
OTHER GRAIN	1,000,000	1¢	10,000.00
		TOTAL	150,000.00
<u>20TH YEAR</u>			
SOYBEANS	10,000,000	1¢	100,000.00
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OTHER GRAIN	1,000,000	1¢	10,000.00
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TOTALS FOR 20 YEAR PERIOD

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AVERAGE YEARLY PAYMENTS \$ 164,375.00

125,000.

75,000

50,000

25,000

742 a.



## SOUTH CAROLINA ALCOHOLIC REHABILITATION PROGRAM

1104 RUTLEDGE STATE OFFICE BUILDING  
1429 SENATE STREET  
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August 31, 1965

S. C. Budget & Control Board  
Wade Hampton Office Building  
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Attention: Mr. P. C. Smith

Gentlemen:

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The need for these funds is brought about by the fact that from the time the initial architect's estimation was made (April 21, 1964) to the time when bids were taken (August 10, 1965), the total cost had risen sharply, in fact, from \$16,475.30 to \$24,418.94. Consequently, that portion which made up 30 per cent of the total which we had to provide increased accordingly. We find that we have no source from which to get this increased amount of \$2,148.02, unless of course we wait until the next session of the legislature, and this will be complicated by the fact that we have another construction project which is to take place during this year which will probably be complicated by the same circumstances, that is, the inadequacy of appropriated moneys because of increased building costs from the time of the original estimate to the time of the taking of bids.

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For clarification, I have attached a breakdown of the financial situation.

Sincerely,

William J. McCord

743

WJM:pc

Amount of original bid by Baker & Gill, Architects was:

Construction	\$12,942.00
Furniture and equipment	2,756.78
Architect's fees	<u>776.52</u>
Total Cost	<u><u>\$16,475.30</u></u>

The low bid which was given by V. Lyn Brabham on August 10, 1965 was:

Construction	\$20,436.00
Furniture and equipment	2,756.78
Architect's fees	<u>1,226.16</u>
Total Cost	<u><u>\$24,418.94</u></u>

State's share of 30 per cent is	\$7,325.68
On hand (7 mth. bond.)	<u>5,177.66</u>
Amount needed	<u><u>\$2,148.02</u></u>





ROBERT E. MCNAIR  
GOVERNOR

State of South Carolina  
Executive Department  
Columbia

August 10, 1965

*Concurrent Res.*  
*"The expenses of*  
*the committee*  
*shall not exceed*  
*\$100,000."*

The Honorable John C. West  
Senator, Kershaw County  
Box 198  
Camden, South Carolina 29020

Dear John:

I appreciate very much your letter of August 4 in re ...  
A Committee to Study the Feasibility of Establishing State  
Supported Junior Colleges. I would appreciate very much  
your coming by at a convenient time so that we can discuss  
this matter in detail. After that, I shall be happy to formalize  
my ideas and convey them to you in writing. However, I would  
not want to take any firm position until I have seen the recom-  
mendations made by your committee and have reviewed previous  
reports that have already been submitted.

On the matter of the additional funds, it would appear the  
Budget and Control Board would have no authority to increase  
the amount previously set by the General Assembly unless an  
emergency arises. If we establish a policy of going beyond the  
limit specified by the General Assembly, serious difficulties  
would probably arise and severe criticism would be directed  
to the Budget and Control Board. However, this matter will  
be discussed at the next meeting of the Board.

With warmest personal regards, I am

Sincerely,

Robert E. McNair

REM:BG

CC: Budget and Control Board Members

745

Scherer - 17,100

Whitten - 17,210

---

Cissner - 17,700

MacDougall - 13,225

Guenther - 18,268

Rauer - 16,050

740

745A

*Board Meeting*

PERSONNEL ADVICE

FORM 413

FISCAL YEAR 1965-66

DEPARTMENT	DIVISION	CODE NO.
<u>Whitten Village</u>	<u>Administration Dept.</u>	<u>513</u>

SECTION I. CHANGE IN PERSONNEL

(A) NAME OF EMPLOYEE WHOSE SERVICES ARE TERMINATING	TITLE
_____	_____
_____	ANNUAL SALARY - - - - - \$ _____
SOC. SEC. NUMBER _____	SOURCE OF FUNDS:
EFFECTIVE DATE _____	STATE \$ _____ FEDERAL \$ _____ OTHER \$ _____

(B) NAME OF NEW EMPLOYEE	TITLE
_____	_____
_____	ANNUAL SALARY - - - - - \$ _____
SOC. SEC. NUMBER _____	SOURCE OF FUNDS:
EFFECTIVE DATE _____	STATE \$ _____ FEDERAL \$ _____ OTHER \$ _____

IF TERMINATING EMPLOYEE LEAVES A VACANCY, INDICATE BY INSERTING "VACANCY" IN SECTION B.  
IF NEW EMPLOYEE IS FILLING A VACANCY, INDICATE BY INSERTING "VACANCY" IN SECTION A.

SECTION II. CHANGE IN SALARY OR CREATION OF A NEW POSITION

NAME	SOC. SEC. NO.	TITLE
<u>Suber, Roy B.</u>	<u>353-28-6759</u>	<u>Superintendent</u>
(A) PRESENT ANNUAL SALARY - - - \$ <u>17,310.00</u>	(B) PROPOSED ANNUAL SALARY - - - \$ <u>18,600.00</u>	
SOURCE OF FUNDS:	SOURCE OF FUNDS:	
STATE - - - - - \$ <u>17,310.00</u>	STATE - - - - - \$ <u>18,600.00</u>	
FEDERAL - - - - - _____	FEDERAL - - - - - _____	
OTHER - - - - - _____	OTHER - - - - - _____	
DATE PRESENT SALARY ESTABLISHED <u>8-13-65</u>	EFFECTIVE DATE OF PROPOSED SALARY <u>10-1-65</u>	

JUSTIFICATION

To more nearly compensate Dr. Suber for the duties and responsibilities involved as Superintendent for Whitten Village.

*Lois M. Abrams*  
Lois M. Abrams, Treasurer

(SIGNATURE OF DEPARTMENT HEAD OR RESPONSIBLE OFFICIAL)

IF NEW POSITION IS BEING CREATED, FILL IN ONLY SECTION B.

APPROVAL OF THIS REQUEST BY THE STATE BUDGET AND CONTROL BOARD IS CONDITIONED ON THE PRESENT AVAILABILITY OF FUNDS TO COVER THE ADDITIONAL COST THEREOF.

STATE BUDGET AND CONTROL BOARD

SIGNED \_\_\_\_\_ FOR THE BOARD

DATE \_\_\_\_\_



## South Carolina Sanatorium

State Park, S. C.

September 7, 1965

Rudolph Farmer, M.D.  
Superintendent

The State Budget and Control Board  
Columbia, South Carolina

Gentlemen:

On July 12th, for reasons which are not easily accounted for by engineers and inspectors of the insurance company, the boiler in the Sanatorium laundry overheated and melted. The boiler and some other equipment in the boiler room were destroyed. Fortunately, nothing outside the boiler room was damaged. All of the equipment used for washing and pressing is in excellent condition.

In planning to cover the emergency we communicated with the manager of the laundry which is operated by the Department of Corrections. The type of work which we have was not acceptable because their equipment is for heavier work. Their presses were not suited to finishing thin pajamas and print dresses, etc., which our patients and employees use. Based on this information, we made arrangements with a commercial laundry. Since then our laundry operation has been continued in this way.

At the Sanatorium we are conscious of the fact that our bed linens, patients' clothes and the majority of work done in the laundry is with linens and clothing which are contaminated with tubercle bacilli. In our operation here everyone knows what he is working with.

The insurance company will pay almost half of the total cost of replacing the boiler and other equipment in the boiler room. A smaller boiler than the one destroyed will be installed to furnish steam for the presses. The heating of the water will be done by a steam connection with the central heating plant.

The replacement of the boiler, etc., will cost \$17,509.00. With the money from the insurance, we have sufficient funds to accomplish the engineer's plan. A portion of the funds would be diverted from an appropriation for Boiler Replacement in the 1965-66 appropriation bill.

It is felt that this is the most economical and the most satisfactory solution to the problem. The other equipment for washing and pressing is in first rate condition.

In view of the above enumerated facts, I request permission of the Budget and Control Board to proceed with the refitting of the boiler room at the Sanatorium laundry as outlined.

Respectfully submitted,

*Rudolph Farmer*  
Rudolph Farmer, M. D.  
Superintendent

APPLICATION FOR APPROVAL OF A PERMANENT IMPROVEMENT PROJECT

DATE August 29, 19 65

Institution or Agency South Carolina Sanatorium

Name of Project Replacement and Repair to Laundry Boiler

Total Estimated Cost - - - - - \$ 17,509.00

To:—State Budget and Control Board  
Columbia, South Carolina

In accord with procedures outlined in your "Manual for the Planning and Execution of State Permanent Improvement Projects", your approval of the project described herein is requested.

I. JUSTIFICATION

(The Owner should attach hereto a full and complete resume of facts contributing to the need of this proposed project. The objective should be to provide sufficient information to fully acquaint the Board with conditions, prospective growth and/or other circumstances that led the Owner to propose this particular project.

Copies of studies or surveys, made either by the Owner or by an outside commercial or other firm, should be made available to the Board. Comments should be included concerning any alternative proposals, if any, considered by the Owner).

II. DESCRIPTION OF PROJECT

A. Type (New building, addition to existing building, renovation, alteration, etc.):

Replacement and renovations to laundry steam and hot water generating system made necessary by burning up of old boiler.

B. Intended Use: Provide steam and hot water for operation of existing laundry

C. If New Construction is Involved:

1. Attach (a) Architect's schematic drawing with facilities labeled. ☒ (b) Outline specifications. (c) Small scale locality map. (d) Analysis of Architect's Preliminary Construction Estimate.

2. No. Square Feet: -----

3. Principal Facilities (No. of stories, rooms, offices, etc.) -----

D. If renovation and/or alteration of an existing building is involved, attach a statement outlining generally the principal work to be done.

E. If land acquisition is involved, attach a plat of the property, showing general location and acreage. Comment on any problems of acquisition or title that may exist.

F. For any unusual type project, the Owner should confer with the Board in the preparation of this Request, and attach such descriptive data as the Board may require in this particular instance.



### III. ESTIMATED COST

Site - - - - -	\$	
Grading - - - - -		
Construction - - - - -		16,350.00
Fees - - - - -		1,144.00
Renovation - - - - -		
Basic Equipment and Supplies - - - - -		
Landscaping - - - - -		
Builder's Risk Insurance - - - - -		15.00
Other (Specify) _____		
Contingencies - - - - -		
TOTAL ESTIMATED COST - - - - -	\$	17,509.00

It is further estimated that this project will add \$ \_\_\_\_\_ per year to operation and maintenance costs of this agency.

### IV. FINANCING PLAN

A. Funds Already in Hand - - - - -	\$	9,734.00
Source: <u>Part of maintenance and operating budget 1965-66</u>		
B. Proposed Bond Issue - - - - -		
(If a bond issue is proposed, the Board should be consulted prior to preparation of this application, to determine the details to be submitted herewith).		
C. Other (describe) <u>Insurance received from laundry boiler</u>		
		7,775.00
TOTAL - - - - -	\$	17,509.00

Has your governing board taken formal action authorizing the submission of this application?

(Signed)

Rudolph Farmer, M. D.

Title

Superintendent

### BOARD'S ACTION

APPROVED: \_\_\_\_\_

State Auditor

DATE: \_\_\_\_\_

SOUTH CAROLINA SANATORIUM  
State Park, S.C.

August 31, 1965

FUNDS AVAILABLE

Boiler Appropriation (Deficiency 1964-65)	\$ 37,154.00
Boiler Appropriation 1965-66	113,000.00
Insurance Received for Boiler	<u>6,658.00</u>

\$156,812.00

Insurance Received for Laundry Boiler

7,775.00

TOTAL FUNDS AVAILABLE

\$164,587.00

EXPENDITURES

Boiler Installation #1 (1964-65)	\$ 37,154.00		
Boiler Completion 1965-66	87,772.00		
Engineer's Fee	6,400.00		
Builder's Risk Insurance	18.00		
Contingencies	<u>2,030.00</u>	\$133,374.00	

Repairs to Laundry Boiler	18,400.00		
Less Alternate	-1,800.00		
Less Blow-Down Separator	<u>- 250.00</u>		
	16,350.00		

Engineer's Fee	1,144.00		
Builder's Risk Insurance	<u>15.00</u>	<u>17,509.00</u>	

TOTAL EXPENDITURES

\$150,883.00

BALANCE OF FUNDS AVAILABLE FROM BOILER ACCOUNT

\$ 13,704.00

BALANCES

Boiler Account	\$ 13,704.00
County Sanatoria Account	<u>5,462.00</u>

\$ 19,166.00

Approximate Cost of Detention Facilities

\$ 19,166.00

STATE BUDGET AND CONTROL BOARD

DIVISION OF GENERAL SERVICES

AGENDA ITEMS

Meeting of September 9, 1965

1) Boiler and Machinery Coverage - Insurance Sinking Fund

Bids were received on August 25, 1965 for boiler and machinery as additional coverage for all liabilities of the Insurance Sinking Fund. Specifications and a list of bidders is attached showing the Kemper Group (American Motorist) to be low bidder with a quotation of \$48,000 for coverage and inspection for the first year of a three-year term. Rates for the ensuing two years will be based on manual rates on file with the Insurance Department, less 30 per cent and 25 per cent discounts.

It is recommended that the Division be authorized to sign a contract for this coverage. It is further recommended that the Insurance Sinking Fund absorb these costs for the first year and that recommendations be made to the Board prior to inception of the second year's coverage regarding the rate structure. Attached is a tabulation of premium and interest income for a 10-year period showing the amounts added to surplus each year.

2) Expansion of Surplus Property Program

The Surplus Property Program of the Department of Health, Education and Welfare is operated from donee funds collected within the State and handled as the Surplus Property Revolving Fund. The program was audited by a representative of the Regional Office in Atlanta and it has been recommended that the program be expanded by addition of certain personnel. It is recommended that these changes be approved and that the costs be charged directly to the Revolving Fund as additions to the amounts set forth in the Appropriations Bill for reimbursement to the General Fund.

3) Board of Supervisors - High Hill Drainage District

The High Hill Drainage District of Florence County held its annual meeting on Tuesday, August 24, 1965. Less than a quorum of landowners representing the "majority of acreage included" in the district were present. Mr. John L. McGowan, attorney for the District, requests in behalf of those present that the following persons be appointed as the Board of Supervisors:

I. L. Hutchinson	- one year
M. D. McGee	- two years
H. B. Sparrow	- three years

It is recommended that the Board make these appointments and that the Secretary of State be notified to that effect.

4) Landscape Architect - Governor's Mansion Grounds

It is recommended that the Division of General Services be authorized to engage the services of a landscape architect to prepare a long-range planting plan for the grounds at the Governor's Mansion.

5) Approval - Dedicatory Plaque for J. Marion Sims Building

The State Board of Health has recommended that the following inscription appear on the dedicatory plaque:

J. MARION SIMS BUILDING  
STATE BOARD OF HEALTH OF SOUTH CAROLINA

Governors

Hon. Robert E. McNair (1965- )  
Hon. Donald S. Russell (1963-1965)  
Hon. Ernest F. Hollings (1959-1963)

Hon. Edgar A. Brown, Chairman, Senate Finance Committee  
Hon. Solomon Blatt, Speaker of House of Representatives  
Hon. Robert J. Aycock, Chairman, Ways & Means Committee of House  
Hon. E. C. Rhodes, Comptroller General  
Hon. Jeff B. Bates, State Treasurer  
Hon. James M. Smith, State Auditor

State Health Officer

G. S. T. Peeples, M.D.

Business Manager

Hon. Walter P. Boylston

Administrator, Hospital Construction

Hon. S. J. Ulmer, Jr.

Division of General Services

Hon. F. E. McEachern, Jr. - Hon. Walter B. Brown

Architects

Baker, Gill & Wilkins

Contractor

Roberson Construction Company

1965



5) Approval-Dedicatory Plaque for J. Marion Sims Building

Project constructed with Federal Assistance Under Public Law 725, as amended, Administered by the U. S. Public Health Service and the South Carolina State Board of Health.

It is recommended that this wording be approved.

6) Rental of Computer Equipment

The State Agency of Vocational Rehabilitation placed an order for rental of a 360 series computer system, IBM Model 20, prior to enactment of the current Appropriations Bill. It is recommended that this action be approved.

7) Purchase of State-owned Vehicles

Whitten Village - Buick or Oldsmobile for Dr. Roy Suber to replace vehicle previously assigned to Dr. B. O. Whitten. The latter vehicle will be sold or exchanged on the new model.

Department of Corrections - Automobile of the Chevrolet class for assignment to the Division of Industries.

It is recommended that these purchases be approved.

8) Interim Action of the Division of General Services

- (a) The Division placed an order with Mosler Safe Company for security lockers for the new vault for the State Treasurer. The purchase price is \$11,428.86, plus sales tax.
- (b) The Division executed a sales agreement for the removal of the existing vault door in the Capitol Building with the Mosler Safe Company at a price of \$3,000 to be credited against the above purchase.
- (c) The first two floors of the Wallace Apartment Building are being assigned to the Department of Education. Needed interior renovations, repairs to windows and to the roof amount to approximately \$7,500. The Division negotiated a cost plus arrangement with Midland Construction Company for this work.
- (d) Exchange and Purchase of State-owned Vehicles
  - 1. A Chevrolet for Dr. E. R. Crow - new assignment because of change in duties
  - 2. S. C. Aeronautics Commission - in exchange of a 1962 Chevrolet with 61,000 miles for a car in the same class.



Meeting of September 9, 1965  
Agenda Items (continued)

Page 4.

8) Interim Action of the Division of General Services

(d) Exchange and Purchase of State-owned Vehicles

3. Water Pollution Control Authority - exchange - 1964 Chevrolet van damaged beyond repair for a station wagon of the Chevrolet class.

