

MINUTES OF BUDGET AND CONTROL BOARD MEETING

NOVEMBER 14, 1974

On November 14, 1974, Governor John C. West, Senator Rembert Dennis, Mr. Grady Patterson and Mr. Henry Mills were contacted, personally or by telephone, with respect to the following items of business.
(Mr. Julian Lea Mond was out of town and could not be reached).

Industrial Revenue and Pollution Control Facilities Bonds

At the request of Governor West, Budget and Control Board members were polled and asked to approve petitions of Chester County to issue Industrial Revenue Bonds totaling \$1,000,000 and Pollution Control Facilities Bonds totaling \$700,000 on behalf of Virginia Chemicals, Inc. Each member was furnished with the details of the petitions and, after receiving assurance that all necessary documents had been filed and reviewed, unanimous approval was given by those polled.

Data pertaining to the Industrial Revenue and Pollution Control Facilities issues have been retained in these files and are identified as Exhibits I and II, respectively.

General Obligation Bonds

In connection with the proposed General Obligation Bond sale scheduled for December, 1974, the Budget and Control Board members polled unanimously approved resolutions pertaining to the issuing of State Highway Bonds totaling \$30,000,000 and State Capital Improvement Bond totaling \$20,000,000.

Copies of these resolutions have been retained in these files and are identified as Exhibits III and IV, respectively.

EXHIBIT I
Nov. 14, 1974

RESOLUTION

STATE OF SOUTH CAROLINA BUDGET AND CONTROL BOARD

WHEREAS, the County Board of Directors (the "County Board") of Chester County, South Carolina (the "County") did, pursuant to Sections 14-399.21 to 14-399.35:2, inclusive, of the Code of Laws of South Carolina, 1962, as amended (the "Act"), petition the State Budget and Control Board of South Carolina (the "State Board") seeking the approval of the State Board to an undertaking by the County pursuant to the Act; and

WHEREAS, the proposed undertaking consists of the acquisition, by purchase and construction, by the County of certain land, buildings, equipment and improvements located within the County (the "Project") and the leasing of the Project to Virginia Chemicals Inc. (the "Company") under and pursuant to the terms of a Lease Agreement dated as of November 1, 1974 (the "Lease Agreement"); and

WHEREAS, in order to finance the Project, the County proposes to provide for an issue and sale of $8\frac{1}{8}\%$ \$1,000,000 of Industrial Development Revenue Bonds (the "Revenue Bonds") to be issued under and pursuant to the terms of a Mortgage and Indenture of Trust (the "Indenture") dated as of November 1, 1974, between the County and The First National Bank of Chicago, as Trustee; and

WHEREAS, the Lease Agreement provides that the Company shall pay rentals sufficient to pay the principal of and premium and interest on the Revenue Bonds as the same become due and payable, and the Lease Agreement shall be pledged by the County with said Trustee under the Indenture to secure the Revenue Bonds; and

WHEREAS, neither the Revenue Bonds nor any interest payable thereon shall ever constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation, nor ever constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers; and

WHEREAS, drafts of the Lease Agreement, the Indenture and the Bond Purchase Agreement dated as of November 1, 1974, between the County and The Lincoln National Life Insurance Company have been submitted to and considered by this State Board, together with such other documents and matters relating to the issue and sale of the Revenue Bonds and the acquisition and construction of the Project as are deemed necessary by this State Board;

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

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

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

(b) That the County Board has filed a proper petition to the State Board setting forth a brief description of the Project; a reasonable estimate of the cost of the Project; and a general summary of the terms and conditions of the Lease Agreement and the Indenture to be entered into by the County, including a statement establishing the basis for the payment of sums in lieu of taxes as required by the Act; and

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

2. On the basis of the foregoing findings, the proposed undertaking of the County to acquire, by purchase and construction, the Project and to finance the cost thereof through the issuance of Revenue Bonds under the Indenture to be paid out of the revenues to be derived under the Lease Agreement, be and the same is hereby approved in every respect.

3. Notice of the action of the State Board in giving approval to the undertaking of the County above described shall be published once in a newspaper having general circulation in Chester County, South Carolina.

4. The notice to be published shall be in the form substantially as set forth as Exhibit A attached hereto.

NOTICE PURSUANT TO SECTION 14-399.34
CODE OF LAWS OF SOUTH CAROLINA, 1962, AS AMENDED

Notice is hereby given that following the filing of a Petition by the County Board of Directors (the "County Board") of Chester County, South Carolina (the "County"), approval has been given by the State Budget and Control Board to the following undertaking, viz.:

The acquisition by the County of certain land, buildings, equipment and improvements (the "Project") now owned or being constructed by Virginia Chemicals Inc. (the "Company") at its chemical manufacturing facility at Leeds in Chester County, South Carolina. To finance such cost of acquisition of the Project, the County will issue its $8\frac{1}{8}\%$ \$1,000,000 industrial development revenue bonds ("Revenue Bonds"). The Revenue Bonds will be payable solely from the amounts to be paid to the County under and pursuant to the terms of a Lease Agreement between the County and the Company and neither the Revenue Bonds nor any interest thereon shall ever constitute an indebtedness of the County within the meaning of any State constitutional provision or statutory limitations nor ever constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

Notice is further given that any interested party may at any time within twenty (20) days after the date of the publication

EXHIBIT A

of this notice, challenge the validity of such approval of the State Budget and Control Board, by action de novo instituted in the Court of Common Pleas for Chester County, South Carolina.

THE STATE BUDGET AND CONTROL BOARD
OF SOUTH CAROLINA

BY _____
Secretary

Publication Date:

_____, 1974

CHESTER COUNTY, SOUTH CAROLINA

and

VIRGINIA CHEMICALS INC.

BOND PURCHASE AGREEMENT

Dated as of November 1, 1974

Re:

\$1,000,000 Industrial Project Revenue Bonds
(Virginia Chemicals Inc. Project) Series of 1974

EXHIBIT 2

(I.D.)

CHESTER COUNTY, SOUTH CAROLINA

VIRGINIA CHEMICALS INC.

BOND PURCHASE AGREEMENT

Re:

\$1,000,000 Industrial Project Revenue Bonds
(Virginia Chemicals Inc. Project) Series of 1974

Dated as of
November 1, 1974

The Lincoln National Life
Insurance Company
1301 South Harrison Street
Fort Wayne, Indiana 46801

Attention: Securities Investment Department

Gentlemen:

CHESTER COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina (the "Issuer") and VIRGINIA CHEMICALS INC., a Maine corporation (the "Company") confirm their separate and several agreements with you as follows:

SECTION 1. PURCHASE AND SALE OF BONDS.

The Issuer will authorize the issuance and sale of \$1,000,000 aggregate principal amount of its industrial project revenue bonds (the "Bonds") to be dated the date of authentication, 1974, to bear interest at the rate of 8 1/8% per annum, to mature in the principal amount of \$200,000 on December 31 in each of the years 1990 to 1994, both inclusive, and to be substantially in the form provided for in the Indenture referred to in Section 1.2 hereof. The terms which are capitalized herein shall have the respective meanings set forth in Section 6 hereof, unless the context shall otherwise require.