It is recommended that the above interim actions be approved.

INSURANCE SINKING FUNDFiscal Year Ending June 30, 1964

Premium	\$ 1,326,649.04
Interest	\$ 726,716.44
<hr/>	
TOTALS	\$ 2,053,365.48

Claims	\$ 373,737.24
Reinsurance	\$ 226,332.30
General Expenses	\$ 65,094.80
	<hr/>
	\$ 665,164.34

NET GAIN FOR PERIOD \$ 1,424,164.98

Fiscal Year Ending June 30, 1963

Premium	\$ 1,314,556.29
Interest	\$ 525,293.09
<hr/>	
TOTALS	\$ 1,839,852.18

Claims	\$ 148,252.74
Reinsurance	\$ 204,677.40
General Expenses	\$ 64,101.90
	<hr/>
	\$ 417,032.04

NET GAIN FOR PERIOD \$ 1,532,553.68

Fiscal Year Ending June 30, 1962

Premium	\$ 1,263,325.84
Interest	\$ 559,707.01
<hr/>	
TOTALS	\$ 1,843,032.85

Claims	\$ 315,651.24
Reinsurance	\$ 203,625.65
General Expenses	\$ 67,295.16
	<hr/>
	\$ 586,572.05

NET GAIN FOR PERIOD \$ 1,239,416.99

INSURANCE SINKING FUND (CONT'D.)Fiscal Year Ending June 30, 1961

Premiums	\$ 1,233,080.85
Interest	\$ 405,584.06
	<hr/>
TOTALS	\$ 1,638,664.91

Claims	\$ 108,070.76
Reinsurance	\$ 180,000.00
General Expenses	\$ 61,473.47
	<hr/>
	\$ 349,544.23

NET GAIN FOR PERIOD \$ 1,172,172.10

Fiscal Year Ending June 30, 1960

Premiums	\$ 1,219,443.28
Interest	\$ 311,242.23
	<hr/>
TOTALS	\$ 1,530,685.51

Claims	\$ 286,598.06
Reinsurance	\$ 180,000.00
General Expenses	\$ 53,488.92
	<hr/>
	\$ 520,086.98

NET GAIN FOR PERIOD \$ 942,663.44

Fiscal Year Ending June 30, 1959

Premiums	\$ 1,177,556.39
Interest	\$ 276,371.72
	<hr/>
TOTALS	\$ 1,453,928.11

Claims	\$ 91,189.09
Reinsurance	\$ 180,000.00
General Expenses	\$ 45,729.18
	<hr/>
	\$ 316,918.27

NET GAIN FOR PERIOD \$ 1,055,939.21

INSURANCE SINKING FUND (CONT'D.)Fiscal Year Ending June 30, 1958

Premiums	\$ 1,134,837.25
Interest	\$ 252,148.51
<hr/>	
TOTALS	\$ 1,386,985.76

Claims	\$ 84,179.20
Reinsurance	\$ 180,000.00
General Expenses	\$ 54,732.22
	<hr/>
	\$ 318,911.42

NET GAIN FOR PERIOD \$ 989,620.38

Fiscal Year Ending June 30, 1957

Premiums	\$ 1,098,517.17
Interest	\$ 220,045.86
<hr/>	
TOTALS	\$ 1,318,563.03

Claims	\$ 213,923.42
Reinsurance	\$ 180,000.00
General Expenses	\$ 45,156.32
	<hr/>
	\$ 439,079.74

NET GAIN FOR PERIOD \$ 808,944.11

Fiscal Year Ending June 30, 1956

Premiums	\$ 1,051,132.46
Interest	\$ 200,697.73
<hr/>	
TOTALS	\$ 1,251,830.19

Claims	\$ 144,707.43
Reinsurance	\$ 180,000.00
General Expenses	\$ 43,361.67
	<hr/>
	\$ 368,069.10

NET GAIN FOR PERIOD \$ 862,913.80



STATE OF SOUTH CAROLINA  
**DIVISION OF GENERAL SERVICES**  
BUDGET AND CONTROL BOARD  
300 GERVAIS STREET  
COLUMBIA

FURMAN E. MCEACHERN, JR.  
DIRECTOR

29201

BUILDINGS AND GROUNDS  
DEPARTMENTAL SERVICES  
INSURANCE FOR PUBLIC  
BUILDINGS  
PRINTING AND OFFICE  
SUPPLIES  
PURCHASING  
SINKING FUNDS  
SURPLUS PROPERTY  
PROCUREMENT

August 13, 1965

Mr. P. C. Smith  
Special Assistant  
Office of the State Auditor  
P. O. Box 333  
Columbia, South Carolina 29201

Dear Mr. Smith:

Attached for your information is a copy of the transcript of the meeting held on July 28 regarding proposed phosphate leases in Beaufort and Jasper Counties.

Kind personal regards.

Sincerely,

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

F. E. McEachern, Jr.  
Director

ls

Attachment



TRANSCRIPT OF MEETING HELD JULY 28, 1965

PHOSPHATE LEASES IN JASPER  
AND BEAUFORT COUNTIES

(Mr. McEachern) Gentlemen, this meeting is being held at the direction of the South Carolina State Budget and Control Board to receive information regarding proposed leases in Beaufort and Jasper Counties for the exploration and mining of phosphatic materials. The Budget and Control Board has instructed this panel to receive this information and present the information to the Board to assist it in determining a course of action. I am Furman McEachern, Director of the Division of General Services of the State Budget and Control Board. Mr. Daniel R. McLeod, Attorney General for the State of South Carolina, is a member of the panel. Mr. Pat C. Smith, Assistant State Auditor, is present. Mr. Henry Johnson, State Geologist is present. Mr. Henry Lake from the Governor's Office is here and Mr. Everett Brandon from the Office of the Attorney General is here to hear you and to give information that they might have which will be pertinent to the matter at hand. In accord with an Act of the General Assembly of the last session, the proposed lease has been duly advertised for three consecutive weeks in the local papers in Beaufort and Jasper Counties. We have received letters pertaining to this, and we have invited all of those we know who are interested to come to this meeting. The written material will be made a part of the record. The proceedings here are being recorded, so when you have a question or a statement, we ask that you indicate that you wish to do so, and we will get the microphone to you so you will be duly recorded and everything you say can become part of the transcript. Also, as a matter of record, the Pine Hall-Pomona Corporation presently holds leases for the exploration and mining of phosphatic materials in Beaufort and Jasper Counties. Under the terms of the law as it existed at that time, the period for exploration and mining was limited to ten years. The General Assembly at its last session saw fit to give the Budget and Control Board authority to establish such leases for whatever period might be determined as reasonable, and this is the matter which is being considered at this time. There is currently a ten-year lease in effect in each county. The question now is that the leasing company has requested a term of twenty-five (25) years which they say will enable them to invest the considerable sums which are necessary for a mining operation of this type. At this time I will call on Attorney General Dan McLeod to give you briefly a summation of the terms of the lease.

(Mr. McLeod) Gentlemen, under the provisions of this proposed lease, the state lease grants a right to explore for and remove phosphate and related minerals. That includes sediments, rocks, clays, phosphate and all phosphatic materials and any other mineral substances, metallic or non-metallic, except oil, gas, shale, coal, salt potassium, sodium, sulphur and oyster shell within the area of Beaufort and Jasper Counties, excepting therefrom parks, refuges and areas leased for oysters. The terms of this proposed contract will undoubtedly be subsequently elaborated on by the persons interested in it, but briefly it provides that the Lessee, Pine Hall-Pomona, may enter and construct necessary facilities. The burden of establishing title, if any question of title arises, rests on the Lessee. An initial exploration period of one year from the date of the execution of the lease is provided for. During that period no payments are made unless actual operations have begun. The lease becomes what is termed "an operating lease" upon sixty (60) days' notice before the end of the initial first exploration year, or upon the commencement of actual mining. Upon written notice or actual mining, royalties begin and become the mining lease for twenty-five (25) years from that date. After twenty-five (25) years, the Lessee has the first refusal if the Lessor, the State, in its sole discretion desires to continue. After the lease becomes an operating lease, two years period of inactivity terminates the lease unless the interruption is beyond the control of the Lessee. Royalties of two and one-half (2 1/2) per cent of the gross value are payable within thirty (30) days after the end of each quarter, value to be that at the shipping point. The Lessor may establish minimum values; the Lessee guarantees two hundred and fifty dollars (\$250) per acre. The Lessee guarantees twenty-five cents (25 cents) per acre minimum royalties for the acreage retained. The Lessee has the right to release from the inclusion in the lease such acreage as he may determine. The acreages that are retained are to be paid for at the rate of twenty-five (25) cents an acre if these are greater than the royalties, if any royalties accrue. Those payments are, in turn, creditable under the terms of the

(Mr. McLeod) proposed lease against future royalties. The Lessee may release any unwanted acreage at any time, but no money will be refunded. Arbitration procedures are provided. The Lessor, the State, may inspect everything at reasonable times. The Lessee, Pine Hall-Pomona, will furnish as the Lessor, the State, may require plats and records showing the development; also report on buildings and equipment situated elsewhere but used in connection with this project. The Lessee will pay all taxes upon improvements, output and other assets when due. There can be no assignment or sub-letting in whole or in part without the approval of the Lessor. The rents are payable to the State Treasurer. Operations must be conducted in accordance with good mining and conservation practices. The Lessee will not cut timber without approval. The Lessee will abide by pollution control practices as the State may require. The Lessee will hold the Lessor, the State, harmless and will pay damage done to others. Land in the lease shall be subject to other lawful uses or sale if it does not unduly interfere with the lease. The Lessee will recognize the existing uses such as pipelines and so forth. The Lease does not preclude the lease of the same area for oil and other similar related matters not included within the scope of this lease. Upon termination of the lease, the Lessee, Pine Hall, has one hundred eighty (180) days to remove his equipment. The Lessee will restore the surface of the land to safe and satisfactory condition. Upon non-compliance within sixty (60) days after notice of default by the Lessor, the lease may be cancelled. That is the general primary features of the lease as proposed as I see them.

(Mr. Smythe) I am A. T. Smythe, Jr., Attorney, of Charleston, South Carolina, representing various private landowners who have questions about this proposal. I wondered if there were any changes from the present lease other than the term going from ten (10) to twenty-five (25) years and, if so, what are they?

(Mr. McLeod) The initial exploration period is cut from two years to one year, I believe. Is there any other?

(Mr. Brandon) It provides a minimum royalty of two hundred and fifty (\$250) dollars an acre, and also I believe the twenty-five (25) cents per acre royalty which goes into effect when it becomes an operating mining lease is creditable against future royalties. I'm not sure whether that provision is in the old lease or not.

(Mr. McLeod) Mr. Johnson, the State Geologist, says that was in the original lease.

(Mr. McEachern) Mr. Smythe, is that a satisfactory answer to your question?

(Mr. Smythe) Yes, sir - if those are the complete changes.

(Mr. McLeod) There may be others, but I believe that covers the primary ones.

(Mr. Joab Dowling) There are safeguards in this for the State which are spelled out strongly in the second lease.

(Mr. McEachern) I believe Mr. Dowling is right. Protection of wildlife and restoration was changed to the advantage of the State. The Pine Hall-Pomona Corporation of Greensboro, North Carolina, is the Lessee at present and they are the ones asking for the changes in the lease. They are represented today, among others, by the president of the Corporation, Mr. W. C. Boren III, and the attorney for the Corporation, Mr. Joab Dowling. I would like to ask one of you gentlemen to represent the Company and make a statement regarding your proposals at this time.

(Mr. Dowling) Gentlemen, I think that you might be interested to know that Beaufort County has been identified with the phosphate industry for many years. Shortly after the Civil War some phosphate mining companies came into the Beaufort area and started mining river rock. At one time prior to the '93 storm, in Beaufort there were over sixteen (16) major phosphate companies operating. In 1956 there was a group in Beaufort made up of Mr. Ross Hanahan from Charleston, John C. Calhoun, Frank Hamilton, Buck Rogers and some others trying to make this a new industry or another industry to revive this industry in Beaufort on what was known as the Beaufort Mining and Development Corporation, and in 1956 or 1957 obtained from the Budget and Control Board the first lease on the marshlands and tidelands in



(Dowling) Beaufort County. As a result of that, they raised about ninety thousand (\$90,000) dollars and spent all of their money on exploration and made a report to the State showing that there was probably as much as 150 million tons of phosphatic material reserves in the waters and marshes in Beaufort County owned by the State. As a result of this, the State told them that if they would go ahead and try to work something out on it, that the Budget and Control Board would protect them on a future lease. They worked on it a while and finally that company spent their money and couldn't raise any more money and formed another company known as Carolina Phosphate Corporation. In 1963 they came back to the Budget and Control Board and got a lease. They did some further extensive operations, made two or three deals with V. C. Chemical Company, took quite a few test samples and sent them off to various electric furnaces and had them run, and tried to work up something on this, but the Company then got in touch with Mr. Boren. In the meantime, Mr. Boren with Pine Hall-Pomona had been operating in Jasper County and had taken a lease that Mr. Newlin had with the State of South Carolina for various materials and just about finished his work in Jasper County and felt that in order to bring this industry to the Carolina low country, it would be necessary to have additional reserves. Mr. Boren made arrangements with Carolina Phosphate Company to take over this lease with the State, and a proper assignment was made up and was approved by the Budget and Control Board under the law. Since that time Pine Hall-Pomona has engaged various people to come in and dig core borings and make chemical analyses. Pine Hall-Pomona owns a hundred-acre farm in Jasper County near Boyd's Creek, and in the farm house they have developed a laboratory where they do extensive checking on core borings and things that they burn up from their operations. In addition to that, they have had numerous samples checked out by various industries and various chemical laboratories in this country and estimate that in the past twelve to fifteen months in this area they have spent over a half million dollars in exploration costs. In addition to this, they have tried to make up from any other materials that they could find that could help out with this cost. They have found, from what I am told, some deposits of a clay that is a phosphate clay, or pebble phosphate, that centers primarily around the upper Broad River along Huspa Creek area, and in addition to the lease they now hold from the State of South Carolina, they also have highland leases and have signed leases with Mr. B. P. Bostick of Tomotley Plantation and Mr. Sumner Pingree at Huspa Plantation. They have recently negotiated, and they're on practically the same terms as the State lease, of course with the same royalties. These beds where they find this in the marshes and in the upper marshes - It also filters into the highlands along the swamp lands in this area, and this is what they've taken from the owners. The lease that they have, the law under which this new lease is sought and the new lease as proposed require that nothing is covered in there where there is a question of ownership. The legal responsibility and the expense of determining who owns this property is on the Lessee which is Pine Hall-Pomona. This would simply mean to you people who are representing landowners who claim to own marshes that until we get Gus Smythe's tideland bill passed, and God knows I hope they'll pass it next year, that if you have a claim on marshes you'll have ample notice before there is any possibility of a mining operation on any claim that you have. It will be up to Pine Hall-Pomona Corporation to determine whether or not you own it and bear the legal expense of that title examination.

(Mr. McLeod) I would like to ask you this on that question of ownership: Is it your view that that would mean the State of South Carolina would be precluded by any adjudication that would be made between Pine Hall and a contesting owner?

(Mr. Dowling) No sir. I would think the way it could come up is this: If Pine Hall expressed an intention to mine a certain area and I, as a landowner, claimed that my title - and I owned those marshes, I would immediately notify Pine Hall of my claim. I would also notify the State of South Carolina. Now certainly if Mr. Boren looked at it or hired a lawyer and he looked at it and said "I don't know whether they own it or not, Mr. Boren, but maybe you ought to stay off of it," this could not be used in evidence for this man to determine his title as against the State.

(Mr. McLeod) Do I construe this thing correctly if I say that it means that the State does not warrant the title to the lands that would be included in this lease?

(Mr. Dowling) Yes sir. But, on the other hand, you know if Mr. Boren agreed with the man and said "Yes, I guess you do own it; if you don't want to lease it to me, I'll stay off of it." I don't think that will establish evidence for the landowner as proof against the State that he owns the land, and it is certainly up to the landowner to prove his title as concerns the State of South Carolina.

(Mr. McLeod) The net effect is that the State doesn't guarantee title to whatever may be leased.

(Mr. Dowling) That's certainly right. If Mr. Boren does not consider it worth his money to try and obtain this title, or if for any reason he wants to show acquisition, it shouldn't establish title to the land either. I think he's still got to prove his legal title in case the State contests it.

(Mr. McLeod) In reference to the burden is that the State will not come in and warrant and defend his title to all these lands within the area.

(Mr. Dowling) If he wants to establish title, it's up to him to do it. I think that's what the law says. The law specifically says that further. The Lessee may not take possession if there be an adverse claim; switching the burden of proving ownership on the State shall be placed on the Lessee. The State will still be a party. I don't think that it will establish a title against the State if Mr. Boren tried it and lost the case. I think that unless the State was made a party to it, they would still have to go to court. If you get a tidelands bill, which we sorely need, maybe a lot of this would be clarified. As far as the lease is concerned, we think that every possible safeguard can be made. Now I'm sure that some of you can spell this out in better words, but if you would use your imagination, certainly you lawyers would realize that to engage in such anti-pollution practices as are required by the Lessor that would simply mean that the Wildlife Division or the Fisheries Division said that they wanted him to do so and so and told him to do it and he didn't do it, Furman McEachern could certainly prevent him from any further operation until he did do it. Section 18 says "The Lessee agrees to conduct all operations hereunder in accord with good mining and conservation practices, having due regard for the prevention of damage to mineral deposits, water resources, forest resources, fin and shell fish, and wild life. Lessee will not cut or destroy timber without previous permission from the Lessor and will pay for such timber at rates prescribed by it. Lessee agrees to abide by such pollution control practices as the Lessor feels are necessary to protect water resources, fin and shell fish and wild life." In other words, whatever the State says he's got to do, he's got to do or else quit. I think that's about as broad as you can make it. We could go in here with mining engineers and design good methods of operations, but that seems to me the least important way the Division of General Services or Budget and Control Board could enjoin this man from his operations if he didn't do exactly what each and every department of the State said he had to do.

(Mr. Pope) I'm William Pope an attorney from Columbia representing Chelsea Plantation Corporation. That provision you just read - of course, the Budget and Control Board would not have the right to enforce the pollution practice on Pine Hall-Pomona that would interfere with their mining operation or would cause them not to be able to get full use of their mining operation in that particular location. But when you refer to due regard for wildlife and all, still that --

(Mr. Dowling) Bill, you're not giving proper emphasis to the last part of that paragraph which reads as follows: Now this is a sentence all by itself. "Lessee agrees to abide by such pollution control practices as the Lessor feels are necessary to protect water resources, fin and shell fish and wildlife." In other words, this contract is to abide by this as they feel necessary. In other words, they don't have to tell him now what they are. During the term of this thing any time they feel something is necessary to protect the water resources, fin and shell fish and wild life, then any department of the State can say this is what you've got to do. As I interpret the lease, he's got to do that or stop operation.

(Mr. McLeod) Getting back to Paragraph 18 - Follow me on that, if you please. Now your last sentence provides that the Lessee will abide by such pollution control practices as the Lessor may require. In the prior sentence "the Lessor agrees to



conduct all operations hereunder in accord with good mining and conservation practices having due regard to the provision of damages, deposits, etc." Would the inclusion of a phrase in the second line that Lessee agreed to conduct all operations hereunder in accord with good mining and conservation practices as the Lessor may require be acceptable to you?

(Mr. Dowling) I think that it's the same thing. This last paragraph that was put into the new lease was not in the old lease.

(Mr. McLeod) Then it relates only to the pollution control; that's what I'm trying to avoid here. Is there any reason why all of paragraph 18 couldn't be subject to such regulations as the Lessor might provide?

(Mr. Dowling) That's certainly our intention and that's our understanding of this clause. In other words, we have previously had a meeting with Mr. Jim Webb about his wild life program and on numerous occasions we've sought to have a meeting with Mr. Lunz. I've tried to call Bob Lunz from last Tuesday until yesterday and I finally got him yesterday. He stays on the road all the time. I think he doesn't realize it but this is a busy man and I for one would like to see him get a little more money in his department so he can hire a little help. Are there any specific questions that any of you would like to cover at this time or any information you want brought out?

(Mr. McLeod) Let me ask you this...how long has it been since you commenced exploration procedures?

(Mr. Dowling) I think the first core boring that was done in Beaufort County was done in 1957. At that time we were interested in trying to determine quantities in the river bottoms and the boring was done with a rig that Dick Pollitzer and some of the others got up and they just took about a 3/4 inch bore. The idea then was to try to find enough reserves of a rock that would grade out to a BPL of about 49 or 50 that could be upgraded into super-phosphate and interest some of the large fertilizer companies we were working with, V. C. Chemical and some of the others, in financing this thing. This little company in Beaufort only had \$90,000 to start with and this is not a drop in the bucket when you start exploration.

(Mr. McLeod) You've spent about a half-million dollars since 1957 on exploration?

(Mr. Dowling) Yes sir.

(Mr. McLeod) Has any actual mining operation been begun under the terms of this prior ten-year lease?

(Mr. Dowling) No sir, the only thing that even comes close to it where this thing says other than small samples, there's been two twenty-ton samples taken from Beaufort County taken to the laboratory that's provided by the State of North Carolina in Asheville for the North Carolina phosphate people under the auspices of North Carolina State. I put emphasis on that because I hope South Carolina will let Clemson do a similar thing for these people that are trying to do this and save them a little money. They have down in their electric furnace two twenty-ton samples, forty tons in all and these two samples were not from state property. They were both on private property.

(Mr. McLeod) Let me ask you this, what's the reason for failure to commence mining operations or perform more work in actual mining during this period?

(Mr. Dowling) In order to commence mining operations it's my understanding that the plant and election services for transporting this ore will have to be erected and installed at a cost in excess of ten million dollars. Before we can get anybody to commit that much money to this, we have got to have proved guaranteed reserves that are enough to keep this plant going and give them an opportunity to get their money back. That's the reason that they don't feel they can operate on a ten-year lease.



(Mr. McLeod) From 1957 until the present date, has there been enough time for you to prove these resources?

(Mr. Dowling) We've pretty well got the reserves proved on the highlands; we feel that we need one more year to prove the reserves on the marshes because they are so extensive. We estimate there's three hundred fifty thousand acres (350,000) of marshlands and river bottoms in Jasper and Beaufort Counties. The first operation was at full production fully on the state properties. I'm told that a hundred acres of marshlands would run this plant a year, but if they have 30 years and mined for 30 years they would not mine but three thousand (3,000) acres in the whole county.

(Mr. McLeod) The past seven years have not been sufficient for you to investigate the area in Jasper or Beaufort?

(Mr. Dowling) It has been mostly on the highlands since they found it because they felt that the State was there and of course the problem of getting leases from land owners was foremost in their minds.

(Mr. McLeod) Has your exploration activity been constant or has it been intermittent?

(Mr. Dowling) Pine Hall-Pomona has been constant since they got into it. The predecessors, Carolina Phosphate Company and Beaufort Mining and Development Company was intermittent as the money was available. They were just selling stocks on the streets in Beaufort and lots of people in Beaufort own stock in that organization but they felt that it was worthwhile because they felt it will eventually result in a fine industry coming in our area.

(Mr. McLeod) This prior lease was executed in 1954?

(Mr. Dowling) I believe it was 1956. I know the Charter was in 1956 and could have even been in 1957.

(Mr. McLeod) I understand that the ten-year lease that has expired last month -- in April of this year.

(Mr. Dowling) No sir, the lease that was signed in August of 1963 states that for further exploration of that lease the Lessee can come in and ask for an additional two years for exploration. Now we're only asking for one but the lease did say they could ask for two. That doesn't become an operating mining lease until after the second two years which would be in 1967.

(Mr. McLeod) I assume that we have available copies of the prior leases?

(Mr. Dowling) Right.

(Mr. McLeod) Do we have those, Mr. McEachern?

(Mr. McEachern) Yes sir.

(Mr. Dowling) Let me say this for the record: This lease stipulates that upon mining production and removal of any phosphate rock material in other than small sample quantities, rental payments cease and royalty payments begin and this agreement automatically becomes an operating mining lease to continue in effect so long as production continues subject to all laws limiting the duration hereof.

(Mr. McLeod) During this prior ten years, has any payment been made to the State of South Carolina under these prior leases?

(Mr. Dowling) No sir.

(Mr. McLeod) Let me ask you this - you may not be the one to answer this question, but I want a clear description of the method of operation of mining of the type you propose to do. Would you rather somebody else answer?

(Mr. Dowling) I think the mining engineer should do that, but...

(Mr. McEachern) Mr. Smythe requests the expiration date of the lease which is now in effect.

(Mr. Dowling) Clause 5 of the lease now in effect dated August 27, 1963 stipulates this: "The Lessee may obtain a two-year extension of the initial exploration period by written application to the Lessor within the sixty-day period prior to its expiration and payment, in advance or within 30 days of notification by the Lessor, of rentals of 25 cents per acre." So it would be the 27th or any time before the 27th of August of this year. The holder of the Lease could ask for an additional two years exploration to continue under this same Lease. This is the Lease in Beaufort County dated August 27, 1963.

(Mr. McEachern) The leases as awarded in 1963. Mr. Johnson is familiar with the terms of it.

(Mr. Johnson) The original leases on the two counties, Jasper and Beaufort, call for an initial two-year exploration period, and there were no rentals for this initial two-year exploration period. The rentals were waived by the State for that period. Then these leases called for the Company having the right to request a two-year extension of the exploration period and if they called for this two-year extension, the Budget and Control Board would allow this, but immediately the Company would be liable for rentals of 25 cents an acre per year in advance for whatever acreage they choose to retain. They were originally given acreage for the whole thing - all State marshlands.

(Mr. McLeod) Have any acreages been released under the terms of that Lease?

(Mr. Johnson) To my knowledge there has been no release of acreage as yet, but the Company can release acreage at any time that they choose. This exploration period was subject to the commencement of active mining operations which would immediately make it go into an operating mining lease, but this has not started yet.

(Mr. McEachern) The operating mining lease would then be for ten years from the beginning of the operating mining lease?

(Mr. Johnson) As I understand it.

(Mr. McEachern) So to answer Mr. Smythe's question, if the Budget and Control Board were to extend the exploration period as has been requested, that would be until 1967. Then there would be a ten-year mining lease from 1967.

(Mr. Dowling) Let me give you a little history there so you'll understand why. The identical leases, the lease in Jasper County to Mr. Newlin, originally dated June 14, 1963 and this one is dated August 27.

(Mr. McLeod) What year?

(Mr. Dowling) Both of them in '63.

(Mr. McLeod) Wasn't there a prior lease?

(Mr. Dowling) No sir. There were leases before that going back to 1956, but this is Newlin's lease and Carolina Phosphate's lease for '63 which have both been assigned by permission of the Budget and Control Board to Pine Hall-Pomona Corporation. Actually the original law on this goes back to right after the turn of the century and this is the law that the Budget and Control Board was operating under. The State during the '90's, before the '93 storm, passed a law providing for a two (2) dollar tax per ton on all phosphate extracted from the rivers. Well, this put them out of business. About this time the foreign rock came in and they were selling it for about three (3) dollars a ton, and that and the '93 storm put them out of business. Then they passed an Act saying that they could work it out within the discretion of the Budget and Control Board at any equitable way. Jasper County last year, not this

(Mr. Dowling) past legislature, but the one before, passed an Act right at the close of the time on a local basis providing that the Budget and Control Board could lease marshlands in Jasper County for twenty-five years; as a result of that, they offered a new lease at that time to Sid Newlin. He was still living. The marshlands belong to Jasper County and it wasn't a local matter; it was a State matter. So we asked the senators and the representatives to try to pass a Statewide Act which would give the Budget and Control Board the authority to do it. These people just frankly told us that they could not bring a twenty million dollar industry into our section of the State. They believed the Budget and Control Board would renew it; they verbally told them that of course everything was all right. The State wasn't going to lead anybody down the primrose path and then cut their throats. But they say you've got to have financing; you've got to sell stock; you've got to go out and make commitments on the thing; you've got to prove about thirty or forty years' reserves, and we have just got to have a minimum of twenty-five years. Well, the way the Act was finally passed, they didn't even limit it to twenty-five years. It was within the discretion of the Budget and Control Board. The highland leases that we have taken from two landowners - and are dealing with several others at this time - provides for five years with five five-year renewals, a total of thirty years. It provides for the same minimums of \$250 an acre in the event that anything is found mineable. Mr. Johnson tells me that this just scratches the surface, that if it was mineable, it would be more than \$250.

(Mr. McLeod) Do you have a royalty provision in your agreement with the private landowners?

(Mr. Dowling) Yes sir, exactly the same as the State. Two and one-half (2 1/2) per cent of the retail, so much for clay, so much for sand.

(Mr. McLeod) Have you made any payments to any landowners under any Lease in that area or in this State?

(Mr. Dowling) No sir, not unless you made some in Jasper County because there is none in Beaufort County... So the original leases that were taken over from Mr. Newling in Jasper County had received some basic payment.

(Mr. McLeod) Is there any question you want to submit to Mr. Dowling now?

(Mr. Battey) I'm Colden Battey, Attorney. I represent some of the landowners in Jasper County. Mr. Dowling, how many acres are presently under lease from private landowners? Do you know the total amount?

(Mr. Dowling) I'm not sure about Jasper County. There are only two leases that we have recorded in Beaufort County. I believe one of them is roughly 1,200 acres and the other one is roughly 600. Is that right?

(Answer) Right at 2,000 acres.

(Mr. Dowling) Right at 2,000 acres on the two landowners and we are actually dealing with another landowner who owns 18,000 acres.

(Mr. Battey) Mr. Boren, do you know how many acres there are in Jasper County?

(Mr. Boren) Between 600 and 1,000; I'm not positive.

(Mr. Battey) It is my understanding that these highland areas that are owned by private owners - and I don't speak for all of them, but I know in one case that valuable deposits have been found on them. Is that right, sir?

(Mr. Dowling) Yes sir. The two samples I spoke of a while ago were taken from private individuals' land and they are right extensive. We don't know how extensive yet, but they're there or we wouldn't have leased the land.

(Mr. Battey) I understand also that some of these leases, since Pine Hall-Pomona took over the lease that is in existence now, with the anticipation of this twenty-five-year lease, if it is proved that some of these prior leases have been dropped in anticipation of mining State's lands and not mining on private individuals' property.



(Mr. Dowling) I have heard that one of Mr. Battey's clients felt the State was in business competing with him because they were state lands. Actually the State leases, as I understand it, pre-date the lease of your particular client, and my understanding is that there were some changes requested in the lease after it had run for two years, and it came up for renewal and Pine Hall didn't feel that there were any valuable deposits there and did not continue the lease because he did not have valuable deposits. This man may be a little miffed; I don't know of that. I'm not real sure of what I'm talking about is the reason I won't call his name. If he had any material there, we would love to have the lease.

(Mr. Battey) I believe to apply this particular thing that one of these 20-ton samples was taken off his property.

(Mr. Dowling) Yes sir, I believe it was.

(Mr. Boren) Mr. Battey, the first sample that we got, some time ago, was taken off of Mr. Rankin's property. We have had option with Mr. Rankin. We've renewed the option once, and we went back to Mr. Rankin for the second renewal which he refused - at the same price as the State lease. We have some leases that were originally from Sid Newlin that were picked up 100 per cent bentonite and not phosphate. They are mostly highland leases. We have kept every lease that the landowner wanted us to keep, with the exception of one. After certain drillings, we found out that for phosphate this was not an attractive lease, so we dropped it.

(Mr. McLeod) On this twenty-five cents per acre for land retained, what is the purpose of the provision in there that twenty-five cents per acre is creditable against future royalties?

(Mr. Dowling) Mr. McLeod, I would like for the State Geologist to answer that. That's a provision he had put in there. I've got my opinion, but I'd like to have his.

(Mr. Johnson) Of course the purpose of the whole thing is to see whether a mining operation can be put into practice here, and if they can develop this, prove up enough ore, and see that its attractive enough to start an operation, then the royalties coming out of the thing will be so large that the minimum royalty is relatively insignificant. This is put in there on the theory that the Company could recover its exploration costs in this manner. If they had to pay out of pocket expenses to make up minimum royalty for a year or two, they could recover it in this way.

(Mr. Dowling) In other words, Henry, let me just ask this: This is to give this man a little more attraction and try to get him to claim more land under the lease so that he would pay larger minimum royalties with an expectation that when he began to pay royalties for mining, he could recover this. It wouldn't be a dead loss to him. Is that correct?

(Mr. Johnson) I think it's more to give just a little more elbow room, a little more flexibility so that he's putting out money to find what's there. If he does not find enough and never goes into an operation, he's out of all this money. But if he can begin to operate here, he can recover some small part of what he has put out in exploring and in holding the ground for a period. I think the amount that is involved in these creditable royalties will be relatively small, and even insignificant, if you ever arrive at a full commercial operation. I mean if you hold 10,000 acres of ground, for instance, in a lease like this and he holds it for a year or two under the operating agreement without actually reducing so that the minimum royalties for this period would not make up the actual royalties from the mining operation, would not be sufficient to amount to 25 cents an acre. He then has to make this payment out of his pocket for one year or for two. But at the end of that time he has got to be in an operating situation or the lease becomes null and void. If he has developed into an operating situation, he is going to be mining at such a scale that the royalties to the State are going to be much more than this minimum. So you are going to let him get back maybe just five or ten per cent of one year's royalties which he paid out of pocket for the previous year or two. It's just a little flexibility and a little bit of elbow room for the operator. It was to encourage him to come in and then encourage him to operate.

(Mr. Smythe) Where in the lease does it provide that if he doesn't actually start operating that he loses the lease? That is, that he can't keep on paying 25 cents for a number of years?

(Mr. Johnson) Paragraph 5 is the first one; then go to Paragraph 7.

(Mr. Battey) While you are looking at it, Mr. Smythe, may I interrupt? Is there any objection to your client paying a flat guarantee to mine for the privilege of entering into exploration rights in the State?

(Mr. Dowling) I don't think that has ever been contemplated at any time because the reason the lease is required is that, even if he did not go through with this, that he would furnish all of his exploration data to the State, and I believe that the Geologist and I certainly got the impression that the State would have benefited so much by that. Any payments to be made were to be of non-effect. In other words, if he didn't do it to furnish the State all of what he had gathered out of spending half a million dollars and the State would profit by that. There wasn't to be any basic payment.

(Mr. Smythe) I gather you wouldn't be interested in paying any flat amount. In other words, would you be agreeable to eliminating this part that allows a crediting of the 25 cents per acre lease against future royalties? Is there any objection to eliminating that?

(Mr. Dowling) As Henry Johnson has told you, 10,000 acres wouldn't amount to \$2,500 a year and we'd guarantee a minimum of \$250 an acre on each leased acre, so 10,000 acres at \$250 an acre looks to me like twenty-five million dollars.

(Mr. McEachern) Mr. Smythe, are you satisfied?

(Mr. Smythe) I take it at the end of this exploration period they have to designate what acreage they're interested in.

(Mr. McEachern) I believe that's correct. Yes sir.

(Mr. Smythe) Let's assume that they've designated 10,000 acres and that they pay 25 cents an acre. That would be \$2,500 a year. That 10,000 acres might be in ten different places of 1,000 acres each. Then they start a mining operation on one of those acreages. Do they have to mine in each particular spot within the two years? This doesn't seem clear at all. They are mining anywhere in these counties. They can continue to hold the others, the whole 10,000 acres, provided they're paying as much as \$2,500 a year in royalties. So for 25 cents an acre, either in rents or royalties, they can hold as many acres as they want in the State if they're doing any operation at all.