1.2. Security for the Bonds.

The Bonds will be issued under and secured by a Mortgage and Indenture of Trust (the "Indenture") between the Issuer and The First National Bank of Chicago, as Trustee (the "Trustee"), substantially in the form of the draft thereof dated November 1, 1974

previously furnished to you with such changes therein as shall be approved by you and the Issuer creating a valid and perfected first lien on and security interest in certain property described in the Indenture, the Issuer's right, title and interest in and to the Lease Agreement dated as of November 1, 1974 (the "Lease") between the Issuer, as Lessor, and the Company, as Lessee, and the rents, revenues and other sums due and to become due thereunder. The Lease shall be substantially in the form of the draft thereof dated Nov. 1, 1974 previously furnished to you with such changes therein as shall be approved by you, the Issuer and the Company.

1.3. The Closing.

Subject to the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth, the Issuer hereby agrees to issue and sell, and you hereby agree to purchase from the Issuer, Bonds in an aggregate principal amount of \$1,000,000 at a purchase price of par. Delivery of the Bonds will be made at the principal office of the Trustee, One First National Plaza, Chicago, Illinois at 10 o'clock A.M. local time, on such date not earlier than November 1, 1974 and not later than December 31, 1974, as the Issuer shall designate by not less than five business days prior written notice (the "Closing Date") against payment therefor by a certified or official bank check in immediately available funds. The Bonds will be printed and will be delivered to you as a single Bond for each maturity in fully registered form, registered in your name or in the name of such nominee as you may specify at least three days prior to the Closing Date.

1.4. Purchase for Investment.

You represent to the Company that you are purchasing the Bonds for your own account for investment and not with a view to distribution; provided that the disposition of your property shall at all times be and remain within your control.

You have been advised that the Bonds have not been registered under the Securities Act of 1933, as amended; that the Issuer and the Company do not contemplate filing, and are not legally required to file, any such registration; that the Bonds must be held indefinitely unless they are subsequently registered under said Securities Act or are sold or otherwise transferred under circumstances not constituting the transferor an "underwriter" within the meaning of said Securities Act; that resales of securities acquired directly or indirectly from an issuer in a transaction not involving any public offering made in reliance on Rule 144 under

said Securities Act can be made only in limited amounts in unsolicited brokers' transactions, subject to certain terms and conditions, including a two-year holding period, and that such unsolicited brokers' transactions are not presently generally available for securities such as the Bonds.

It is understood that, in making the representations set out in Section 2.13 hereof, the Company is relying, to the extent applicable, upon your representation as aforesaid.

Your purchase of the Bonds on the Closing Date shall constitute a reaffirmation by you of the foregoing representations as of the Closing Date.

1.5. Failure to Deliver.

If at the closing the Issuer fails to tender to you the Bonds to be purchased by you or if the conditions specified in Section 3 have not been fulfilled, you may thereupon elect to be relieved of all further obligations under this Agreement. Nothing in this Section shall operate to relieve the Company from any of its obligations hereunder or to waive any of your rights against the Company.

1.6. Expenses.

Whether or not the Bonds are sold, the Company will pay all expenses relating to this Agreement, including but not limited to:

(a) the cost of reproducing this Agreement and the other documents referred to herein;

(b) the reasonable fees and disbursements of your special counsel;

(c) your reasonable out-of-pocket expenses;

(d) the cost of delivering to your home office, insured to your satisfaction, the Bonds purchased by you at the closing; and

(e) all recording and filing fees and stamp taxes in connection with the recordation or filing of the Indenture and all expenses relating to any amendments, waivers or consents pursuant to the provisions hereof or of the Indenture.

SECTION 2. WARRANTIES AND REPRESENTATIONS OF THE COMPANY.

The Company warrants and represents to you that:

2.1. Subsidiaries.

Exhibit A to this Agreement states the name of each of the Company's Subsidiaries (indicating which Subsidiaries are Wholly-Owned Subsidiaries), jurisdiction of incorporation and the percentage of its Voting Stock owned by the Company and/or its Subsidiaries. The Company and each Subsidiary has good and marketable title to all of the shares it purports to own of the stock of each Subsidiary, free and clear in each case of any lien. All such shares have been duly issued and are fully paid. All such shares of stock of Subsidiaries incorporated within the United States are non-assessable.

2.2. Corporate Organization and Authority.

The Company, and each Subsidiary,

(a) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation;

(b) has all requisite power and authority and all necessary licenses and permits to own and operate its Properties and to carry on its business as now conducted and as presently proposed to be conducted; and

(c) has duly qualified and is authorized to do business and is in good standing as a foreign corporation in each jurisdiction where the character of its Properties or the current nature of its activities makes such qualification necessary to avoid a material and adverse affect on the financial condition of the Company or any such Subsidiary as a result of the failure to qualify in any jurisdiction.

2.3. Business and Property.

The Placement Memorandum dated April 4, 1974 heretofore furnished you in connection with this transaction correctly describes the general nature of the business and principal Properties of the Company and its Subsidiaries.

2.4. Financial Statements.

(a) The consolidated balance sheets of the Company and Subsidiaries as of December 31 in the years 1969 to 1973, both inclusive, and the related income and earned surplus statements for the fiscal years ended on such dates, all accompanied by reports thereon containing opinions, without qualification, by independent certified public accountants, copies of which have been delivered to you, have been prepared in accordance with generally accepted accounting principles consistently applied, and present fairly the financial position of the Company and Subsidiaries as of such dates and the results of their operations for such periods. These consolidated financial statements include the accounts of all Subsidiaries of the Company for the respective periods during which a subsidiary relationship has existed.

(b) Since December 31, 1973, there has been no change in the condition, financial or otherwise, of the Company and its Subsidiaries as shown on the consolidated balance sheet as of such date except changes in the ordinary course of business, none of which individually or in the aggregate has been materially adverse.

2.5. Full Disclosure.

The financial statements referred to in Section 2.4 do not, nor does this Agreement, the Placement Memorandum referred to in Section 2.3 hereof nor any written statement furnished by the Company to you in connection with the negotiation of the sale of the Bonds, contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein not misleading. There is no fact which the Company has not disclosed to you in writing which materially affects adversely nor, so far as the Company can now foresee, will materially affect adversely the Properties, business, prospects, profits or condition (financial or otherwise) of the Company and its Subsidiaries or the ability of the Company to perform this Agreement, the Guaranty Agreement referred to in Section 4.6 hereof or the Lease.

2.6. Pending Litigation.

There are no proceedings pending, or to the knowledge of the Company threatened, against or affecting the Company or any Subsidiary in any court or before any governmental authority or arbitration board or tribunal which involve the possibility of materially and adversely affecting the Properties, business, prospects, profits or condition (financial or otherwise) of the Company

and its Subsidiaries, or the ability of the Company to perform this Agreement, the Guaranty Agreement or the Lease. Neither the Company nor any Subsidiary is in default with respect to any order of any court, governmental authority or arbitration board or tribunal.

2.7. Title to Properties.

The Company, and each Subsidiary, has good title to all the Property it purports to own, including that reflected in the most recent balance sheet referred to in Section 2.4 hereof (except as sold or otherwise disposed of in the ordinary course of business).

2.8. Patents and Trademarks.

The Company, and each Subsidiary, owns or possesses all the patents, trademarks, service marks, trade names, copyrights, licenses and rights with respect to the foregoing necessary for the present and planned future conduct of its business, without any known conflict with the rights of others that would, either individually or in the aggregate, materially and adversely affect the business, prospects, profits or condition (financial or otherwise) of the Company or its Subsidiaries.