(Mr. Dowling) Just for 25 cents they can hold this lease unless they are actually mining and paying royalties under an operating mining lease, but if those royalties exceed the 25 cents payment, then they wouldn't be required to pay the 25 cents because the royalties, as Henry said, would be so much more than 25 cents.

(Mr. Johnson) I'm not sure I understand the question correctly, but to go back, under no circumstances can they hold it by rental payment or anything else more than two years without actually going into a mining operation.

(Mr. Smythe) Somewhere in the two counties?

(Mr. Johnson) Somewhere in the leased area, which includes the State-owned lands of Jasper and Beaufort Counties. That's right. So an operation in one corner would hold all the other lands included in this lease, all state lands unless they release it so that they won't have to pay the rentals. But if they don't release it, then they can hold all the State-owned lands that are originally included in this lease provided the royalties amount to a minimum of 25 cents an acre. And if the actual production royalties didn't make up that, they can take it out of their pocket and make up the difference. But they do have to be engaged in a commercial mining operation or they cannot do this beyond a two-year period. But it is true; they could hold all this other acreage as long as they were engaged in an actual mining operation somewhere.



(Mr. Smythe) They can hold as much land as they want anywhere else, and if their actual royalties didn't mount up to 25 cents an acre for the total area covered, they can make up the difference out of their pocket. And the way the thing is worded now, any out-of-pocket expense to make up that difference in minimum royalty would be creditable in future years if they mined at a greater rate so that the royalty coming to the State would be larger in future years and it then became more than was necessary to make up the minimum. Then the company can, against that credit, recover what they have paid previously out of pocket expenses.

(Mr. McLeod) Mr. Johnson, to become a mining operating lease what extent must the mining operation be undertaken?

(Mr. Johnson) That is wording in a very broad sense. It is not spelled out in tons or carloads what constitutes an actual mining operation.

(Mr. McLeod) Do you have any knowledge of it as a geologist? Are you familiar with it particularly? Will it be a perfunctory operation, or would it have to be of some substance or any line of demarkation that you are aware of?

(Mr. Johnson) That's a hard question to answer. I would consider that a commercial mining operation is going to mean that you're going to have a lot of big equipment there, big draglines...

(Mr. McLeod) Are you speaking from knowledge or...

(Mr. Johnson) Yes, from what I've seen of commercial phosphate operations. They are quite large and you have large structures and very expensive plants and operations involving millions of dollars of capital investment. You have dredging or earth-moving equipment which is quite large and quite expensive to maintain and operate. Now you're not talking about one or two or three truckloads a year with a small ditch-digging type of dragline or anything like that, but in the lease itself, as it is worded now, it is not spelled out just how many carloads or trainloads or truckloads must be moved to constitute a commercial operation.

(Mr. McLeod) Has that point been clarified?

(Mr. Johnson) I don't know. I would not know myself how to spell it out exactly what constituted a commercial operation. I think that there's a certain amount of good faith involved in anything like this on both sides and how to spell it out exactly would be the borderline between a non-commercial operation and an active one or just a perfunctory one and a real active operation, I don't know that I could spell that out.

(Mr. McEachern) Wouldn't the royalty requirements tend to control that to a degree?

(Mr. Johnson) Well, the royalties, the minimum royalty requirement, is low enough so that it would be possible to hold fairly sizeable acreages without too much payment. For instance, 10,000 acres would be \$2,500 a year which a person or a company might be willing to hold for some period. But the statement in the Lease is that they will be engaged in a commercial mining operation. It's not spelled out exactly what it is. I would think that if there was no full-fledged mining operation conducted there - I'm not a lawyer and I don't know how this would be - but I would think that if the Lessor felt that this was not a full-fledged mining operation, they could show this and break the Lease.

(Mr. McLeod) Anything further?

(Mr. Pope) Mr. Johnson, as I understand from a question a while ago, this initial exploration period would be one year as contemplated under the Lease; is that correct?

(Mr. Johnson) If it is a year; I think that was what was mentioned a while ago.

(Mr. Pope) They have not begun exploring into the State-owned marshlands as yet?

(Mr. Johnson) There has been exploration in the State's marshlands already.

(Mr. Pope) Well, after one year they will file a plat with you as to what marshlands they would want covered in this Lease, is that right?

(Mr. Johnson) Want to retain in the lease.....

(Mr. Pope) After the year's exploration period, is that correct?

(Mr. Johnson) Well, at any time that they become liable for either rentals or royalty payments; that will pretty well have to be spelled out.

(Mr. Pope) Do you have any estimate as to the extent of marshland that will ultimately be involved in this lease?

(Mr. Johnson) No, I think the company will have to make that decision because as the leases are now they include all the State-owned marshlands in the areas, and the Company has the right to retain all that if they choose to and make the payments or they can cut it down to any workable size they want at any time they want and release the rest which is then completely out of the leases.

(Mr. Pope) You have no idea at the present time as to how much area can be profitably mined - how much State-owned marshland can be profitably mined in those two counties, in broad estimate?

(Mr. Johnson) If you are referring to ten thousand acres (10,000).....

(Mr. Pope) Is that just a figure out of the hat, or ....

(Mr. Johnson) That's right. I think that if a commercial operation proves feasible that ten thousand acres would hold it for quite a period, but in the light of our present knowledge, we cannot say exactly how many acres might be profitably mineable. In fact, this is a question that is extremely difficult to answer; whether the operation can be a commercial operation or not because there are so many factors. There's the depth of overburden and the cost of the mining operation and so on and so forth. One factor that we really don't know is what the cost is going to be to maintain pollution levels at an acceptable level and that sort of thing.

(Mr. Pope) Let me ask Mr. Dowling this: Does he have any estimate of how much acreage will ultimately be involved in this operation?

(Mr. Dowling) The only thing I can tell you Mr. Pope, is that I'm told that one hundred acres of good-quality poor lands would last this company, under contemplated operation, for one year. Obviously if they are mined for thirty (30) years they wouldn't mine but three thousand (3,000) acres. I can't see them going in here and tying up much more than their future requirements of thirty years and be willing to be responsible for the payments as required. I would say that they're going to try to tie up everything that they can find good rich deposits on with maximum as to what they're willing to pay the State annually for tying it up.

(Mr. McEachern) Did you have further questions, Mr. Pope?

(Mr. Pope) One other question - from the exploration that has been done so far by this company, do you have any idea as to whether there are three thousand acres that could be profitably mined or they haven't gone that far, or what?

(Mr. Dowling) I don't believe that the really technical exploration in the State-owned marshes has reached a point where anybody can say at this time.

(Mr. Smythe) Could you estimate the royalties that would be generated by a year's operation of this thing in full blast; consuming one hundred acres of high-grade land a year?

(Mr. Dowling) I was told this morning that it could run as high as two-hundred thousand dollars (\$200,000).



(Mr. Smythe) Wouldn't that enable them at no expense whatsoever to retain all the land in both counties under their leases and keep anybody else from operating for the next thirty years?

(Mr. Dowling) I don't know how much land there is in here. We estimated three-hundred thousand (300,000) acres and I certainly don't think that the contemplation of this lease of the Budget and Control Board is going to be tricked into a position like that.

(Mr. Smythe) At twenty-five cents (25¢) an acre, suppose it was four-hundred thousand (400,000) acres, that would be one-hundred thousand dollars (\$100,000). So your operation in royalties would generate more than enough money to the State to hold the entire area at no added expense to Pine Hall-Pomona.

(Mr. Boren) The State gets two-hundred thousand dollars (\$200,000) a year from us, we are not going to put out another one-hundred thousand dollars (\$100,000) for additional royalties.

(Mr. Smythe) As I understood Mr. Johnson's statement, the royalty generated from a mining operation in one area would be applied to the twenty-five cents (25¢) minimum holding cost for the entire amount of acreage held. Therefore, if you contemplate mining per year to generate \$100,000 in royalties, you will automatically be paying the State enough money to reserve every acre of marsh and tidelands as estimated in the two counties and no other operator would have a chance to come in there during the period of your lease, even to talk to the State about it.

(Mr. Johnson) I think that would be correct for the State-owned marshlands area. If the royalties generated by the actual mining were enough to be the equivalent of 25¢ an acre for all the marshland, I think that would be correct. They could hold it.

(Mr. Dowling) If this fellow is doing a good job, I don't think the State would want to have anybody in there competing with him anyway. The idea is not to put him down there and have competition. The idea is if he's doing a good job and doing a good job for the State and for the community is to keep him happy.

(Mr. Battey) Isn't this proposed lease with the State more favorable than any lease entered in with any individual landowners?

(Mr. Dowling) We've got the leases with the private landowners; some of them are recorded and I'll be glad to give you a copy. I think every conceivable thing that's in the State lease is also in the private leases. There's a minimum payment, it's not in this lease, but will be and has already been put into Mr. McLeod's copy, of the \$250 per acre which was in the private leases and I don't know of anything other than I think a \$100 payment or something that's paid to private individuals for signing the lease. I don't believe there are any other provisions which are any more favorable.

(Mr. Battey) Aren't there two provisions; number one in the individual leases that there are no great periods of a year or two before any payments are made and also there is no provision whereas Pine Hall-Pomona could credit this 25¢ per acre for marshland back against future royalties and also this 25¢ per acre is as high as a \$1.00 per acre for individual landowners for rental. It looks like that this proposed lease is much more favorable to Pine-Hall-Pomona than the one I have that was negotiated with an individual.

(Mr. Dowling) The only thing I see in the individual's lease, that is the ones on record now, it says: "After one year, there is no payment to be made during the first year on these individual leases. If no mining operations are being conducted on any part of the property covered hereby, or if after commencing mining operations, the same are discontinued for a period of one year, the Lessee agrees to pay annually to the Lessor a sum equal to \$1.00 per acre for highland and 25¢ per acre for marshland covered hereby until such time as this Lease is terminated or mining operations are resumed or begun." In other words, if there are any mining operations being conducted, they don't get anything; but if they're not, they pay a 25¢ on the marshland and \$1.00 on the highlands for holding it, after the first year, but nothing during the first year.

(Mr. McLeod) I had a note here I forgot to ask you. You may have answered a part of it a moment ago. Are these leases to private landowners recorded?

(Mr. Dowling) So far only one has been recorded. There's another one ready to go to the Records Office.

(Mr. McLeod) How many have you executed?

(Mr. Dowling) Two.

(Mr. McLeod) Only two?

(Mr. Dowling) Yes sir. With two people and we are negotiating with several others, but we haven't determined the exact area. We've got aerial photographs and we are agreeing on areas.

(Mr. McLeod) Can you furnish us with copies of the lease agreements that you've entered into with private landowners?

(Mr. Dowling) Yes sir. I'll give you one right now.

(Mr. McLeod) All right, sir.

(Mr. Battey) There are several other leases in Jasper County. I believe the two you referred to are in Beaufort County. There are several other leases in Jasper County and I believe the practice was to record the leases but not to record the supplemental agreement that provided for the amount of payment. I believe in every instance there was an initial payment made per year for the execution of the leases. Now this varied on the amount of the property. Also there is no provision that 25¢ per acre for marshlands or \$1.00 per acre for highlands would be credited against any future royalties.

(Mr. Dowling) I am not familiar with the Jasper leases. I can't speak on that.

(Mr. Boren) All of the Jasper County leases with the exception of Mr. Rankin's was for bentonite; however, any mineral was included. Phosphate was not spelled out.

All the leases that we are executing now and any renewal of leases, and I'll state this right now, will go right on the State lease with it. That's for the record.

(Mr. McLeod) Is there any supplemental agreement that is not recorded?

(Mr. Boren) Bentonite leases with Sid Newlin, yes.

(Mr. McLeod) No others?

(Mr. Boren) No sir, I don't think there are any others. Now, Mr. Rankin's lease had a supplementary agreement to it....I don't know for sure, did it?

(Mr. Dowling) Yes sir.

(Mr. Boren) Originally, Mr. Rankin, Mr. Clark, Mr. Padgett, any of them, they're all the same practically. We're just talking about peanuts here if you want to know the truth about it.

(Mr. Dowling) Originally, when Mr. Newlin set up these leases in Jasper County he adopted a practice which was followed by the oil companies on leasing oil property since he has been in some of their business, and the sand mine people are making up a lease and recording a memorandum on it so that you couldn't compute what they had written. In Beaufort County we have one formal lease; we are recording the whole thing and we are recording with the leases an aerial photograph on which the areas covered by the lease are delineated, signed by the people and made a matter of public record. This is a copy of the photograph that was attached to the lease that has been recorded from Sumner Pingree, Jr. on Huspa and parts of \_\_\_\_\_ Island Plantation. This is exactly what was recorded along with the other leases on the other.....(inaudible)

(Mr. McLeod) Anything further from Mr. Dowling?



(Mr. Gary Bright) I'm Gary Bright, an attorney, and I represent numerous landowners in Jasper County. I am confused as to the terminology. It is my understanding that it was the duty of this corporation to more or less clear the title to any marsh lands, whereas Mr. McLeod, our Attorney-General, stated that this means only the state was not guaranteeing title to them.

(Unidentified) Now that is not my construction as to what Mr. Dowling said. I want to know what is right, there's a difference there.

(Mr. Dowling) The way I understand this thing is in the law, the law stipulates that the Lessee could not take possession if there be an adverse claim and the burden of proving ownership in the State shall be placed upon the Lessee or Licensee. Now my idea of that and what we've got in the lease in purely this - in the event that when it's finally determined what areas he wants to hold onto this lease, and you have a claimant that feels that he owns this marshland, then I think right at that time when this is published, it will be maps and everything, recorded and furnished to the State. If you'd write the state and Mr. Boren and tell him that so and so is claiming the marshlands delineated as follows and Boren would go to his representatives in Jasper County and ask them what they thought of it, or if you came to Beaufort County to me and I said well, Bill I feel like this fellow has a pretty strong claim; I think then he's got one of two things to do - he's got to decide if he wants to contest this claim if the man has put up or if he wants to just eliminate mining there. Now certainly if he is going to go in and negotiate with this man on this, then the State would be able to come in and say, well, he claims he owns it but don't you pay him that royalty because we claim the State owns it. Now I think that Bill Boren has a duty then to either clear it up or don't mine. I don't think that he is going to be forced under this lease to have to go and take that fellow to court. I think if he just said well, I'll just eliminate that one hundred or two hundred acres and I won't mine. I don't think the State means that he's going to have to bring a law suit on this fellow to determine it. I don't think you're going to get any free legal services on it. I hope not.

(Mr. Smythe) If he does bring a lawsuit and is unsuccessful and the landowner proves his title in a court as against Mr. Boren, they still won't bar the state, and the State still won't have lost his claim and the private landowner still would not have a good title because the State can still be free to claim that they own it. Is that correct?

(Mr. Dowling) I think that at that time though, the State should come in and ask to be made a party to the case. He's already told me that he wanted to have some lawsuits on them. I'll try to get a tidelands bill first and then have some lawsuits.

(Mr. McEachern) Are there any other questions for Mr. Dowling? Do you have a further statement, Mr. Dowling?

(Mr. Dowling) Yes sir. We have several proponents of this and I would like to introduce them to you at this time: Our Senator, the Honorable James M. Waddell of Beaufort County. Would you have something to say, please sir?

(Sen. Waddell) I'm James M. Waddell, Jr., Senator from Beaufort County: From the testimony that has come forth in the leases or the terms of the lease it looks to me that there are adequate safeguards in the lease so that the utilization of this natural resource could be done and at the same time be compatible with the various economic factors now in our county, such as our wildlife, our shell fish, our fin fish and our tourist trade. I think that Beaufort County desperately needs this employment; we desperately need a source of revenue from taxes and I feel that this would be a jump into a better County in which to live. We all search for new revenue, not only for new jobs but new revenue to lift the burden from our private landowners and private homeowners and certainly one of the best methods of doing this is through the development of natural resources of this nature. I have heard nothing brought forth here that would indicate that the State and the citizens of the State and the citizens of Beaufort County would be safeguarded against any pollution. The streams that they are talking about are graded by the State Pollution Board and are classified Class A streams. We have been through this; I think that we went through this several years ago when an industry wanted to come in and the State Pollution Board would not waver the pollution. The classification of that stream stayed as a Class A stream and this industry could not locate in our particular area due to the fact that there was a



(Sen. Waddell cont.) possibility of their polluting or causing contamination to the shell fish industry. If my understanding of this lease is correct, it provides that the operators or the holders of this lease will abide by the Pollution Control as set up by the State. If my understanding of this lease is also correct, it states in there that this property would be restored in a suitable manner as set forth by the State. Am I not correct in the last paragraph?

(Mr. Johnson) The lease has a paragraph that says at the end of any mining or any withdraw l, the ground will be restored as much as is practical and as well as it can be so there will not be anything dangerous or unsanitary or unsightly there within the powers of the company in a practical way to restore it. You cannot spell out exactly what that would mean so I suppose people who wanted to do so could argue about whether or not this would be done to satisfy everybody, but the lease does call for a restoration of the grounds so there will not be anything dangerous, unsanitary or unsightly when the mining has moved on.

(Mr. McEachern) To get into the record; a discussion was held with Mr. Jim Webb, head of the Wildlife and a discussion was held with Dr. Lunz about these two paragraphs. One is the protection of wildlife during the mining operation and Dr. Lunz has raised a question about the paragraph that you refer to, Mr. Smythe, about how the area will be left upon completion and release and it is my understanding that further discussions will take place between these two state officials, Mr. Boren and his attorney and the Attorney General about clarifying those paragraphs to some degree. After lunch today, they will go over those paragraphs and try to spell out those paragraphs in more detail.

(Sen. Waddell) As I said, I am not the expert on it, but I do believe that the people of our county and the people of our State would be adequately safeguarded by our Attorney General's office and the Budget and Control Board, and I think that this would certainly be taking advantage of the natural resource; I've heard it every since I have been in Beaufort County that God has given us a lot of things and we ought to take advantage of them. Here's one of them and we certainly should and it certainly does not seem like it would work a detriment to our existing economy at this time. Thank you very much, sir.

(Mr. Dowling) Thank you, Senator Waddell. Now we will all hear from Senator Walker from Jasper County. Senator Walker.

(Senator Walker) Mr. Dowling and gentlemen, I have an interest in this, not a pecuniary one. Back some years ago I had an occasion to go into a study of this matter with the officials of Pine-Hall Pomona. I was asked, along with others, to correct a law whereby somebody could come in and make it worth their while to do this mining for phosphate. We attempted to, and we did, amend the old law and we had quite a little bit of difficulty because some of the same questions came up that are coming up now - about our shell fish, our fin fish and a pollution of the waters. We got together and we worked out what we thought was a good plan. The area had to come back and feeling and being told that this matter would necessitate a large amount of money and capital stock or equipment and stuff, a plant rather, and that the lease was not long enough, no one could afford to come into that business in Jasper County until with that term of lease. During all that time I was working for the interest of Jasper County and the employment of its citizens, you might note that Jasper County is one of the smaller counties of this State and that we have no industry to amount to anything except woods, pulp wood, timber and some small farming. Now two little plants have come in that provide some employment to just a few people. We have people in our county that need work; the economy of our county is not like the economy of some of the counties in the upper part of the State where the industries have been pouring in and making it almost impossible to find living spaces in the upper counties in this State. We have ample space; we have this natural resource which we feel, and I have been convinced and I hope you have, that this will not hurt the recreational purposes of the people in these two counties or tourists who come to that area for recreation. I don't think that it will, and this morning I'm sure the Budget and Control Board, I haven't read the lease in particular, but from my observations of that lease that will be taken care of for the people and I see nothing wrong with it. I am earnestly pleading that our people be given a chance to do some work. Like Sen. Waddell said, we need more taxable property on our books in Jasper County. This will provide that. We're not fortunate like those other counties with million dollar buildings and things like that to put on your tax books. The railroads have even

(Sen. Walker cont.) been taking up the tracks which has been decreasing the amount. We need those things and I'm convinced that it does not hurt the recreational purposes and the industries now existing in oysters, shrimp and fish that we have down there.

(Mr. Dowling) Thank you, Senator. I'd like to call on Mr. Ed Pike who is chairman of the Beaufort County Development Commission.

(Mr. Pike) Thank you. As chairman of the Beaufort County Development Commission our mission is four-fold: We are to make every effort to develop Port Royal as a port, we are to attract tourists and retirees to our area and we are to endeavor to attract compatible industry to Beaufort County. We are very proud of the fact that we do have a number of fine retirees in Beaufort and our tourism is on the increase. We've had great difficulty in developing any shipping at Port Royal. We go to the State Ports Authority and they say, well, you need to get some industry in Beaufort. We go to the industrialists and they say, well, you need to get some shipping in Beaufort. So which comes first - the chicken or the egg? Here we have an opportunity through Pine-Hall Pomona and a great entrepreneurship which they have exhibited in coming in and spending over a half million dollars already and will spend a great deal more money to develop an industry from one of our natural resources which will not only provide a large plant, as we understand it, but also substantial shipping through Port Royal. Pine Hall-Pomona has convinced our Board that there will be no adverse effect on the fishing, shell fish or any other of our other natural resources which we have. As Senator Waddell mentioned we have turned down a rather large industry some two years ago because it was not determined if they would pollute the stream but they could not convince us that they would not pollute the stream, and there have been other industries that we did not pursue for this reason. And I, like Sen. Walker, am not asking, we employ that the State give favorable consideration to this request. Beaufort County is an ARA depressed area. We recently lost one of the two industries which we have had that provided a substantial amount of employment. They were employing almost four-hundred people. We do need employment, we need it desperately and we have good people that need work. I thank you for your time.

(Mr. Carl Anderson) I am Carl Anderson, a member of the Beaufort County Board of Directors and as the other gentleman before me stated we are desperately in need of the employment and I feel sure that the concern that is requesting the franchise or the lease for the use of our marshlands and to manufacture or dig out the product, would keep their agreement and I want to say this to Mr. McLeod, who has thoroughly questioned the lease or what Mr. Dowling has presented to you, and I think that Beaufort County is not asking for it, we are begging for it.

(Mr. Dowling) One other person I would like for you to hear from is Eldridge Moody who is president of the Bank of Beaufort and president of the Beaufort County Chamber of Commerce.

(Mr. Moody) Mr. McLeod, Mr. Dowling and gentlemen, I represent the Beaufort County Chamber of Commerce. Our mission is two-fold: to coordinate the activities of business and the residents of our area in such a manner as it will be a good place in which to live and to rear our children. To this end we dedicate the Chamber of Commerce and its activities. I think the question here this morning is not so much the concern of individual property owners who will be involved in negotiating their own personal leases, either personally or through their employed representatives - their attorneys, but the question is protection of State properties, the marshlands which there is a good bit of question about who has title to. I think that if you will investigate the company that has invested some half-million dollars to date and are prepared to spend more money on exploratory investigation of phosphate in Beaufort and Jasper Counties, you will find that these gentlemen and this company are very reputable; they are gentlemen of integrity and high morals and character. So dealing with a firm with this sort of background, I don't think we need to be concerned with about what the State will do about protecting the interests of the State in Beaufort or any other tidelands area. It sounds to me like this lease is covering this properly and I know if I were investing my own personal money, there would be some reservations that I would make about restoring or preservation. I think that what I've heard this morning indicates to me that this is a lease that should be



(Mr. Moody cont.) negotiated, one that we should all endorse and support and welcome this company in our state. We appropriated, and I don't know what the appropriation is for our State Development Board but I'm sure it's a quarter of a million dollars or more, asking them to go out and solicit industry to bring into this State. Here is an industry coming into our State without any gratus or any handouts and spending their own money. The State Development Board has encouraged them, but they haven't made any specialist available on the State's payroll or anything else. Let's continue to encourage this company to explore and, one of these days, to build a plant in Beaufort County that will enable Beaufort to employ it's native sons, to contribute to taxable properties on the books, thereby keeping my taxes as an individual homeowner down or at the present level and help us to help our county through enlarging and expanding this economy.

(Mr. Dowling) Thank you, Mr. Moody. One thing-I think Mr. Moody probably doesn't want to leave any misconceptions as to what he said-is that the state has furnished the services of the State Geologist and Mr. Johnson has spent considerable time working with these people along with other industrial prospects and he's been of great assistance and I think his salary is still paid from the State. Another thing I'd like to have in the record is that we've received telegrams this morning from Mr. and Mrs. B. H. Fleming down in Ridgeland asking the State Auditor's Office to please give favorable consideration to this request, also from James W. Synott, president of station W. B. U. G. in Ridgeland and a telegram from F. W. Scheper, the mayor of the city of Beaufort which says "The city of Beaufort would like to state its concurrence with a request by Pine-Hall Pomona Company for the extension of its lease. The potential involved in the long-term economic gain for our area certainly merits the attention of this hearing board." Gentlemen, this concludes it unless some of you have - oh, let me say this. We have here Mr. Barr who is a consulting mining engineer; we have Mr. Hunter who is a geologist, Mr. Chappell, who is a geologist and Mr. Boren who is president of this company. I'm sure if any of you need any specific information they are here now, or if you want to see them later they're here and will be here all afternoon.

(Mr. Smythe) Would you give me an estimated figure of royalties of a full year's mining operation?

(Mr. Boren) Approximately seventy-five to two-hundred thousand dollars a year paid to the State and/or individual property owners.

(Mr. Barr) My name is James Barr, Jr. and between my father and I, we have almost as many years of experience in the phosphate industry as there are years of phosphate industry. The phosphate industry in the United States started in South Carolina in 1867. My father and I have ninety years of experience between us. As Assistant Director of the Atomic Energy Commission, I had charge of all the phosphate-uranium program including Texas, in Illinois where they had a plant and out in the west and in Florida. As Assistant Director in the Atomic Energy Commission I was well trained not only in the technology involved but also was made well aware of my duty to protect public interests. The mining method started out in South Carolina in wheelbarrows, buckets, shovels and picks and they literally put the phosphate on wagons and took it off and acidulated it into phosphatic fertilizer. Then the men who had developed the phosphatic industry in Florida migrated from South Carolina to Florida and they also migrated to my home area in middle Tennessee around Mt. Pleasant, which at that time was the budding location where Virginia-Carolina Chemical was developing phosphate deposits outside of the Carolinas. The methods then used were almost the same as the old methods in Florida, dredging out boulders from the river, called river pebbles. In Tennessee we went down in between the residual limestone with pick and shovel and with the old method of just knocking the clay out and the plate rock, as it was called, piled up and underneath that they had the wood that dried the rock and then it was sent to the fertilizer operation. So it started out with a very primitive method of mining, but today we have changed a great deal. In the early days, the '30's, we did what was called hydraulic mining in Florida using large monitors. We removed the overburden, left the monitor actually digging with high pressure water and that was pumped to another area of land which was not very valuable. We also hydraulically mined the matrix and that was pumped to a central location where the plants are going to wash out the clays and we removed the silica sand and made a final phosphate concentrate. Today we have changed from the hydraulic method because in many of the hurricane periods I was there we lost men,

(Mr. Barr cont.) we lost equipment by having all of our heavy equipment down inside of the pit. So today we use large drag lines, some of which we'll say started out at maybe three-quarters (3/4) of one yard per cycle and today they're using them up to thirty-six cubic yards per cycle and in North Carolina they're using sixty-nine cubic yards and the larger drag lines which are being considered today will operate in other areas with up to one hundred twenty cubic yards per cycle. So we are changing our methods and all of the procedures are cognizant of the public. Today any of the properties which have been mined out around Lakeland, Florida, are valuable property for homeowners and they have been beautifully landscaped. They have water inbetween the areas which have been built up and I haven't heard very many complaints around Lakeland, Florida, concerning the new rehabilitation program which is a part of every program of each company in the area. There are always people who wish to have a little bit more and so there are some complaints now and then but I think all in all the industry has done a marvelous job of planning for the future because certainly they're not making any money today on what they are building in rehabilitation of the land. In time, of course, the land does become worthy of construction of homes and then at that time they do reclaim some of their costs. Now the method of mining is with a large drag line and these drag lines cost in the vicinity of two and one half-million dollars, a minimum. In Florida and North Carolina they are spending up to six-million dollars for drag lines for one mining operation. If they had used dredges, those dredges would have cost eleven million dollars so it is in the favor of the drag lines to remove not all of the overburden but to mine the matrix. The overburden which is the essentially clay and sand laid down by oceans millions of years ago, is removed to get to the matrix underneath. The overburden to matrix ratio is all-important to the economics of mining and to the economics of concentration, so we look for a low ratio. In the area where we are considering mining, the ratio is essentially one to one overburden to matrix or two to one. This is generally the ratio which is considered in Florida and North Carolina. Two to one in North Carolina or one and one-half to two and one-half in Florida. Now as you mine the matrix, it is mined also by the drag lines in the old days we used two drag lines, one for overburden and one for matrix, but today the drag lines are so large that they can be used for the same location in removing not only the overburden but also in mining the matrix underneath and keeping up with the operations which mine some one and one-half million to two and one-half million tons per year which means that they must mine roughly twenty-five million tons per year because of the overburden and the other materials. The matrix after it is mined by the drag line is cast into a slurring pit which has on the side large monitors with water pressure at 200 pounds per square inch. That disintegrates the clay and the sand and the phosphate into a slurry of about 30 to 40 per cent solids. The practice is to transfer this slurried matrix to a central location, a central concentration plant, where the clay is removed and the sand and the phosphate is transferred to either a washer to remove the coarser phosphate pebble and then the material which has had the coarse pebble removed is taken over to a concentrator which is generally called the floatation plant. The phosphate is removed from the silica or the sand and then after that the silica which is residual is removed from the phosphate. So this is a general procedure for the digging and transportation of the phosphatic material. As far as the waste materials, the practice is to impound all of the waste material in large areas so that the water is clarified before it is ever returned to the plant. Now the public has it's interest in clean water but the economics of the concentrator depends very highly on whether or not the water comes back through the plant in a usable, clean condition. Any suspended material or any chemical content would wreck the plant as far as the concentration procedures are concerned. The economics of the entire operation depends on the re-circulation of the water. Therefore, in Florida where we have some ten to twelve operations producing some eighteen-million tons of phosphatic products, which require some one hundred twenty million tons of mining of materials. We have one river called the Peace River and all my life I have lived around the Peace River and know that it is subject to all water cycles and yet the State Board of Health has made a very definite statement. One, that phosphatic materials in the phosphate area are not considered pollution. Secondly, that the river where all of the water returns from the phosphate operation to the Peace River; at all the locations the water is considered up to all standards of the State Board of Health. So I think that the industry is quite aware of it's responsibilities and certainly it is aware of the fact that it must make money in order to pay for the labor, the wages and the taxes that go to the states. Does anyone have any questions.



(Mr. McLeod) I'd like to ask you this; I'm not familiar with the terms you use. Is the overburden the depth of the land down to the full bearing strata?

(Mr. Barr) That is correct.

(Mr. McLeod) What is the general depth of it in the area of Beaufort County? Can you tell me?

(Mr. Barr) Up to three to five feet in one area and in another area it will go deeper than that, won't it, Charlie? Charlie Hunter knows these figures far better than I do.

(Mr. Hunter) In some areas the overburden is only a few feet, as much as five feet, and in other areas it could get progressively deeper and may go as deep as 30 or 40 feet.

(Mr. McLeod) The average would be about what?

(Mr. Hunter) It would be very difficult to average because it's different conditions and different locations.

(Mr. McLeod) That is what Mr. Barr referred to as waste material?

(Mr. Hunter) That is what sets on top of the phosphate beds, the overburden, and you have to take it off to get to the phosphate. You put it right back into the marshes.

(Mr. McLeod) You put it right back in the marshes. Do you pile it up? Do you impound it as Mr. Barr indicated?

(Mr. Hunter) It's just inside of the dyke.

(Mr. McLeod) That's another point I want to raise. Do you dyke around the area where you are operating?

(Mr. Hunter) Yes sir, before you start mining.

(Mr. McLeod) Do you make provision for the disposition of the water that you use to disintegrate the material that you have in these pits?

(Mr. Hunter) The dyke is built ahead of time and then the water is pumped out. What's in there is cut down, the clay which sets up on top of the matrix and then you mine it dry. And you bring water into this pump to pump it to the plant.

(Mr. McLeod) The dyking is not provided for in this lease, I don't believe, unless it comes within the general conservation practices.

(Mr. Hunter) It has to be absolutely necessary before he can mine it.

(Mr. McEachern) Is the dyke made from overburden?

(Mr. Hunter) The dyke is made from overburden and some of the underlying clay to make it impervious.

(Mr. McLeod) Mr. Barr, let me ask you this: You are working - have worked - in Lakeland, Florida?

(Mr. Barr) Yes sir; I live there now.

(Mr. McLeod) Have you had any operations undertaken there?

(Mr. Barr) Yes sir.

(Mr. McLeod) How recently?

(Mr. Barr) Operations in Florida have been carried on since about 1907, I believe.

(Mr. McLeod) Are they operating down there now?



(Mr. Barr) Yes sir. It's the heart of the entire phosphate industry.

(Mr. McLeod) In Lakeland, Florida?

(Mr. Barr) In Lakeland, Bartow, Mulberry and communities surrounding that triangle.

(Mr. McLeod) What about North Carolina? Are you operating up there now? What I'm trying to do is to find comparable areas where you have operated in the manner you propose to operate in marshlands in other states.

(Mr. Barr) There have been no operations of salt-water tidelands.

(Mr. McLeod) In any state?

(Mr. Barr) In any state.

(Mr. McLeod) What about Florida? Was that not in a marshland?

(Mr. Barr) No sir, it's in the heart of Florida, right in the middle, in all fresh water area.

(Mr. McLeod) Do you know of any area where marshlands have been mined in the manner you propose to mine?

(Mr. Barr) Indonesia, on the North African coast.

(Mr. McLeod) You're not aware of any marshland in any other area up and down the seacoast or on the Gulf Coast or on the West Coast?

(Mr. Barr) Not for phosphate.

(Mr. McEachern) Is there any comparable mining of other materials?

(Mr. Barr) I believe that in some of the original South Carolina mining it was awfully close to the tidelands. It was right on the rivers.

(Mr. McLeod) Let me ask you this: How about in the beds of rivers?

(Mr. Barr) Yes sir. In Florida we had original river pebble. That's the way it was found.

(Mr. McLeod) This covers navigable streams also, this proposed lease?

(Mr. Barr) In North Carolina they have leases on rivers, and I doubt if they will be dredged. But, on the other hand, there is phosphate under those rivers.

(Mr. McLeod) All right, sir. Let me ask you this: What percentage of the land encompassed in the lease in Jasper and Beaufort Counties would you estimate - if you can estimate - would be eventually utilized and retained for mining purposes?

(Mr. Barr) I can only go by experience, and the normal acreage required by almost any successful phosphate operator today would certainly be no less than 10,000, and most of the new operators are requiring as high as 30,000.

(Mr. McLeod) Can you estimate what percentage of the lands in that area you would feel worth while for you to retain within your lease and eventually go into mining operations on?

(Mr. Barr) Are you speaking of the State's marshlands?

(Mr. McLeod) Yes sir.

(Mr. Barr) We have not quite completed our drill program, but I would say offhand that we would need from 20,000 to 30,000 acres of marshland.

(Mr. McLeod) In those two counties?

(Mr. Barr) In those two counties. That's just a guess at this time. This is almost essential to support a long-time operation which in Florida one complex was \$100,000,000. We are paying \$120,000,000 complex in North Carolina right now.

(Mr. McLeod) Let me ask you this: What's the reason for not having bored enough since 1957 to ascertain exactly what you want and how much you want?

(Mr. Barr) Pine Hall-Pomona came into this, as I recall, about two years ago. There was another company there before, and we hold money indenture for approximately two years or a little more.