2.9. Agreements are Legal and Authorized.

The execution and delivery by the Company of the Lease and the Guaranty Agreement and compliance by the Company with all of the provisions of this Agreement, the Guaranty Agreement and the Lease:

(a) are within the corporate powers of the Company; and

(b) are legal and will not conflict with nor result in any breach in any of the provisions of, or constitute a default under, or result in the creation of any lien upon any Property of the Company or any Subsidiary under the provisions of any agreement, charter instrument, by-law or other instrument to which the Company or any Subsidiary is a party or by which any of them may be bound.

2.10. No Defaults.

No event has occurred and no condition exists which, upon the issue of the Bonds, would constitute a Default or an Event of Default. Neither the Company nor any Subsidiary is in violation in any material respect of any term of any agreement, charter instrument, by-law or other instrument to which it is a party or by which it may be bound.

2.11. Governmental Consent.

Neither the nature of the Company or of any Subsidiary, or of any of their respective businesses or Properties, nor any relationship between the Company or any Subsidiary and any other Person, nor any circumstance in connection with the offer, issue, sale or delivery of the Bonds is such as to require a consent, approval or authorization of, or filing, registration or qualification with, any governmental authority on the part of the Company in connection with the execution and delivery of this Agreement, the Guaranty Agreement or the Lease, or the offer, issue, sale or delivery of the Bonds by the Issuer.

2.12. Taxes.

(a) All tax returns required to be filed by the Company or any Subsidiary in any jurisdiction have in fact been filed, and all taxes, assessments, fees and other governmental charges upon the Company or any Subsidiary, or upon any of their respective Properties, income or franchises, which are due and payable have been paid. Neither the Company nor any Subsidiary knows of any proposed material additional tax assessment against it by the United States government, any State government or the District of Columbia. Neither the Company nor any Subsidiary knows of any proposed additional tax assessment against it by any foreign government which would materially and adversely affect the business, prospects, profits or condition (financial or otherwise) of the Company and its Subsidiaries or the ability of the Company to perform this Agreement, the Guaranty Agreement, or the Lease.

(b) The provisions for taxes on the books of the Company and each Subsidiary are adequate for all open years, and for its current fiscal period. The amount of the reserve for United States income taxes reflected in the consolidated balance sheets of the Company and its Subsidiaries as of December 31, 1973 is an adequate provision for such United States income taxes, if any, as may be payable by the Company and its Subsidiaries for the fiscal years 1970 through 1973.

2.13. Private Offering.

Neither the Company, directly or indirectly, nor anyone acting on its behalf has offered any of the Bonds or any similar Security for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with, any prospective purchaser, other than you and four other institutional investors, each of which was offered a portion of the Securities referred to in the Placement Memorandum described in Section 2.3 above at private sale for investment. The Company agrees that neither the Company nor anyone acting on its behalf will offer the Bonds or any part thereof or any similar Securities for issue or sale to, or solicit any offer to acquire any of the same from, anyone so as to bring the issuance and sale of the Bonds within the provisions of Section 5 of the Securities Act of 1933, as amended.

2.14. Compliance with Law.

Neither the Company nor any Subsidiary:

(a) is in violation of any laws, ordinances, governmental rules and regulations to which it is subject;

(b) has failed to obtain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of its Property or to the conduct of its business,

which violation or failure to obtain might materially adversely affect the business, prospects, profits, Properties or condition (financial or otherwise) of the Company or any Subsidiary.

2.15. Restrictions on Company and Subsidiaries.

Neither the Company nor any Subsidiary is a party to any contract or agreement, or subject to any charter or other corporate restriction, which materially and adversely affects its business. Neither the Company nor any Subsidiary is a party to any contract or agreement which restricts the right or ability of the Company to incur funded indebtedness.

SECTION 3. WARRANTIES AND REPRESENTATIONS OF THE ISSUER.

The Issuer warrants and represents to you that:

3.1. Corporate Action by Issuer.

Prior to the date that any of the Bonds are issued, the Issuer will have authorized by all necessary action (i) the issuance and sale of the Bonds upon the terms herein set forth, and (ii) the execution and delivery of the Indenture and the Lease. The Lease shall be in substantially the form of the draft thereof dated _____, 1974 previously furnished to you, with such changes as may be approved by you, the Issuer and the Company.

3.2. Bond Proceeds.

The Issuer will apply the proceeds from the sale of the Bonds to the borrowing by the Company to finance the cost of the acquisition of the Project.

3.3. Governmental Approval.

Except for the approval from the State Budget and Control Board of South Carolina, no approval, consent or withholding of objection on the part of any regulatory body, Federal, State or local is required in connection with (i) the issuance and sale of the Bonds in the manner herein provided for, (ii) the execution and delivery of or compliance by the Issuer with the terms and provisions of the Indenture and the Lease, or (iii) the mortgaging and pledging of certain property described in the Indenture and the Lease and the rents, revenues and other sums due and to become due thereunder in the manner and to the extent provided for in the Indenture; and the consummation of the transactions set forth in the foregoing clauses (i) to (iii), inclusive, in the manner and under the terms and provisions as herein and in the Indenture and the Lease provided, will comply with the provisions of any and all applicable State, local or Federal laws and any rules and regulations promulgated thereunder by any regulatory authority or agency.

3.4. Compliance with Laws.

The execution and delivery of this Agreement, the Bonds, the Indenture and the Lease under the circumstances contemplated, and compliance with the provisions thereof, will not conflict with or constitute on the part of the Issuer a breach of or a default under any existing law, administrative regulation, decree or any agreement or other instrument to which the Issuer is subject or by which it is or may be bound.

3.5. Issuer Certificates.

Any certificate signed by any officer of the Issuer and delivered to you shall be deemed a representation and warranty by the Issuer to you as to the statements made therein.

3.6. No Prior Pledge.

Neither the Lease nor the rents, revenues and other sums due and to become due thereunder are pledged in any manner or for any purpose other than for the proposed Bonds.

3.7. No Litigation.

There is no litigation of any nature now pending, or to our knowledge, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, the collection of the proceeds thereof pledged for the payment of the Bonds, the performance of any of the covenants contained in the resolution authorizing the Bonds, the Indenture and the Lease or the acquisition of the Project. No litigation of any nature is now pending or, to the knowledge of the Issuer, threatened, questioning or in any manner relating to or affecting the right or authority of the Issuer to pay the Bonds or to assign and pledge the rents, revenues and other sums due and to become due under the Lease as security for the Bonds or to carry out the terms and provisions of the Indenture or the resolution authorizing the Bonds, the authority or proceedings pursuant to which the Bonds are being issued, the validity of the Bonds or any provision made for the payment thereof, or the power of the Issuer to acquire the Project; that neither the corporate existence nor the titles of the officials of the Issuer to their respective offices are being contested, and that no authority or proceedings for the issuance of the Bonds has been repealed, revoked or rescinded; and that there are no actions at law or in equity pending, nor to the knowledge of the Issuer threatened, against the Issuer or affecting the Project, and there are no proceedings of any kind or nature pending, nor to the knowledge of the Issuer threatened, against the Issuer or affecting the Project by or before any Federal, State or local government or administrative authority or agency.

3.8. Private Offering.

Relying on the representation of the Company set forth in Section 2.13 hereof, neither the Issuer, directly or indirectly, nor anyone acting on its behalf has offered any of the Bonds for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with, any prospective purchaser other than you and four other institutional investors, each of whom was offered a portion of the Securities referred to in the Placement Memorandum described in Section 2.3 above at private sale for investment. The Issuer agrees that neither the Issuer nor

any person acting on its behalf will offer the Bonds or any part thereof for issue or sale to, or solicit any offer to acquire any of the same from, anyone so as to bring the issuance and sale of the Bonds within the provisions of Section 5 of the Securities Act of 1933, as amended.