(Mr. McLeod) Is that about time enough reasonably for you to explore the area?

(Mr. Barr) To do exploring out on the marsh is a very difficult thing to do. Tide waits for no man and he has to time everything with tide and the weather. It's a slow, costly process. We have been active. We've had several periods of drilling, sampling. We work up samples and determine where we should drill next. So it's all taking time. If all of the drillings had been on land, they could have moved much faster. But they moved around on barge with a big drill; you can see how difficult it would be.

(Mr. McLeod) All right, sir. Is there anything further?

(Mr. McEachern) Mr. Smythe had a question about the depth of the matrix.

(Mr. Smythe) He told us that the overburden was 3 to 30 feet or something like that. I wondered what the depth of the matrix was.

(Mr. Barr) It would run essentially the same.

(Mr. Pope) You say that 20,000 or 30,000 acres will eventually be involved. Do you have any kind of map that could show us where you will be mining - where your operation will be carried on mainly in these two counties.

(Mr. Barr) The rivers will be the Coosawhatchie, Pocotaligo (lower end of it), edge of the Broad, Whale Branch, Coosaw and Huspa's Creek, both sides of Huspa's Creek and possibly more.

(Rudolph McCormack) I am not representing my State. I'm with the State Board of Health, but the State Board of Health was not informed of what was going on. As a result of that, they are not here. But I am here as a private citizen because I am concerned about the pollution and the preservation of the wildlife and fish. I have discussed this with Dr. Lunz, and in his opinion, to strip mine the marshland would do irreparable damage. I am wondering with these folks here - they say they have never had any experience in tidelands before - how do they know that their waste from these impounded ponds they have are not going to pollute our oyster beds? The area you are talking about now is virgin water. We have zero counts from Broad River Bridge to the mouth of Broad River and I am wondering if when you start dredging in our oyster beds are we going to get f.p.n. counts over 70 which would close all the oyster beds? These are the best oyster beds we have in the State. I am speaking for the oyster industry. I don't know if they are here. I am speaking as a private citizen of Jasper County and not for the State Board of Health because we were not informed of this meeting. I'd like to say in behalf of myself and my friends to Mr. Waddell and I appreciate their feelings about this and I think they are very fine citizens and I think they should be commended for trying to improve our economics, but I just wondered if we are going to be faced with this pollution problem. This is the thing I am worried about. Are we going to destroy one industry to create another?

(Mr. McEachern) Mr. Barr, I believe you have already talked on the point of pollution. I don't know whether it needs further amplification.

(Mr. Barr) The interim report from the State Board of Health in Florida is right back there, and I think that can speak for itself.

(Mr. Smythe) Was that report dealing only with fresh water operations?

(Mr. Barr) Yes sir.

(Mr. Smythe) What number of companies are there in this business? How many are there doing this type of operation in America?

(Mr. Barr) In Florida there are listed some fourteen. There are probably ten more attempting to get into Florida. Now there is one in North Carolina currently moving into a three million ton per year operation with plans for a six million tons per year. The area of my home state, Tennessee, has one in Mt. Pleasant and we have four or five in Columbia. Out west they are essentially all dry mining the phosphatic shells out there so they are not comparable. However, the third largest reserve in the United States is Florida now, with North Carolina being second and the western states being first. However, the economics are just in reverse. The most economic area is Florida. The second one is really a question of how you define economics because the methods are changing to a point where North Carolina may be more economic in their new methods of utilizing phosphatic materials, but for long-range, Utah, Wyoming and Idaho and a couple of other states out there will be there long after these deposits are mined out. However, a few million tons deposit in North Carolina is a very small deposit.

(Mr. McLeod) Where is the operation located in North Carolina?

(Mr. Barr) Right across the river from Little Washington, North Carolina, in the vicinity of Aurora and technically called for operations on Lee Creek directly across from Bath.

(Mr. McLeod) Is that near Little Washington?

(Mr. Barr) It's southeast of Little Washington, across the river.

(Mr. Smythe) Are those operations in North Carolina also in fresh water or are they in salt water?

(Mr. Barr) They are in brackish water. They are not fresh water.

(Mr. McEachern) Mr. Webb has a question for Mr. Barr.

(Mr. Webb) You described your operations in Florida and North Carolina and other states where it has been largely inland. You said that you have no operations in the marshes. What difference would there be in the operation of the marshes and on upland, and how deep in the water would you go in the operations to provide for the operating mine?

(Mr. Barr) The operations in the tidelands would be of the same procedure as used in Florida or any other area where we have water transportation for the matrix and also a dragline method of mining. In this operation here, in the tidelands, we would probably go down in the vicinity of 10 feet in one area and we might go down to 50 or 60 feet in another area.

(Mr. Webb) I wasn't referring to the depth in the marsh. You go out there into the ocean into three or four or five feet of water - where?

(Mr. Barr) I would say just as near the firm ground as we can because we have roughly two and one-half million dollars worth of equipment riding on hard material. We cannot make it stand on soft material or mud. It must be firm because these draglines will weigh two and one half million pounds, sitting on a tub, crawling along like a turtle.

(Mr. Webb) I thought the drag line would be in the marshes.

(Mr. Barr) No sir, they are too large. We'd have to have a ship to hold it. We'd go to a dredge rather than to do that.

(Mr. Glenn) My name is E. C. Glenn and I'm a private citizen of Beaufort County.



(Mr. Glenn) I traveled the central portion of Florida that you referred to and called on and endeavored to sell oil to the phosphate mines down there, and unless there have been some radical changes since my day down there, would you say that they left an unsightly pile of overburden, holes all over the ground and unusable land when they departed?

(Mr. Barr) I think it's well known that the history of the mining industry has on occasion been less than enviable. But the old operations where they washed down the side of the mountains in California and other places of mined gold, they washed the land off of the mountains down into the lowland, and they complained. In Florida and my home state of Tennessee in the early days the phosphate mines were just barely making it sometimes. If they made 10 cents a ton, my father used to tell me, or 25 cents a ton, they thought they were getting rich. So they couldn't afford to restore the land - not that they weren't fishermen just like you and I. But there was a question a question of the economics of the mine. Now the cognizance of public interest and the legal departments of the State have **pressured** them and asked them and legislated to the point where every company in the phosphate industry today is a part of a restoration program. I thought I would say that although Florida, back in the early days when I was just starting, was certainly a rather desolate-looking area, but then these desolate portions of Florida were planted with pine trees by the Boy Scouts, and it has been leveled off by bulldozers and made into valuable land in many of the areas. Some of the old area still lies barren as it was, but today there is not a single mining company which isn't participating in the program of the State Board of Health for pollution problems and also with the other departments of the State to reclaim land for long-term use for its citizens.

(Mr. McEachern) There's another gentleman here who has not been heard from. Do you have a question, sir?

(Mr. Hewlett) My name is Hewlett. I have some questions I would like to ask this gentleman and I also would like to have the opportunity to make a statement at the proper time if I may. Mr. Barr, in this mining operation what chemicals do you employ?

(Mr. Barr) One of the products is a fine product of the State of South Carolina - pine oil. That is one. The second one we use is a chemical which is made also from pine oil and tallow which is called the reverse soap (?)

(Mr. Hewlett) Do you do that in order to get sedimentation?

(Mr. Barr) No sir. We get that in order to rack phosphate up and away from the silica sands and in one instance it takes the silica sands away from the phosphate.

(Mr. Hewlett) And how do you dispose of those chemicals?

(Mr. Barr) They stay on the phosphate.

(Mr. Hewlett) None go out with the water?

(Mr. Barr) I have had quite a bit of work with the citrus industry, so I am not sure that I can answer that question. There are, I am sure, some chemicals which go into the water; however, these are all priority gradeable products. Therefore, I doubt that any of them get back in the streams during the time we hold them in the area.

(Mr. Hewlett) I think there might be one very great concern other than mucking up the landscape. We might do very serious harm in some of the oyster beds in the form of silt, in the form of chemicals which may go back into them. There's another thing that bothers me a little bit. You talk rather glibly about slurring this stuff and pumping it away and getting rid of it. What do you do with it? Do you plan to process it here? Are you going to acidify it here? Are you going to put up a sulfuric acid fire with the general obnoxious atmospheric and water pollution problems?

(Mr. Barr) Our plans at the moment are related to mining, I believe.

(Mr. Hewlett) But if you mine, you've got to do something with it.



(Mr. Barr) Yes sir. But the mining operator also has to sell his products, and as far as I know right now, we are also planning to find our customers and they will do the acidulating. They have the sulfuric acid. But that doesn't preclude the fact that we are interested in a facility - yes. I don't think that sulfuric acid plants as they are used in Florida today are necessarily obnoxious because the State Board of Health requires that the mist be controlled and that the losses are controlled. With the price of sulphur, no one wants to lose  $SO_2$ . In the old contact plants which were used in South Carolina, the efficiency was very low, and I would say that they could be obnoxious.

(Mr. Hewlett) Some of the modern plants today can be obnoxious; I guarantee you.

(Mr. Barr) But the controls today are such that the companies are injunctioned by the State Board of Health if they don't conform to what the State Board wants.

(Mr. McEachern) Are there further questions of Mr. Dowling, Mr. Barr or representatives of Pine Hall-Pomona? If not, then I would come at this point to call for statements from those who have not yet made statements. I believe it would be in order for us perhaps first of all to call on the representatives of the State agency most affected by this, and that would be the South Carolina Wildlife Resources Commission, both the Game Department and the Commercial Fisheries Department. I will call first on Mr. Jim Webb who is head of the Commission.

(Mr. Webb) I appreciate the opportunity to be able to make a statement here today. I did have a meeting with Mr. Dowling and Mr. McEachern in my office several days ago. At that time they asked me to prepare a statement for presentation to them in writing, which I have not done, but I will do that and present it officially to you at the time pointing out our special interest. We are very vitally concerned with the marshlands of the State. It supports our wildlife, large amounts of wildlife, particularly in game, water fowl, marsh hens and all of our shore birds and other wildlife breeding in that area. The thing that we are first concerned with is the destruction of that marsh which is the basis of our wildlife in that area. In addition to the birds, we have fur-bearing animals that use the area to considerable extent, and we, of course, do not wish to see the marshlands of the State destroyed, a major portion of them at least. If it is operated, we want to take safeguards in protecting that part which is not being operated. Dr. Lunz is the Director of Commercial Fisheries and I'm director of the Division of Game. He has, of course, a little more direct interest probably than I do because it does affect all of the marine life. Of course I am interested in that too because I do like the shell fish and the other fisheries of that area. Being in the Wildlife Department, we have interests and have worked together in the preservation of both our wildlife and marine life of that area. We will have, as I said, a statement pointing out these problems that must be incurred in this operation. I'm very much concerned over the fact that when we move in and destroy this overburden and take out the phosphate, that the marshland would probably be gone forever; there would be no way to restore it. If they get in operation, it's going to be not just a small area but will eventually be a major portion of South Carolina. We are talking about 300,000 or 350,000 acres of marsh; that's a pretty severe penalty to pay for the loss of that marsh for the amount of revenue the State would receive from it. We are interested however, in acquiring industry for the State, and I am sympathetic with the desire of the Senators and the other groups in that area to acquire industry. We certainly do not want to oppose that to the extent that it is not necessary. We do have a primary interest for the protection of wildlife and we expect to follow that and see that it is protected to the best of our ability. Thank you.

(Mr. McLeod) Mr. Webb, may I ask you this? If you mined in the manner that has been outlined here, excavating to a depth of three to fifty or sixty feet and removed the phosphate-bearing ore from below there, in twenty to thirty years in Jasper and Beaufort Counties, what effect would that have on the wildlife in those two counties? Are you prepared to express an opinion on that?

(Mr. Webb) The wildlife in that area would be reduced by the percentage of marshland that was destroyed; I mean the wildlife would be reduced by that twenty percentage that would be removed, and I think that once that acreage that is mined would not be restored to marshlands. Of course we don't know how much material they would

(Mr. Webb) remove from it and there would probably be just an ocean from then on instead of marshlands.

(Dr. Lunz) It was only yesterday, or rather Monday, that I got a copy of this Lease. I was pleased to see right from the beginning on Page 2 of the copy I have of Section I, that you are going to exempt from all this phosphate dredging those areas which we have listed for oyster culture. I don't think the Budget and Control Board or the Pomona Company realize what we have in Beaufort County and I'll ask Mr. Fickling if he will get that chart over there and hold it up. I think you will see why I am worried about the compatibility of Pomona and our oysters and shell fish. Now this morning is the first time I've had to talk with some of these people, and I am favorably impressed by what they have said. Right now they seem to plan to work in only one or two small areas. But you've got a 35-year Lease and they have it planned to work in - they can work in - any one particular place. That's a chart of Jasper and Beaufort Counties and it shows the oyster leases (Reference is made to a particular place on the chart). In that area we have 48 leases in Jasper and Beaufort Counties which are now controlled by our division. I wanted to show the Budget and Control Board what we have in that one area. Now Mr. Barr tells me you aren't going to work in that area right now; then why are you leasing that? This is one of our choice areas (another map is brought out). Now let's blow this up for a better look. You might find a patch, 50 acres in size, right in the middle of that map where they could work. Now I can't see it. They would have to confine all their work right in that area, and this worries me. Why is this included in this Lease? I'm for Pomona's point of view, but what is the use of their going in there?

(Mr. Johnson) I have no answer to this, but the State Geological Survey investigated the thing for several years. In fact I'd say we had something to do with making the discovery that there were potentially economic phosphate deposits in this area, but also have access to all of the company data. Now what this picture adds up to is that I doubt seriously that over 10 per cent at most, or maybe 5 per cent, of the marshlands of these counties can be mined economically or have phosphate enough on it to make it of real serious interest, and that area is down into the upper part of Broad River which is right up in this area here about where this map stops. I would say that the bulk of this operation is likely to be west of that railroad. It's not in the main or lower marsh area. Your phosphate may be present in much of this, but it's much too deep for any economic recovery over most of this marsh area. I think it very unlikely that over 5 per cent or 10 per cent of the marshland area would ever be considered as a possible mining operation. I think, myself, that there could very well be some conflict with oyster leases even up in this area. How that could be resolved, I don't know unless there might be some way the mining company could pay for damages or buy out leases or something like that.

(Mr. McEachern) But Dr. Lunz has pointed out that these are accepted in the Lease.

(Dr. Lunz) That's right. Now let me point out the fact that Mr. Johnson made just now that the company could borrow out the oyster lease or pay for it, and this I refer to Mr. McLeod as the Attorney General. These people are tenants of the State. I don't think the tenant has any right to allow somebody to cut the front porch off the house without considering the landlord. Under the law, leases can be transferred under 21 and 26 or with the approval of the Wildlife Resources Commission. Section 28 Paragraph (?) 11 says that leases can be given only for commercial purposes if they are over four acres in size and commercial purposes is really defined in the law. It says "somebody who makes their livelihood or a good portion of that livelihood from the fisheries." So we couldn't authorize the transfer from the leased (inaudible) to the Pomona Company. How do you think we could work this out? I still call your attention to the fact that under the present law, Pomona would have to pass 65 bushels of shell on every acre that they leased under the wording of the oyster lease, and when you add to that Section 28824, "The failure to cultivate an oyster lease is cause for revocation of the lease." But these people deal with the State or deal with the individual oystermen and they don't let up the lease.

(Mr. Dowling) The Lease, as it is currently drawn, if Mr. Boren bought up every oyster lease in Beaufort County, he would still have to come back and lease that land back from the State, since this lease excepts any property around the oyster beds,



(Mr. Dowling) excepts state parks - so he doesn't even have that under lease.

(Dr. Lunz) One thing I think ought to be changed in the Lease: Section 18 and several places through here it says that they are going to protect fish, fin fish, shell fish, and wildlife. Now if you're talking about the wildlife that Jim and I talk about, it's spelled with one word. We've got to straighten out this Section 22 that says when these people leave this area, they are going to restore it to proper conditions. As it's written now, of course, I don't think the people are protected at all the way the thing is written, nor do I think the State is protected and we've got to make these changes. When you have a matrix which is 1 to 1 or a 2 to 1 overburden matrix, and you are going to remove this stuff, you can't restore the marsh. This is out of the question. You'd have to import that one part that he removed in order to restore the marsh to what it was. Now I only want to point this out and then I'll shut up. The marshes are the most important part of our marine fisheries environment. If you destroy them, they are gone. They produce 10 times of (unclear) annually, a basic nutrient and 98 per cent of all fisheries in South Carolina depend on this marsh as their nursery or as their feeding ground. Now if you eliminate all this area that's on that chart that he's not going to use, I think we can probably, for the sake of Jimmy Waddell and Henry Walker, see that industry has been up in there, but if they are going to take all of the marshes under lease in Beaufort County and Jasper County, I'm scared to death, and however good their intentions are going to be, they cannot protect that marsh when it is gone. The marsh is a renewable resource. It's there year in and year out. When you remove it by this type of mining that they are going to do, you can't replace it; you can put all kinds of things in there, but it's humanly impossible for them to replace that marsh on the ancestral system that you've got - economic system. And when it's once gone, then the fisheries are going in proportion to it. The fisheries in Beaufort County are valuable. They are important and we all know it. Now this thing is important too; this thing is valuable. But I'll show you one small industry - there's a man in this room that could probably do more than this - but one small industry in the the town of Beaufort that in the last 25 years has paid two million dollars to the vicinity of Beaufort for taxes, automobiles, electricity, insurance, supplies, salaries, etc. Now that's only one small fishing establishment in that area. So the fisheries are valuable and I agree with Mr. McEachern that we have got to balance these things carefully. I hope we are balancing them before we go and do this - give away, we're not giving it away - but, all the marshlands in South Carolina. I'm not objecting to these people. I want them to do something, but let's eliminate all this marsh that they can't use and try to protect that for the fisheries, of the State, both sports and commercial.

(Mr. McLeod) Dr. Lunz, can you give an approximate valuation of the lease property as shown on this map?