SECTION 4. CLOSING CONDITIONS.

Your obligation to purchase and pay for the Bonds to be delivered to you at the closing shall be subject to the following conditions precedent:

4.1. Opinions of Counsel.

You shall have received from Messrs. Hunton, Williams, Gay & Gibson, counsel for the Company, Messrs. Chapman and Cutler, your counsel, and Paul Hemphill, Jr., Esq., counsel to the Issuer, the closing opinions substantially in the forms described in Exhibits B, C, D and F hereto.

4.2. Warranties and Representations True as of Closing.

The warranties and representations contained in Sections 2 and 3 shall be true in all material respects on the Closing Date with the same effect as though made on and as of that date.

4.3. Compliance with this Agreement.

The Company and the Issuer shall have performed and complied with all agreements and conditions contained herein which are required to be performed or complied with by the Company and the Issuer before or at the closing.

4.4. Closing Certificates.

You shall have received (i) a certificate dated the Closing Date and signed by the President or a Vice President and the Treasurer or an Assistant Treasurer of the Company, certifying that the conditions specified in Sections 4.2 and 4.3 hereof relating to the Company have been fulfilled, and (ii) a certificate dated the Closing Date and signed by the Chairman of the County Board of Directors and the Secretary of the Issuer certifying that the conditions specified in Sections 4.2 and 4.3 hereof relating to the Issuer have been fulfilled.

4.5. Title Policy.

Prior to or concurrently with the issuance and sale of the Bonds, the Company, without cost or expense to you shall have obtained and delivered to the Trustee under the Indenture, the title policy required by Section 3.2 of the Lease.

4.6. Execution of the Guaranty Agreement, the Indenture and the Lease.

Prior to or concurrently with the issuance and sale of the Bonds (i) the Company shall have entered into, executed and delivered to the Trustee under the Indenture a Guaranty Agreement (the "Guaranty Agreement") substantially in the form of draft thereof dated November 1, 1974 previously furnished to you, with such changes as may be approved by you and the Company providing for the Company's unconditional guaranty of payment of all principal of, premium, if any, and interest on the Bonds, (ii) the Indenture and the Lease substantially in the forms set forth in Section 1.2 hereof, shall have been duly executed and delivered by the parties thereto and shall be in full force and effect, (iii) the Lease and all Uniform Commercial Code financing statements related thereto shall have been recorded or filed for record in such public offices as may be deemed necessary or appropriate by you and your special counsel in order to protect the rights of the Issuer thereunder and to perfect the lien and security interest provided for by the Indenture, and (iv) the Indenture and all Uniform Commercial Code financing statements related thereto shall have been recorded or filed for record in such public officer as may be deemed necessary or appropriate by you or your special counsel in order to perfect the lien and security interest provided for thereby as against creditors of and purchasers from the Issuer.

4.7. Proceedings Satisfactory.

All proceedings taken in connection with the sale of the Bonds, the Indenture, the Lease and the Guaranty Agreement and all documents and papers relating thereto shall be satisfactory to you and your special counsel, and you and your special counsel shall have received copies of such documents and papers as you or they may reasonably request in connection therewith or as a basis for such counsels' closing opinions, all in form and substance satisfactory to you and such counsel.

SECTION 5. PURCHASER'S SPECIAL RIGHTS.

5.1. Direct Payment.

The Trustee under the Indenture will pay all amounts payable to you with respect to any Bonds held by you or your nominee (without any presentment thereof and without any notation of such payment being made thereon) by crediting by bank wire transfer in immediately available Federal Reserve funds your bank account as shown in Section 7.1 hereof, marked for attention as there indicated, or in such other manner or to such other address in the United States as may be designated by you in writing; and the Trustee will transmit any such wire transfer from its offices not later than 10:00 A.M., local time, on each date a payment or prepayment is due. You agree that if you sell or transfer any Bond, you will notify the Trustee and the Company of the name and address of the transferee, and you will, prior to the delivery of such Bond, make a notation on such Bond of the amount of any prepayments made on account of the principal thereof.

5.2. Issue Taxes.

The Company will pay all taxes in connection with the issuance and sale of the Bonds and in connection with any modification of the Bonds and will save you harmless without limitation as to time against any and all liabilities with respect to all such taxes. The obligations of the Company under this paragraph shall survive the payment or prepayment of the Bonds, the termination of this Agreement and the cancellation and satisfaction of the Indenture.

5.3. Delivery Expenses.

If you surrender any Bond to the Trustee pursuant to the Indenture, the Company will pay the cost of delivering to or from your home office from or to the Trustee, insured to your satisfaction, the surrendered Bond and any Bond issued in substitution or replacement for the surrendered Bond.

SECTION 6. DEFINITIONS.

As used herein, the terms hereinafter set forth shall have the following meanings:

(a) "Company" shall mean Virginia Chemicals Inc., and its successors and assigns.

(b) "Default" shall mean an event of default, the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default under the Indenture.

(c) "Event of Default" shall mean any event specified as such in Section 1001 of the Indenture continued for a period of time, if any, therein designated.

(d) "Person" shall mean an individual, corporation, partnership, trust, estate or unincorporated organization, and a government or agency or political subdivision thereof.

(e) "Project" shall mean the land, buildings, machinery, equipment and other facilities leased under the Lease.

(f) "Property" shall mean any interest in any kind of property or asset, whether real, personal or mixed or tangible or intangible.

(g) "Security" shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

(h) "Subsidiary" shall mean any corporation of which 50% or more of the Voting Stock is owned or controlled, directly or indirectly, by the Company and/or by one or more Subsidiaries of the Company.

(i) "Wholly-Owned Subsidiary" shall mean a Subsidiary of which 100% of the Voting Stock is owned or controlled, directly or indirectly, by the Company and/or by one or more Subsidiaries.

(j) "Voting Stock" shall mean Securities of any class or classes of a corporation, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors, or Persons performing similar functions.

SECTION 7. MISCELLANEOUS.

7.1. Notices and Payments.

(a) All communications under this Agreement or under the Bonds shall be in writing and shall be mailed by first class mail, postage prepaid.

(1) if to you, at your address shown at the beginning of this Agreement, marked for attention as there indicated, or at such other address as you may have furnished the Company, and the Issuer in writing, or

(2) if to the Company, at 3340 West Norfolk Road, Portsmouth, Virginia 23703, Attention: Treasurer, or at such other address as it may have furnished in writing to the Issuer and to you, and

(3) if to the Issuer at _____, Attention: _____, or at such other address as it may have furnished in writing to the Company, to you and to the Trustee under the Indenture.

(b) Any notice so addressed and mailed by registered or certified mail shall be deemed to be given when so mailed.

(c) All payments with respect to the Bonds held by you shall be made to you as follows:

The Lincoln National Life
Insurance Company
Account No. _____
Morgan Guaranty Trust Company of New York
23 Wall Street
New York, New York

Attention: [Money Transfer Department]

7.2. Survival.

All warranties, representations and covenants made by the Issuer or the Company herein or on any certificate or other instrument delivered by it or on its behalf under this Agreement shall be considered to have been relied upon by you and shall survive the delivery to you of the Bonds regardless of any investigation made by you or on your behalf. All statements in any such certificate or other instrument shall constitute warranties and representations by the Company or, as the case may be, the Issuer hereunder.