(Dr. Lunz) It would take a little while to figure exactly. I estimate that as a renewable resource to the State of South Carolina, the oyster leases are worth \$7,500,000. In other words, you would have to put \$7,500,000 in the bank at 3 or 3 1/2 per cent interest to yield what the oyster leases are yielding in that area.

(Mr. McEachern) Any other questions of Dr. Lunz?

(Mr. Barr) I would like to correct Dr. Lunz just a little bit on the replacement of the material in the ground. We do not remove except approximately 1 ton out of every 5 tons, in North Carolina runs as high as 12 or 14 tons, of material. Therefore, if the marshland is 8 feet above the low tide, as Dr. Lunz said, was a little highland but is more in the direction of 4 feet above low tide, then the land should be worth more to the oysters. So if we remove 2 feet from the 6 or 8, we have reduced that land to the 4 feet. We do not destroy the land or move it away; we merely haul it or take it away for temporary use and then return it to the area. Whether or not we can remove it and restore the oyster bed as it was before we started mining, I think certainly is a question which I would not dare answer, but we couldn't possibly put the organic material back on the bed as it was before we started, without a period of time during which to have itself replace naturally. So I don't think that we destroy the land, and I don't think that there is any intention to hurt the little oysters because I love them as much as anyone; but, on the other hand, it is a very minor part of this area which we are talking about per year, and we are not talking about 30,000 all in one year. We are merely talking about 100 acres and part of this is on the highland which is not necessarily tideland.

(Dr. Lunz) I would like to answer Mr. Barr about restoring oyster lands and tidelands, but I wonder if Mr. Magionni who's had a great deal of experience in trying to build oyster lands in this State, would like to say something before I do? Mr. Gilbert Magionni and he's now running oyster companies in South Carolina.

(Mr. Magionni) Our main concern with the usage of land as outlined by Mr. Barr is not the destruction of oyster beds directly, but it's the destruction of grass lands in these impoundments. We question their ability to restore a level which would permit grass to reseed itself and grow. This is the basic part of the protein cycle in the marsh. Now if, with economic practices, they can come along and restore a certain level in these impoundments, leave it open, let the grass grow, then no harm is done. But I question that.

(Mr. McEachern) Are there anymore questions for Dr. Lunz? We have in the record several letters from persons here who desire to be heard. We have a letter from Mr. Randolph Murdaugh on behalf of George D. Widener, owner of Mackey Point Plantation in Jasper County. Is Mr. Murdaugh present? Is there anyone to speak for Mr. Widener? Mr. Smythe asked to be heard and he has been. If you would like to make a statement, ~~nsir~~, at this time.

(Mr. Smythe) My primary interest in being here is as a lawyer representing people who claim the ownership to tidelands in these counties. I first became interested in the problem when some of them sent me the public notices because they fear the invasion of the lands that they claim. As the Attorney General has remarked and Joab Dowling has stated, the State desperately needs to clarify the problem of ownership to tidelands. I would say that the land that is behind dykes - which we locally call rice fields - is mostly tidelands in the sense that it lies between the high and low water mark, and unless the State recognizes adverse ownership which the Attorney General's office to date is not willing to do in these areas, then the title to rice fields is the same, rests on the same foundation, as the title to marshlands not yet dyked. If the State owns these marshlands, then the State owns the rice fields. That is why it is essential to resolve this problem because I daresay the rice fields contribute as much to the economy of Beaufort County, and possibly Jasper-I'm not sure, in the sense of land values and taxes paid of visitors who spend money as this industry will spend, and you stand a good chance if you're going to push this problem of destroying that industry. I think the Attorney General's office is fully aware of these problems. So for the State to lease all of the lands that it owns in this area, before it resolves the question of what lands it does own, is to cause a great deal of concern among people who for a long time have contributed a great deal to these communities. It also raises the danger of tremendous litigation, an unrewarding litigation, and the lease says that Pomona will pay the cost of litigation. That means that as far as between the State is concerned and not the private landowner, and every private landowner whose marshlands Pomona invades who has to go to litigation, successful or not, hasn't proved anything under the opinion of Mr. Dowling and the Attorney General because they have not resolved the question of State ownership. It is for that reason primarily that I, like my friends from Beaufort, beg this Board not to approve this lease in its present form which I think I can demonstrate as entirely unnecessary because of the very great amount of litigation and question that you pose on this problem. I think that this is the way I look at it: I am not a mining technician and I don't know anything about the mining problem or the problems that face this company in extracting this material. I don't know very much about the lease because I didn't see it until about a half an hour before this hearing started. However, I have had an opportunity to study it for a half hour and to listen to what has been said here. I would like to take just a few of the figures - and they aren't my figures; they are figures that have been presented by the proponents of this lease. There are, roughly estimated, 350,000 acres of marshlands covered by this lease that are owned by the State. Whether that's under the Attorney General's interpretation of the law or private landowners' interpretation of the law, I don't know because it's a very great difference. Anyway, waiving that argument, there's 350,000 acres involved at 25 cents an acre. To make it easier, call it 400,000 acres involved at 25 cents an acre is \$100,000. What they would have to pay to reserve the whole of Beaufort and Jasper Counties is \$100,000 a year to the State. Any payment that they make before they started operating can be recovered out of future royalties. So if they pay \$100,000 for two years, and I



(Mr. Smythe cont.) judge from the figures that have been used, the company is well able to do that they could then get that back from excess royalties by not having to pay excess royalties in the future. So if they started mining at two hundred thousand, the royalties would be two-hundred thousand dollars a year, they would only continue to pay only one-hundred thousand dollars a year until they had recovered the rents that they paid at 25¢ an acre before they started mining; which means as I see it that if they are going to operate at anything like the level they predict they can buy the whole of Beaufort and Jasper Counties of marshlands at no cost whatsoever except 2-1/2 per cent of what they mine because that will more than pay 25¢ an acre on all this land including the amounts they would have to pay for the years that they hold the land before they start mining. That means that there is no reason in the world that I can see why this company, as moral and high-standing as anybody can be, out of a duty to it's stockholders and a desire to make money, which it should have, should not reserve the entire two counties. I don't think it will cost them one cent to do it if they are really going into operations and I assume that they really plan to do it from what they have said. This payment of 25¢ an acre figures out to my mind as the amount of taxes that you would pay on land that was worth \$250, assessed at 10% of it's actual value with a millege of a hundred mills. In other words if the land was worth \$25 an acre it would be assessed at 10% of \$2.50 an acre and if the millege was a hundred mill you'd pay 25¢ an acre taxes. So they are in effect saying to the State, we'll pay you taxes on this property as if it were worth \$25 an acre. Now they are going to take as I gather it, for two-hundred thousand dollars in royalties they are going to pay, for one hundred acres they are going to use per year. That figures to me to be eight-million dollars per year they can remove from one hundred acres to generate two-hundred thousand dollars in royalties or eighty-thousand dollars per acre of value after it's been mined of material from each acre, eighty-thousand dollars from each acre to get eight-million dollars per year which would pay two-hundred thousand dollars in royalties. They are paying taxes on it to hold it at the rate of 25¢ per acre or to hold the whole thing. Now, Senators, you want the industry and I think the industry would be a fine thing to have and I am for it. I'm concerned, but I think the State is going to protect itself against the pollution problem but I don't see why you want to sell your birthright for a mass of pottash you save; you've got the natural resource. There are ten to fourteen companies operating in Florida and ten more want in. There will never be but one company operating in Beaufort and Jasper Counties if this lease is signed. Never but one - It will operate at its own speed; all it has to do to keep this thing going at no extra cost would be to generate a hundred-thousand dollars in royalties per year, and for that price they can block anybody else from ever coming in with a similar operation anywhere in Beaufort or Jasper Counties. Now I want to ask this question, why in the world should the State give them this lease? Why not give them another year under the present lease - which is what they said they want - to find out just what they want to do and then let them come to you and ask you for a twenty-five year lease if they need that much on this specific area. There is no reason in the world why they need now to get a twenty-five year lease, a stranglehold on these two counties, preventing any other possible operation for twenty-five years. Who knows what techniques will be developed in twenty-five years to go how much further? Who knows if there is only 30,000 acres or 10,000 acres that can be mined profitably? What amount of acreage can be mined profitably twenty-five years from now? There is no reason why they should hold it all under this proposal. Now gentlemen, what I want to suggest to you is that you do whatever is necessary to keep this company growing, give them area that they need to operate in at a price that is reasonable - maybe 2-1/2% is reasonable; it sounds low to me but I don't know a thing about it. It might be a very high price that they are proposing to pay but there is no reason in the world to subject every landowner in Beaufort and Jasper Counties to the grip of this company for twenty-five or thirty-five years to eliminate all competition, all possible competition, in this field from those two counties, at no benefit whatsoever to the State. If they can operate on one-hundred acres a year, they want a twenty-five year lease, they need 2,500 acres. Give them another year and let them find the 2,500 acres and come in and lease it from you.

(Mr. McLeod) Mr. Smythe, your suggestion is that you extend the terms of this lease not in toto, but for exploratory purposes?

(Mr. Smythe) They said they need a year to complete their exploration in the marsh to know what areas they really need; we'll give them that year - I certainly think they deserve it, they've invested a lot of money and they are desirable industry and we want them in the State but personally, if they are going to use up 350,000 acres of marsh even if they are going to destroy it completely, that figures up to less than 1 per cent. So I think probably we can afford to lose one per cent of the marsh to get this industry and the advantages it would bring, but why give them control of the whole area of two whole counties and block out everybody else. Maybe the State could let five companies come in here and start operating or maybe somebody will come along next year and say, I'll pay 5% if I can get that area over there where they aren't operating and won't be operating for twenty-five years, but they can't get it because you've given the whole two counties to that company.

(Mr. McLeod) Of course they won't be able to make it a mining operating lease within one year. I understand your suggestion would be to permit another year's exploratory period.

(Mr. Smythe) Under the present lease they requested an extension of the present exploratory period granted to them; refuse this lease altogether. Grant them another year and then let them come in when they know what they want and say if we get a map and chart and draw a red line and say we want this area and then there might be two or three private landowners that would want to contest it; they could go to court and resolve that \_\_\_\_\_ and other operators could come in and explore other areas and as the technology changed, the two counties will be sewed up. But under this proposal it seem to me that you would be selling two counties to these gentlemen for \$100,000 a year.

(Mr. McEachern) I'd like to say this for the record. Mr. Smythe's points are exceedingly well taken and I believe they did give some thought that will be discussed before the matter is brought to a conclusion but the company, Mr. Smythe, in discussion about this matter and the renewed lease has given what appears to them to be very good reasons why a new lease should be entered into at this time. I'd like to call on one of them to express to this group what has been expressed to us and the Board as the reasons for making the change at this time.

(Mr. Boren) I'm W. C. Boren, president of the Pine Hall-Pomona Corporation. Gentlemen, the main reason we almost have to have - we don't have to have it but we need a new lease - the main reason is the 25 year term vs. the 10 year term. We cannot afford, nobody that we're going to get in with us can afford, to come to South Carolina and make an expenditure and capital investment of something in the ten to fifteen million dollars without the protection of at least the Lease outwearing the depreciation of the plant. You could not possibly do it. As for what Mr. Smythe is concerned about, we do not want the whole county and we'll sit down in here this afternoon and work it out. We don't want the two counties. That lease was written years and years ago, and it was brought to us and we didn't put that in there. So as far as we're concerned, we don't want the two counties by any means. I don't think we're going to have any competition because we have had too much trouble ourselves finding enough reserve to make this a going operation. We would have finished it a long time ago if we could have found enough reserve. It takes a certain amount of reserve to overburden to the matrix to make it an economical operation. I think that's the main thing.

(Mr. Smythe) To give you the advantage you deserve for having spent this half a million dollars, although I don't know whether I gathered that's all your money or whether it was some of your predecessors, but to give you the advantage you deserve, what about giving you the right to prove up on 3,000 acres after this year, which would be, as I understand it, a 30 years operating supply of land and leave the rest of the counties free. You'd have your first choice. Any 3,000 acres in the two counties you want. The best land there you would have. Then let your competition fight over the remainder.

(Mr. Boren) When you say 3,000 acres, you've got to realize that 3,000 acres encompasses creeks, rivers, streams that we have already promised Dr. Lunz to stay out of, so we couldn't possibly get along with 3,000 acres. We are willing to sit down at any time and go over a reasonable reserve situation in this and release all of the oysters. We don't have the oyster leases anyway. So we will release everything else. We don't care. We know where the material is and we know where it isn't.



(Mr. Boren) Seventy-five per cent of the whole area is not any good at all for phosphate mining.

(Mr. McLeod) Mr. Boren, can't you come up and propose a lease for certain specified areas? As I understand it from Mr. Barr, you will need 20,000 to 30,000 acres - that's what I gather - to operate properly on. Can't you identify the 20,000 to 30,000 acres or whatever amount you want? You say you know where the deposits are and restrict your lease to that?

(Mr. McEachern) Let me ask this: There is in the Lease the provision for releasing unwanted lands, and it has been my understanding and interpretation that these unproved areas will be released. If the times of release are clarified, on the method of releasing these lands, which would be acceptable both to the State and to the Lessee, wouldn't that accomplish the purpose Mr. Smythe has in mind?

(Mr. Smythe) I would suggest limiting them to the amount of land that they could use in 25 years at the rate of which they will operate.

(Mr. McEachern) But what they are saying is that at this time, or within a year, they can't determine definitely the area they will be using for 25 years.

(Mr. Boren) You can't exactly limit it to 25 years. The Lease is going to be for 25 years, but how long has J. P. Stevens had their plants in Greenville? Over 25 years, we would hope.

(Inaudible question from rear of room)

(Mr. Boren) Yes sir. We are going to pay at least \$10,000,000 to \$15,000,000 to put the plant there so we have got just as much invested as your textile industry.

(Mr. Moody) What revenue is the State getting out of this land now?

(Dr. Lunz) All of the fisheries revenue that you get in, you're getting all of your sports fishing; you're getting your recreation out of it right now.

(Mr. Moody) Put it in dollars and cents, please.

(Dr. Lunz) The actual amount of money that you're getting out of oyster leases and oyster rights within this area will come somewhere around - I can't give you the exact dollars and cents figure; you'll have to look in our books - but it comes to around \$40,000 a year and that's just the taxes that come into the State from direct taxes. So you say we're not paying anything? Then what do you think about all the shrimp that are spawned in this thing? That shrimp is an enormous industry and they pay direct taxes to the State, not indirect taxes. The shrimp industry and the oyster industry is what has been supporting Beaufort and the City of Beaufort for all these many years. I don't object to them having a lease, but I object to them having all of this area that they can do anything they want with until we get a chance to straighten it out. They don't need much of it, because we are producing revenue. We might be producing revenue, but your fisheries have been producing revenue. It's a renewable resource which will continue to produce revenue whether we do anything at all to it except protect it. We've got to protect it so it will continue to produce revenue.

(Mr. McEachern) I think those points have been made sufficiently for the record and for the education of Mr. McLeod who has to draw up an acceptable Lease. With your permission, we will go ahead now and ask for additional statements. I have here Mr. A. P. Hewlett who represents himself and Casa Luna Orchids at Beaufort. I also have a letter from Mr. Paul D. Hursh, vice president of the Glidden Company in Cleveland, Ohio, who is retiring to Beaufort County and has authorized Dr. Hewlett to make a statement in his behalf.

(Mr. Hewlett) Gentlemen, I am a resident of Ladies Island in Beaufort County and I would like to talk in behalf of the gentleman you have mentioned and others, Mr. Richard Whitney and Mr. C. F. Morriss. I would also like to talk in behalf of the Beaufort County Retirees Association. Now the gentleman doesn't have a very tall stack of letters of protest, and on the basis of the people I've talked with, the primary reason why this room isn't full of them is because so few people read

(Mr. Hewlett) this section of the "Beaufort Gazette". Everyone that I have mentioned it to has been ignorant of it and has been highly disturbed, and we could have filled this whole building today with people. That's one reason why I had hoped this hearing would be in Beaufort County rather than in Columbia. I live on Lucy Point Creek. I'm very sensitive to this situation because Lucy Point Creek was the site of previous mining operations for phosphate. Richard Whitney also lives there. He has a beautiful home on Lucy Point. C. F. Morriss owns a lot of property along the Creek. The three of us together own more than a mile of very choice, water-front property on Lucy Point Creek. In addition to our residence there we have established an orchid business. We are in the business of raising and selling orchid plants and orchid bulbs. Those plants are extremely susceptible to sodium. Any trace of salt water encroachment into our fresh water will kill them, and our loss would be devastating. Now I know that Joab would say he would like to sell me some Savannah River water, but there are two things wrong with that - three things. One, I can't afford it. Two, I'll have a long white beard and be gone to a better world before he gets it out there and he put's too much chlorine in it. Now our fresh water problem is a problem that bothers us, and this is not an idle worry. You have become familiar today with the depths that these people have been talking about. Our fresh water supply comes through to us under a shelf of rock. At our site that shelf rock is about 70 feet from the surface. We are at an elevation of 26 feet. We have a channel depth of 10 feet so there is precious little chance of fracturing this. When I say this is not an idle worry, I mean this has actually happened in one area of our Island. Blasting operations did fracture the rock. Salt water did come in and fresh water is not available. Now gentlemen, this could conceivably happen to this entire area along the creeks, along the waterways, which have become the best and most desirable residential property in Beaufort County. Now years ago when they were mining phosphate in the distant creeks, no one cared. That isn't true today. The complexion of the entire area has changed. The complexion is changing rapidly. Don't ask me whether it will be fifteen or twenty-five years from now, but I'm sure you'll not be able to recognize it. We have some very real fears because of the possible detraction from value of this highly desirable residential property; the possibility not too remote of losing the fresh water supply to this entire area. Now we have also been concerned about the seafood industry. We like seafoods and we realize that this whole area is dependent upon the seafood industry to a very large extent. I think these gentlemen have covered that and there's no point in my going into it any further. I might say that the Retirees Association of Beaufort County which consists of individuals who have retired from their normal business and have moved into Beaufort County, have built homes, some of them have established in businesses such as we have. Others have done other things. We have estimated very conservatively that this group of retirees who have moved in have invested more than two million dollars in Beaufort County. We also estimate that their annual expenditure in the area is far greater than the total receipts in the tomato crop in the best years. Now you talk about industry, you talk about selling, the retirees think that perhaps they need a little cultivation too. Now the Board of the Retirees Association has concurred in all of the comments which I have made. But they would like for me to say that they do not exclude the possibility that there are areas in Beaufort County where phosphate mining can be done without injury to individuals or to the public welfare. They feel, however, that if such areas are deemed to exist they should be covered by separate, specific applications. They feel that the extreme broadness of this application, and remember the only information they have is the statement included in the public notice which was published in the Beaufort Gazette which for all intents and purposes says that the Boren crowd can take whatever they want and do whatever they please with it. They feel that is much too broad and that under no circumstances should an application be approved. I might say that while they didn't know about it, that if they were here today, they would concur very strongly with the suggestion which Mr. Smythe has made.