7.3. Successors and Assigns.

This Agreement shall inure to the benefit and be binding upon the successors and assigns of each of the parties. The provisions of this Agreement are intended to be for the benefit of all holders, from time to time, of the Bonds, and shall be enforceable by any such holder, whether or not an express assignment to such holder of rights under this Agreement has been made by you or your successor or assign.

7.4. Amendment and Waiver.

This Agreement may be amended, and the observance of any term of this Agreement may be waived, with (and only with) the written consent of the Company and the holders of at least 66 2/3% in principal amount of the Bonds at the time outstanding (exclusive of the Bonds then owned by the Company or any Subsidiaries); provided, however, that no such amendment or waiver of any of the provisions of Sections 1 through 5 hereof shall be effective as to you unless consented to by you in writing; and provided further, that no such amendment or waiver shall, without the written consent of the holders of all the Bonds at the time outstanding, (i) change the amount or time of any prepayment or payment of principal or premium or the rate or time of payment of interest, or (ii) amend this Section 7.4.

7.5. Duplicate Originals.

Two or more duplicate originals of this Agreement may be signed by the parties, each of which shall be an original but all of which together shall constitute one and the same instrument.

If this Agreement is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Agreement and return such counterpart to the Company and the Issuer, whereupon this Agreement will become binding among us in accordance with its terms.

Very truly yours,

VIRGINIA CHEMICALS INC.

By _____

President

CHESTER COUNTY, SOUTH CAROLINA

By _____

Chairman of the County Board of
Directors

ACCEPTED AND AGREED TO:

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

By _____

Its _____

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The closing opinion of Messrs. Hunton, Williams, Gay & Gibson, which is called for by Section 4.1 of the Bond Purchase Agreement, shall be satisfactory in form and substance to you, shall be dated the Closing Date and shall be to the effect that:

(i) The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Maine and is in good standing as a foreign corporation in each jurisdiction in which the owning or leasing of real property or the maintaining of an office requires such qualification. The Company has all necessary power and authority to conduct the business now being conducted by it and to enter into and perform the obligations of the Company under the Lease and the Guaranty Agreement;

(ii) The Bond Purchase Agreement has been duly authorized, executed and delivered by the Company; and the Bond Purchase Agreement constitutes the legal, valid and binding contract and agreement of the Company;

(iii) The Lease has been duly authorized by all necessary corporate action on the part of the Company (no action by the stockholders of the Company being required by law, by the Certificate of Incorporation or By-Laws of the Company or otherwise), has been duly executed and delivered by the Company; the Lease provides for the unconditional obligation of the Company to pay rent to the Trustee sufficient to pay principal, premium, if any, and interest on the Bonds as and when the same become due; and the Lease constitutes the legal, valid and binding contract and agreement of the Company, enforceable in accordance with its terms, except to the extent limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally, including the right of a trustee in bankruptcy or reorganization of the Company to reject the Lease, and subject to the further qualification that certain remedies provided in the Lease may be limited by the laws of the State of South Carolina, but such laws, in the opinion of Paul Hemphill, Jr., Esq., do not make the remedies afforded by the Lease inadequate for the practical realization of the rights of the Issuer or the Trustee thereunder;

(iv) The Guaranty Agreement has been duly authorized by all necessary corporate action on the part of the Company (no action by the stockholders of the Company being required by law, by the Certificate of Incorporation or By-laws of the Company or otherwise), has been duly executed and delivered by the Company; and the Guaranty Agreement constitutes the legal, valid and binding contract and agreement of the Company enforceable in accordance with its terms, except to the extent limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally. Although there are no cases directly on point, based on relevant legal principles, it is our opinion that, in a bankruptcy or reorganization proceeding with respect to the Company under the United States Bankruptcy Act, a claim against the Company under the Guaranty Agreement is not subject to the provisions of such Act limiting claims for damages resulting from the rejection of a lease set forth in Section 63a(9) of such Act [11 U.S.C. §103(a)(9)], or in Section 202 of such Act [11 U.S.C. §602].

(v) The execution and delivery of the Lease and the Guaranty Agreement by the Company will not violate any provision of Maine or South Carolina law or of any ordinance or regulation of any public or governmental agency or authority of the States of Maine or South Carolina and will not conflict with, or result in any breach of any of the provisions of, or constitute a default under, or result in the creation or imposition of any lien or encumbrance upon any of the property or the Company pursuant to the provisions of, the Certificate of Incorporation or By-Laws of the Company, or any indenture, mortgage, deed of trust or other agreement or instrument to which it is a party or by which it or its properties is bound;

(vi) To the knowledge of counsel, there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any judicial or administrative court or agency, pending or threatened against or affecting the Company, wherein an unfavorable decision, ruling or finding would materially and adversely affect the validity or enforceability, in accordance with their terms, of the Bond Purchase Agreement, the Guaranty Agreement, the Lease or the issuance and sale of the Bonds;

(vii) To the best knowledge of counsel, the information with respect to the Company furnished to The Lincoln National Life Insurance Company under the Bond Purchase Agreement and to the Issuer does not contain any untrue statement of a material fact or omit to state any material fact with respect to the Company necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(viii) The execution and delivery of the Guaranty Agreement and the Lease under the circumstances contemplated by the Bond Purchase Agreement do not, under existing law and related rulings and regulations, require registration of the Guaranty Agreement or the Lease under the Securities Act of 1933, as amended, nor compliance with any requirement of the Trust Indenture Act of 1939, as amended;

and shall cover such other matters incident to the transactions contemplated by the Bond Purchase Agreement as you may reasonably request.

It is understood that counsel may rely (a) upon certificates of appropriate public officials as to the qualification and good standing of the Company to do business in any State, (b) as to matters of South Carolina law upon the opinion of Paul Hemphill, Jr., Esq., and (c) as to factual matters involved in the opinions which are not independently established by counsel upon certificates of officers of the Company.

The terms used in this Exhibit B which are defined in the Bond Purchase Agreement shall have herein the meanings assigned to them in the Bond Purchase Agreement unless otherwise specified or the context otherwise requires.

The closing opinion of Messrs. Chapman and Cutler which is called for by Section 4.1 herein shall be dated the Closing Date and shall be to the effect that:

(i) The Company is a duly organized and validly existing corporation in good standing under the laws of the State of Maine and has all requisite power and authority to enter into, execute and deliver the Lease and the Guaranty Agreement and to carry on its business and own its property;

(ii) The Lease has been duly authorized by all necessary corporate action on the part of the Issuer and the Company (no action by the stockholders of the Company being required by law by the Certificate of Incorporation or By-Laws of the Company), has been duly executed and delivered by the Company and the Issuer and constitutes the legal, valid and binding contract and agreement of the Company and the Issuer, enforceable in accordance with its terms except to the extent limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally, including the right of a trustee in bankruptcy or reorganization of the Company to reject the Lease and subject to the further qualification that certain remedies provided in the Lease may be limited by the laws of the State of South Carolina (but such laws do not, in the opinion of Paul Hemphill, Jr., Esq., make the remedies afforded by the Lease inadequate for the practical realization of the rights of the Issuer and the Trustee thereunder);

(iii) The Bond Purchase Agreement has been duly authorized, duly executed and delivered by the Issuer and the Company; and the Bond Purchase Agreement constitutes a legal, valid and binding contract and agreement;

(iv) The Indenture has been duly executed and delivered by the Issuer and constitutes the valid, binding and enforceable obligation of the Issuer according to its terms, except to the extent that enforceability may hereafter be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally, and subject to the further qualification that certain remedies provided in the Indenture may be limited by the laws of the State of South Carolina (but

such laws do not, in the opinion of Paul Hemphill, Jr., Esq., make the remedies afforded by the Indenture inadequate for the practical realization of the benefits and security afforded thereby).

(v) The Guaranty Agreement has been duly authorized by all necessary corporate action on the part of the Company (no action by the stockholders of the Company being required by law, by the Certificate of Incorporation or By-Laws of the Company or otherwise), has been duly executed and delivered by the Company; and the Guaranty Agreement constitutes the legal, valid and binding contract and agreement of the Company enforceable in accordance with its terms except to the extent limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally. Although there are no cases directly on point, based on relevant legal principles, it is our opinion that, in a bankruptcy or reorganization proceeding with respect to the Company under the United States Bankruptcy Act, a claim against the Company under the Guaranty Agreement is not subject to the provisions of such Act limiting claims for damages resulting from the rejection of a lease set forth in Section 63a(9) of such Act [11 U.S.C. §103(a)(9)], or in Section 202 of such Act [11 U.S.C. §602];

(vi) The execution and delivery of the Lease and the Guaranty Agreement will not conflict with, or result in any breach of any of the provisions of, or constitute a default under, or result in the creation or imposition of, any lien or encumbrance upon any of the property of the Company pursuant to the provisions of the Certificate of Incorporation or By-Laws of the Company;

(vii) All consents, approvals or authorizations, if any, of any governmental authority required on the part of the Company, and the Issuer in connection with the execution and delivery of the Lease, the Guaranty Agreement, the Indenture and the Bonds have been duly obtained;

(viii) The issuance, sale and delivery of the Bonds and the execution and delivery of the Guaranty Agreement and the Lease under the circumstances contemplated by the Bond Purchase Agreement do not, under existing law and related rulings and regulations, require registration of the Bonds,

the Guaranty Agreement or the Lease under the Securities Act of 1933, as amended, or compliance with any requirement of the Trust Indenture Act of 1939, as amended;

(ix) The Bonds have been lawfully authorized and issued under the laws of the State of South Carolina; that the Bonds are the lawful and enforceable obligations of the Issuer in accordance with their terms and the terms of the Indenture, subject to the qualifications set forth above in paragraph (iv); that the Bonds are payable solely from the revenue and rental income to be derived from the leasing of the industrial project of the Issuer consisting of the machinery, equipment, improvements and related property intended to be acquired thereon from the proceeds of the Bonds;

(x) The Bonds qualify under the "small issue" exemption described in Section 103(c)(6) of the Internal Revenue Code of 1954, as amended (the "Code"), and the interest on the Bonds will not be includible in federal gross income under the laws existing on the date of this opinion and consequently will be exempt from present federal income taxes except with respect to interest on any Bond for any period during which such Bond is held by a person who is a substantial user of the Project or any person considered to be related to such person [within the meaning of Section 103(c)(6)(C) of the Code], and under existing rules, regulations and official interpretations, interest on the Bonds will continue to be exempt from present federal income taxes in the event that the Company is required to perform under the Guaranty;

and shall cover such other matters incident to the transaction contemplated by the Bond Purchase Agreement as you may reasonably request.

It is understood that counsel may rely upon certificates of appropriate public officials and as to factual matters involved in the opinions where such facts are not independently established by counsel, counsel may rely upon certificates of officers of the Company, the Trustee and of the officials of the Issuer. It is further understood that counsel may rely upon the opinion of Messrs. Hunton, Williams, Gay & Gibson as to all matters relating to the

organization and corporate action taken by the Company (except for matters disclosed by the Certificate of Incorporation, By-Laws and certified resolutions of the Board of Directors of the Company authorizing the Bond Purchase Agreement, the Guaranty Agreement and the Lease) and as to matters of South Carolina law referred to in clauses (ii) and (iii) above upon the opinion of Paul Hemphill, Jr., Esq.

The terms used in this Exhibit C which are defined in the Bond Purchase Agreement shall have herein the meanings assigned to them in the Bond Purchase Agreement unless otherwise specified or the context otherwise requires.

The closing opinion of Paul Hemphill, Jr., Esq., which is called for by Section 4.1 of the Bond Purchase Agreement, shall be satisfactory in form and substance to you, shall be dated the Closing Date, and shall be to the effect that:

(i) The Issuer is duly organized and existing as a body corporate and politic in the State of South Carolina with the powers and authority, among others, set forth in Section 14-1950 of the Code of Laws of South Carolina, 1962, as amended (the "Charter") and Sections 14-399.21 through 14-399.35:2, inclusive, of the Code of Laws of South Carolina, 1962, as amended (the "Act"). The Issuer has full power and authority under the Act to issue the Bonds, to acquire and finance the Project (as defined in the Lease) and to execute and deliver, and to carry out and perform its obligations under, the Lease, the Indenture and the Bond Purchase Agreement;

(ii) The State Budget and Control Board of South Carolina has duly approved the issuance by the Issuer of the Bonds. No additional or further approval, consent or authorization of any governmental or public agency or authority is required by the Issuer in connection with (a) the issuance and sale of the Bonds, or (b) entering into and performing its obligations under the Bonds, the Indenture, the Lease, or under the Bond Purchase Agreement;

(iii) The Issuer has taken all corporate action legally necessary in connection with the authorization of the Bonds, the Bond Resolution, the Indenture, the Lease and the Bond Purchase Agreement;

(iv) The Lease and the Bond Purchase Agreement have each been duly executed and delivered by the Issuer and, assuming the due authorization, execution and delivery thereof by the other parties thereto, constitutes the valid, binding and enforceable obligation of the Issuer according to its terms, except to the extent limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and subject to the further qualification that certain remedies provided in the Lease may be limited by the laws of the State of South Carolina, but such laws do not make the remedies afforded by the Lease inadequate for the practical realization of the rights of the Issuer and the Trustee thereunder;

(v) The Indenture has been duly executed and delivered by the Issuer and constitutes the valid, binding and enforceable obligation of the Issuer according to its terms, except to the extent that enforceability may hereafter be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and subject to the further qualification that certain remedies provided in the Indenture may be limited by the laws of the State of South Carolina, but such laws do not make the remedies afforded by the Indenture inadequate for the practical realization of the benefits and security afforded thereby;

(vi) The amounts provided to be paid by the Company under the terms of the Lease and the interest of the Issuer therein have been validly assigned to the Trustee under the Indenture. The Lease or a memorandum thereof and the Indenture have been duly filed for record in the real property records of Chester County, South Carolina, and financing statements in regard to the security interest of the Trustee created by the Indenture have been duly filed with the real property records of Chester County, South Carolina. No further or subsequent recording or filing or re-recording or refiling of the Lease, the Indenture or any other instrument is necessary in order to preserve or maintain the interest of the Issuer in the Lease or to perfect and preserve the lien created by and the assignment contained in the Indenture, except that continuation statements in regard to the financing statements should be filed in the manner and at the times specified by the South Carolina Uniform Commercial Code. All State of South Carolina and local filing and recording taxes, stamp taxes and other governmental fees and charges required to be paid in the State of South Carolina in connection with the execution, delivery, filing for record or recording of the Indenture, and the Lease, or in connection with the execution and delivery of the Bonds, have been paid;

(vii) The Bonds have been duly authorized, executed and delivered by the Issuer and constitute the valid and legally binding obligations of the Issuer in accordance with their terms and entitled to the benefits and security afforded by the Indenture;