(Mr. McLeod) Approximately how many people are similarly situated as you are and feel the same way you do in your vicinity down there?

(Mr. Hewlett) I can't answer that question because I don't know how many people are there, but I can guarantee you that they all feel the way I do. The people who live out in that area do feel the same way.



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(Mr. McLeod) Approximately how many people are similarly situated as you are and feel the same way you do in your vicinity down there?

(Mr. Hewlett) I can't answer that question because I don't know how many people are there, but I can guarantee you that they all feel the way I do. The people who live out in that area do feel the same way.

(Mr. McLeod) A large number of people?

(Mr. Hewlett) Yes, and the number is increasing. All of the retirees in Beaufort County don't live on the streams but we estimate that there are well over six hundred families of retired people living in that area and many of them do prefer these areas along the streams. I am quite certain that they would all be very much concerned about it.

(Mr. McLeod) This is the first hearing of this nature that has been conducted under the new act that was passed at the last session of the legislature. Would you feel that it is appropriate and proper to conduct a hearing such as this at the area that is going to be directly affected by the proposal?

(Mr. Hewlett) I should think it would be extremely important.

(Mr. McEachern) Thank you. Are there any other questions of Dr. Hewlett? I have in my file a telegram from Mr. R. Q. Whitney of Cincinnati, Ohio. He is represented by Dr. Hewlett.

(Mr. Johnson) I just wanted to comment on the aspect of the ground water just to reassure you a little bit. I mean that has been considered from the beginning. We are well aware of the importance of ground water, and there are several reasons why it does not seem likely that it would be a serious problem. One is: There are two beds of phosphate. One lies down on the aquifer that you speak of which is limestone in that area and the other one is 50 to 75 feet higher in formation with clay materials in between so that there would be very little, if any - and probably no, passage of water up through the formation. The bottom bed of phosphate material is considered only as a very long-range reserve because of the difficulty of mining. The upper bed would be the one that would be attacked first and in the present economics of the situation it is highly unlikely that the bottom bed would be economical at all. So there is one factor there that would argue against mining in the proximity of the aquifer. There is a second reason that a mining operation is not likely to get involved with that aquifer and that is because if you breached it you would have serious influx of water into your operation and any mining engineer is going to do his best to keep that out. The third thing that I would say, just to reassure you, is that was included in the Lease so that the State has the authority to make them conform to whatever is necessary not to damage the aquifer. I think that actually the overpopping from wells is probably much, much more of a menace to that aquifer than this mining operation would be. So I just wanted to say this to assure you that we are thinking about it anyway.

(Dr. Hewlett) We are very happy to know that you are thinking about it and that, of course, is something very desirable. But when you consider the depth in which this layer lies and the depth in which you undoubtedly will mine, assuming that you've got 4 to 30 feet of overlay and you've got 10 to 15 feet of phosphate in this area that you're talking about. Regardless of that, it seems to me that anything you do in some of these areas, you're going to be getting dangerously close to this rock layer. Now certainly no intelligent person is going to deliberately go in and rupture it. It has been ruptured and it can be ruptured again, and that is our fear.

(Mr. McEachern) Thank you, sir. I have in the file a letter from Mr. C. F. Morriss of Lucy Point Plantation, Route #1, Beaufort. Dr. Hewlett represented him. I have in the file a letter from Mr. J. B. Heles of Beaufort, and in reply to the invitation to appear here, he feels that the Board will act with sufficient restrictions so that the mining operation will not be detrimental to Beaufort Community even to the aesthetic sense. I have a letter here from Mr. William Pope, Law Offices of Robinson, McFadden and Moore. Mr. Pope, do you have a statement?

(Mr. Pope) We represent one property owner who is extremely interested in the marshlands of Jasper and Beaufort Counties, having lands in both counties. I'm here just more or less to see what information was brought to the public at this hearing to inform other interested people as to what action they might take or what their feelings are about this. I feel that after this hearing I'm not sure my information is as specific as I would like to have it at this time. We have the terms of the lease that many of us have had an opportunity to review. Nothing has appeared here today that would



(Mr. Pope) vary any of those terms, I don't believe. We also had some statements that, if they are true, then certainly I think this lease would justify more careful consideration. Mr. Webb of Wildlife said that this operation in certain areas would destroy particular areas as far as the wildlife is concerned. Dr. Lunz testified that there would be considerable loss of revenue just from a merely economical standpoint of the State if these leases are carried out. It appears to me that we are still drawing this testimony out because we really don't have a specific idea of what will happen. As I understood someone to say, this is the first salt-water mining that has been done in the United States - that there have been operations down there but no actual mining had been done before. It seems to me that there should be more careful investigation if we are to tie up all of the marshlands in two counties for a 25-year period, not counting the revenue. The estimated royalties of \$250,000 that would be given not only to the State but to the private citizens down there would certainly be just a mere penance I would think if, in fact, this operation was to destroy to any degree the wildlife or shell fish industry or the rights of enjoyment that all the citizens have in this area. Since we're talking about the State owning this marshland, this is strictly the people - their right to enjoy the marsh - and it would seem to me that with Dr. Lunz, members of the Health Department who I understand have not been notified about the hearing and are not present today, and people like Mr. Webb should be able to be more familiar with it to give us some ideas as to what effect this will really have on this area. In line with what it would seem to me to be a more reasonable approach, as Mr. Boren, the president of this company has intimated, they have the information available as to the specific areas they are interested in. If they are interested in 5,000 or 10,000 acres of marshlands and they aren't interested in the rest of the 350,000 acres, then let's have a hearing and let's talk about those specific areas that are involved. Let's perhaps notify the immediate property owners around that particular area to see how they feel about the specifics of the case. Let's see whether Mr. Webb and Dr. Lunz would have any ideas as to the effect of mining operations in that area on the rest of the area in those two counties. If they are able to get that information - and it would seem to me that that would be the proper way to investigate this - as to whether or not it would be best for the State. Having an unlimited areas such as 350,000 acres of marshland, the State would be at the mercy of these people whether or not the operation affects the wildlife, affects the shell fish or affects the citizens' rights of enjoyment of that area, and for a 25-year period the State would have no way of coming out of it if this operation did prove a detriment, not only to the aesthetic point of view, but to the fish industry and also the recreation areas.

(Mr. McEachern) The record contains a letter from Mr. C. R. Battey, Jr. of Harvey, Harvey and Battey in Beaufort who is here in behalf of his client, Mr. Leslie C. Rankin.

(Mr. Battey) I'm Colden Battey of Beaufort representing Mr. L. C. Ranking, and I'm also here as an interested citizen of Beaufort. I am a member of the Chamber of Commerce of which Mr. Moody is president, and I like all, or most, of the businessmen and professional men in Beaufort am interested in seeing new industries and new payrolls come into the County, but I think that when industries potentially would like to come in that they should be examined very closely. Now the two senators, Mr. Moody and Mr. Pike said that they are convinced that there are certain safeguards in this lease. I don't see any of them, gentlemen. I don't think there are any safeguards whatsoever. I think that this meeting was held, giving Dr. Lunz two or three days' notice - the same with Mr. Webb - without contacting the Board of Health at all, just running a legal notice in the "Jasper County News" and the "Beaufort Gazette." Only yesterday there was an article in the "News and Courier" about this thing and this morning an article in the "Savannah Morning News." I think that if this thing was widely known that, as Dr. Hewlett said, you would have ten times what you have here. I know that Mr. Boren wants his 25-year lease in order to justify his expenditure in Beaufort, but I don't think that the State, the Budget and Control Board, who holds this land for the people should be pushed into making a decision. I don't know whether the newspaper is correct; but I saw where the Board was considering making a decision today. This was in the "News and Courier." I don't think enough study has gone into this proposed lease where any decision could be reached today. I think there are too many factors to be considered. I think the pollution problem, the problem of what is going to happen to the land when they are finished with it, a problem that is so broad that it covers two counties just

(Mr. Battey) cannot be resolved unless further work is done on this lease. Now, as Mr. Boren says, I represent peanuts. I represent Mr. Rankin who is a small property owner. But, gentlemen, Mr. Rankin has some land leased to Pine Hall-Pomona. He's not the only one. They've got two areas in Beaufort County that amount to about 2,000 acres. At 100 acres a year, this would take them about 20 years just in Beaufort County, and there are no streams or creeks or shell fish on those highlands. These leases are recorded, and the reason I came here initially was that I didn't think that the State could compete in the market place with its private citizens. I didn't think it should undercut their leases and allow Pine Hall-Pomona to get a more advantageous lease from the State than it had from these private citizens, and I still don't. I feel very strongly in that manner. I think the way this lease is proposed that it is more advantageous to Pine Hall-Pomona - the one with the State- than proposed with the private individuals. I think that if this lease is granted, that all the mining will be done on the rivers and marshlands and the only highland used will be to set up a plant to set equipment on. I feel that a State - that these four gentlemen here- should consider very closely the leases that Pine Hall-Pomona has had with these individuals and that it should not offer Pine Hall-Pomona a more advantageous lease. These people have had leases in effect for a little over two years now. I also think that this Board, realizing the fact that the State holds these marshlands in trust for all its citizens, should weigh the question that has been presented here very closely before granting this lease, particularly since there are phosphate deposits available on high ground that this company could mine. I think Mr. Smythe, although he may be from Charleston, has made a very excellent suggestion and that being that the company have sufficient time to decide the areas they want, have these areas outlined and defined, notify the surrounding property owners, notify the people in the area and then have just those areas leased. I think this is an excellent suggestion. I can understand Mr. Boren's feeling that he needs a 25-year lease. If Mr. Smythe's suggestion is not acceptable, I would suggest that Mr. Boren lay out the area that he wants and that another open hearing be held in Beaufort or Jasper County so that the interested people could attend. This would have the added advantage of giving Dr. Lunz, Mr. Webb and the State Board of Health and others the chance to work out these problems that are obviously apparent in this lease. I've seen a lot of legal instruments, but gentlemen, that lease is pretty big, and I feel in spelling out a lot of points that should be spelled out, I would urge that the Board before granting that lease take one of two steps: either limit the specific area, review all these problems and then have an open hearing in Beaufort County.

(Mr. McEachern) Thank you, sir. Regarding your comment about the hearing let me say that the Budget and Control Board is meeting Monday, and this committee, or panel, or whatever we are will report to the Budget and Control Board the results of the hearing. A transcript will be available and I am certain that if they feel it is necessary, they will study it in great detail, and I say in behalf of the reporter who made the statement that it was just a cut-down version of that report. The Board will meet. This panel will report to the Board, and the transcript will be prepared for their study if they feel that they need it before making a decision.

(Mr. McLeod) Mr. Battey, let me ask you this question: the lease with your client down there - does it provide for a flat rental payment for a period of a certain number of years?

(Mr. Battey) He was paid \$240 initially for signing the lease.

(Mr. McLeod) How many acres were included - approximately?

(Mr. Battey) Four hundred acres. He was then to give them a nine-months period for exploration, and at the end of that time he was to be paid 25 cents for marshland on up to \$1.00 for highland. He was also to be paid 2 1/2 per cent of the royalties similar to the State, with certain minimums for clay, sand, gravel and that sort of thing. A minimum of 15 cents per ton on gravel, I think.

(Mr. McLeod) On that 25 cents per acre, is that recoverable or credited against future royalties? That's the difference pointed out between your lease for your client and the lease proposed here?



(Mr. Battey) Yes.

(Mr. McEachern) Are there any other questions for Mr. Battey? The record contains a letter from Mr. Rudolph L. McCormack of Ridgeland, South Carolina, and he was invited to appear. Is he here or is he represented? Mr. McCormack.

(Mr. McCormack) My chief concern in coming here was pollution and the death of the oyster industry. It has been brought out that possibly there would be no detrimental harm. Dr. Lunz may disagree. He says that our marshlands are vital and I believe we should preserve them. I'd like to go on the record as suggesting that this committee or the Lessee get in touch with the Water Pollution Control Authority for a permit to dump any waste that may occur from this plant.

(Mr. McEachern) I believe that would be inherent in the terms of the lease, that the Water Pollution Control Authority's terms would have to be complied with. The record contains a letter from Colonel William A. McNulty, Star Route #1, Beaufort. He was invited to this hearing. Has he spoken or is he represented?

(Col. McNulty) I'm a near neighbor of Dr. Hewlett and although he didn't say so at the time, he was speaking for me. However, I am a much smaller land holder than I think anyone else admits who is here. My property consists of a half acre on Rock Springs Creek on Ladies Island. I do have a dock and I do have my boat at it. May I ask, Mr. Attorney General, what then can I expect from the State in the way of protection of my own personal interest in this matter?

(Mr. McLeod) Are you partly on the Creek?

(Col. McNulty) Yes sir.

(Mr. McLeod) Well, I would think that you should be absolutely unmolested. You ought to have it so you wouldn't be interfered with; your right of enjoyment from the standpoint of beauty as well as other more tangible factors should be protected.

(Unidentified Voice) He doesn't own it.

(Col. McNulty) I claim no marshland. I claim land to the edge of the marsh. I am concerned over what will happen to my land adjacent to the marshland.

(Mr. McLeod) I don't know what will happen to it, but I can tell you that you're entitled to full protection and you can use it. The State can use its land; your neighbors can it in any way as long as it does not adversely or improperly or unconstitutionally affect you. You've got some civil rights left.

(Mr. McEachern) Those are all of the letters we have in the record. Now are there others who would like to make statements for this meeting?

(Mr. Smythe) Is there going to be any opportunity to be heard before the Board?

(Mr. McEachern) The purpose of this meeting was to get the detailed statements and prepare them in a form that can be written for their perusal. I see no reason why you could not appear before the Board and, as a matter of fact, to avoid the repetition of a long meeting like this - it has gone on now for three and one-half hours - I think the Board would be glad to have someone who would like to meet with the Board on Monday and perhaps summarize their concept of the material presented at this meeting. I believe that would help to serve the purpose.

(Mr. Smythe) I request permission to appear before the Board.

(Mr. McLeod) That request will be in the transcript. We have no control over it.

(Mr. McEachern) Do we have anyone else who would like to be heard? Mr. Pope requests to appear before the Budget and Control Board. Is there anyone else? I don't know whether or not they will reach a decision on Monday. I have no way of determining that. In fact, they only asked that this group appear and present information which you folks have given us. (In answer to inaudible question - Dr. Lunz will be there.) Is there anyone else who has a question or anything to be added to the record of this meeting? -36-

(Dr. Lunz) Would you file those maps so the Budget and Control Board can see them?

(Mr. McEachern) All right. Is there anyone else?

(Mr. Smythe) I would like to make this one statement. I'll make it very briefly and I'll address it to Dan. I question how you can, in effect, sell this land to this private landowner in view of the opinions your office has rendered with respect to the right of the public to this property. I can't see much difference between this lease and an outright grant of this property to this company. They've got 25 years to dig it up and effectively destroy it and leave it under water. It looks to me as though, for practical purposes, it is the same thing as an outright grant, and it certainly conflicts with the legal basis of some of the opinions your office has rendered.

(Mr. McLeod) You have reference to the position that the marshlands are dedicated for public use?

(Mr. Smythe) I don't subscribe to that.

(Mr. McLeod) I know it. I mean that's the one you are referring to. You've got a point on that and I don't know the answer to it. Nobody knows what the answer to the marshlands title is.

(Mr. McEachern) Is there anyone else who would like to be heard in the record? If not, we appreciate your coming and giving us the benefit of your thinking. We hope you feel that you have been heard fairly, and it will be presented to the Budget and Control Board.

STATE BUDGET AND CONTROL BOARD  
DIVISION OF GENERAL SERVICES

ADDENDA

Meeting of September 9, 1965

- 1) The South Carolina School for Boys at Florence has requested a loan under Section 1-449 of the 1962 Code. The loan shall not exceed the amount included in bids for renovation which is required for a sprinkler system in the Administration Building. The loan will be paid out of the insurance rate reduction over a period not to exceed ten years. It is recommended that the Division of General Services be authorized to execute a Note and close the loan when the exact amount required can be determined.

- 2) Vehicle for Director of Civil Defense

Under regulations of the Board pertaining to the use of passenger vehicles, the Director and the Assistant Director of the Civil Defense Agency purchased State-owned vehicles at a cost of about \$3,900. The Director is traveling in excess of 24,000 miles a year and statutory mileage rates are depleting this budget. He has requested that a portion of the funds being paid for the vehicles purchased by him and his assistant be used to purchase one passenger vehicle for the Civil Defense Agency to be operated at actual costs. It is recommended that this request be approved.

- 3) Mapping and Identification of Tidelands

It is recommended that an employee be provided to assist the Office of the Attorney General in ascertaining ownership of certain tideland areas.

- 4) The University of South Carolina has requested permission to trade a 1961 Volkswagen Bus for a 1965 Jeep or Scout to be assigned to the University motor pool. The new vehicle is primarily needed by the Geology and Biology Departments for use on field trips. It is recommended that this request be approved.

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