(viii) The execution, delivery and performance by the Issuer of the Indenture, the Bond Purchase Agreement and the Lease will not violate any provision of South Carolina law or any applicable judgment, order or regulation of any court or of any public or governmental agency or authority of the State of South Carolina and will not conflict with or result in any breach of any of the provisions of, or constitute a default under, any agreement or instrument to which the Issuer is a party or by which it is bound;

(ix) There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any judicial or administrative court or agency, public board or body, pending or threatened, against or affecting the Issuer, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Lease or the Bond Purchase Agreement;

(x) All right and title to all moneys to be received by the Issuer from the Project (defined in the Lease) have been duly and legally assigned to the payment of the principal of, premium, if any, and interest on the Bonds and for redemption of the Bonds prior to maturity, and such assignment constitutes a first lien and security interest on such moneys;

(xi) In reliance upon the title policy dated _____, 1974 of _____, the Issuer has good and marketable title to the land described in Exhibit A to the Indenture, free and clear of all liens and encumbrances subject, however, to Permitted Encumbrances;

(xii) Neither the existence of the Issuer nor the title of any of the officials or members of the County Council of the Issuer to their offices is being contested and none of the proceedings heretofore taken to authorize the issuance of the Bonds and to provide the security therefor have been repealed, revoked or rescinded;

(xiii) Pursuant to an investigation of all public or private acts affecting the Issuer passed by the South Carolina State Legislature at its most recent session, we have determined and are of the opinion that no public or private act has been passed at said session which will in

any way affect the validity of the proposed Bonds or the enforceability of the Bonds in accordance with their terms;

(xiv) Based upon my examination of law and review of the certifications appearing in the Certificate and Request of the Issuer dated the date hereof and in the resolution authorizing the Bonds and in the Lease, as to the application of bond proceeds, the facts, estimates and circumstances are in my opinion sufficiently set forth in said certifications to satisfy the criteria which are necessary under Section 103(d) of the Internal Revenue Code, and Sections 1.103-13 and 1.103-14 of the regulations thereunder, to support the conclusion that the Bonds as described are not arbitrage bonds. No matters have come to my attention which in my opinion make unreasonable or incorrect the representations made in said certifications;

and shall cover such other matters incident to the transactions contemplated by the Bond Purchase Agreement as you may reasonably request.

It is understood that counsel may rely upon certificates of appropriate public officials and, as to factual matters involved in the opinions which are not independently established by counsel, counsel may rely upon certificates of the officials of the Issuer and of officers of the Company.

The terms used in this Exhibit D which are defined in the Bond Purchase Agreement shall have herein the meanings assigned to them in the Bond Purchase Agreement unless otherwise specified or the context otherwise requires.

STATE OF SOUTH CAROLINA)
)
COUNTY OF CHESTER) SS.

TO THE STATE BUDGET AND CONTROL
BOARD OF SOUTH CAROLINA

)}
)}
)}
P E T I T I O N

The Petition of the County Board of Directors of Chester County, South Carolina (the "County Board") pursuant to Sections 14-399.21 to 14-399.35:2, inclusive, of the Code of Laws of the State of South Carolina, 1962, as amended (the "Act"), and in particular Section 14-399.34 thereof, respectfully shows:

1. The County Board is the governing body of Chester County, as established by Section 14-1361 of the Code of Laws of the State of South Carolina, 1962, as amended, and as such is the "county board" of Chester County referred to in the Act.

2. The Act authorizes the County Board, subject to obtaining the approval from the State Budget and Control Board required by Section 14-399.34 of the Act, to acquire by purchase one or more projects within the county and to lease to others one or more of such projects for such rentals and upon such terms and conditions as the County Board may deem advisable, and to issue revenue bonds for the purpose of defraying the cost of acquiring such project and to secure the payment of such bonds, all as set forth in the Act.

3. Pursuant to and in accordance with the provisions of the Act, the County Board has agreed with Virginia Chemicals Inc., a Maine corporation (the "Company"), which owns and operates a chemical manufacturing facility for the manufacture of sodium bisulphite and hydrosulphite-based products at Leeds in Chester County, that Chester County will acquire by purchase certain land, buildings, equipment and improvements (the "Project") to be leased to the Company and to be used in connection with said manufacturing facility.

4. The County Board is advised by the Company that the cost of acquiring the Project, including the cost of issuing the bonds hereinafter described, will be approximately \$1,000,000, and that it will therefore be necessary that the County Board issue Industrial Development Revenue Bonds in an amount not exceeding \$1,000,000 (the "Revenue Bonds"), the proceeds of which shall be used to defray the cost of acquiring the Project, including the related costs of authorization, sale and issuance of the Revenue Bonds.

5. In a meeting held on October 31, 1974, the County Board of Chester County adopted a Resolution, attached hereto as Exhibit 1, providing for the authorization, execution and delivery of the Revenue Bonds and the below-mentioned Bond Purchase Agreement, Lease Agreement and Mortgage and Deed of Trust.

6. As required under the Act, the County Board has made the following findings:

A. The Project will subserve the purposes of the Act.

B. The Project will give rise to no pecuniary liability of Chester County, South Carolina or be a charge against its general credit or taxing powers.

C. The amount of Revenue Bonds required to finance the Project, including authorized costs relating thereto, is \$1,000,000.

D. The amount necessary in each year to pay the principal of and interest on the Revenue Bonds is as set forth in the below-mentioned Mortgage and Deed of Trust.

E. The establishment of reserve funds in connection with the retirement of the proposed Revenue Bonds and the maintenance of the Project is not deemed necessary or advisable by the County Board.

F. In accordance with the terms under which the Project is to be leased, the Company shall maintain the Project and carry appropriate insurance with respect thereto.

G. The proposed lease of the Project contains an agreement obligating the Company to effect the completion of the Project if the proceeds of the Revenue Bonds prove insufficient and obligates the Company to pay a rental which will be sufficient to pay the principal of and interest on the Revenue Bonds.

H. The proposed lease agreement contains a provision requiring the Company to make payments to Chester County, the school district or school districts and other political units where the Project is located in lieu of taxes, in such amounts as would result from taxes levied on the Project by such County, school district or school districts and other political unit or units, if the Project were owned by the Company, but with appropriate exemptions similar to the tax exemptions which would be afforded to the Company if it were the owner of the Project.

7. Chester County, South Carolina has entered into a bond purchase agreement dated as of November 1, 1974 (the "Bond Purchase Agreement") with The Lincoln National Life Insurance Company ("Lincoln") pursuant to which Chester County will issue and Lincoln will purchase the Revenue Bonds; and a copy of said Bond Purchase Agreement is attached hereto as Exhibit 2.

8. The principal of, interest and premium, if any, on the Revenue Bonds shall be secured by a mortgage of the Project and by an assignment and pledge of the Lease Agreement and the rents, revenues and other sums of money payable and receivable thereunder.

9. Pursuant to the Act, the County Board sets forth the following:

A. The Project will be comprised of the following buildings, structures, facilities, machinery, equipment and real estate having the approximate cost set forth below, namely:

Sulphuric Acid Storage	\$ 15,000
SBS Plant	85,000
Fuel Oil Storage	50,000
Boiler House	90,000
Cooling Tower	60,000
Maintenance Building	25,000
SO2 Storage	50,000
"J" Storage	35,000
Warehouse (including equipment)	195,000
Fire Pump House	130,000
Fire & Mill Water Lines	20,000
Dam and Grading	110,000
Sodium Bisulphite Equipment	90,000

Sulphur Dioxide Storage Tanks	\$ 18,000
"J" Storage Tank	2,000
Sulphuric Acid Storage Tank	2,000
Land	<u>11,000</u>
Total	\$988,000

The Project is anticipated to increase employment in Chester County and to have a beneficial effect upon the economy of Chester County and the areas adjacent thereto.

B. The cost of the Project is estimated to be not in excess of \$1,000,000, including acquisition costs, financing costs and all other expenses to be incurred in connection therewith and in connection with the issuance of the Revenue Bonds.

C. A general summary of the terms and conditions of the proposed Lease Agreement and Mortgage and Deed of Trust is as follows:

Lease Agreement:

- (a) Term: The lease term is scheduled to expire on December 31, 1994 if payment and retirement of the Revenue Bonds has been made or provided for.
- (b) Rent: The rent payable is equal to the principal of and interest and premium, if any, on the Revenue Bonds.
- (c) Net Lease: The obligations of the Company under the Lease Agreement are expressed to be absolute and unconditional.
- (d) Maintenance and Insurance: The Company agrees during the lease term to maintain the Project and to keep it adequately insured.
- (e) Taxes: The Company agrees to make the payment of sums in lieu of taxes required by 14-399.26 of the Act.
- (f) Options to Terminate the Lease: Under certain conditions, contemplating the prior payment in full of the Revenue Bonds, the Company has the option to purchase the Project for a nominal purchase price.

Mortgage and Deed of Trust:

- (g) Mortgaged Property: The mortgaged property consists of the Project and the Lease and the rents, revenues and receipts derived from the Project by Chester County.
- (h) Bonds: Provision is made for the issuance of Revenue Bonds in the total amount of \$1,000,000 maturing serially in the principal amount of \$200,000 on December 31 in each of the years 1990 to 1994 inclusive.
- (i) Limited Obligations: The Revenue Bonds are limited obligations of Chester County payable solely from the revenues derived from the leasing or sale of the Project (except to the extent paid out of moneys attributable to the Revenue Bond proceeds or the income from the temporary investment thereof, and under certain circumstances, proceeds from insurance and condemnation awards). The Revenue Bonds shall never constitute an indebtedness of Chester County within the meaning of any State constitutional provision or statutory limitation and shall never constitute or give rise to pecuniary liability of Chester County or a charge against its general credit or taxing powers.
- (j) Trustee: The First National Bank of Chicago is to act as corporate Trustee.
- (k) Funds: The Trustee will have custody of the Construction Fund and Bond Fund established under the Indenture.

10. A draft of the Lease Agreement is attached hereto as Exhibit 3.

11. A draft of the Mortgage and Deed of Trust is attached hereto as Exhibit 4.

12. It is the intent of the County Board that the Lease Agreement and the Mortgage and Deed of Trust shall be finally executed and delivered in substantially the form of those documents attached hereto, and, although changes may be made in the enclosed forms, it is not expected that there will be any changes which will substantially and adversely affect the undertaking of Chester County as now outlined therein.

Upon the basis of the foregoing, the County Board respectfully prays that the State Budget and Control Board accept the filing of this Petition together with the Exhibits attached hereto, and that the State Board as soon as practical make such investigation as it deems advisable, and that if it finds that the Project is intended to promote the purposes of the Act and may reasonably be anticipated to effect such result, that it approve the Project and the proposed financing thereof by Chester County through the issuance of Revenue Bonds pursuant to the Act, including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking of Chester County, and give published notice of its approval in the manner set forth in the Act.

This *13th* day of *November*, 1974.

Respectfully submitted,

CHESTER COUNTY, SOUTH CAROLINA

BY:

[Signature]
Chairman of the County Board
of Chester County

(SEAL)

ATTEST:

J. B. McDowell
Secretary of the County Board
of Chester County

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

I, W. T. Putnam, Assistant Auditor of the State of South Carolina, and Assistant Secretary of the State Budget and Control Board, DO HEREBY CERTIFY:

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

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

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

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

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

The Honorable F. Julian LeaMond, Chairman of the House Ways and Means Committee.

That due notice of meeting of said Board, called to be held at the office of the Governor, in the Capitol Building, at Columbia, South Carolina, at 3:00 P. M., November 14, 1974, was given to all members in writing, and at least four (4) days prior to said meeting; that all members of said Board were present at said meeting, with the exception of:

Mr. LeaMond

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

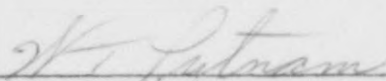
FOR MOTION

4

AGAINST MOTION

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


Assistant Secretary

November 15, 1974

LEASE AGREEMENT

Between

CHESTER COUNTY, SOUTH CAROLINA

AND

VIRGINIA CHEMICALS INC.

Dated as of November 1, 1974

EXHIBIT 3

(I.D.)

NOTE: THE INTEREST OF CHESTER COUNTY, SOUTH CAROLINA IN THIS LEASE AGREEMENT HAS BEEN ASSIGNED TO THE FIRST NATIONAL BANK OF CHICAGO, AS TRUSTEE UNDER THE MORTGAGE AND INDENTURE OF TRUST, DATED AS OF NOVEMBER 1, 1974 FROM CHESTER COUNTY, SOUTH CAROLINA.

LEASE AGREEMENT

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(This Table of Contents is not a part of this Lease Agreement and is only for convenience of reference)

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LEASE AGREEMENT dated as of November 1, 1974 between CHESTER COUNTY, a body public and corporate and political subdivision of the State of South Carolina, acting through its Board of County Directors, party of the first part, and VIRGINIA CHEMICALS INC., a corporation duly organized and existing under the laws of the State of Maine, party of the second part,

W I T N E S S E T H:

In consideration of the respective representations and agreements herein contained, the parties hereto agree as follows (provided that any obligation of the Issuer created by or arising out of this Lease shall not be a general debt on its part but shall be payable solely out of the proceeds derived from this Lease, the sale of the Bonds referred to in Section 2.1 hereof and any insurance and condemnation awards as herein provided):

ARTICLE I

Definitions

"Act" means Sections 14-399.21 to 14-399.35:2, inclusive, of the Code of Laws of South Carolina, 1962, as supplemented and amended.

"Authorized Issuer Representative" means the person at the time designated to act in behalf of the Issuer by written certificate furnished to the Lessee and the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by the Chairman or _____ of the Board of County Directors of the Issuer. Such certificate shall designate an alternate or alternates. Any such person shall be satisfactory to the Lessee and shall be replaced by the Board upon the written request of the Lessee.

"Authorized Lessee Representative" means the authorized lessee representative or representatives who, at the time, shall have been designated as such in or pursuant to the provisions of Section 4.7 hereof.

"Board" means the Board of County Directors of the Issuer.

"Bonds" means the Industrial Development Revenue Bonds of the Issuer issued and to be issued pursuant to the Indenture.

"Bond Fund" means the Bond Fund created in Section 502 of the Indenture.

"Building" means all buildings, structures and facilities forming a part of the Project (exclusive of the Leased Equipment and the Leased Land) which are required by Section 4.1(a) hereof to be constructed on the Leased Land, as they may at any time exist.

"Code" means the Internal Revenue Code of 1954, as amended.

"Construction Fund" means the Construction Fund created in Section 602 of the Indenture.

"Construction Period" means the period between the beginning of construction or the date on which Bonds are first delivered to purchasers thereof, whichever is earlier, and the Final Construction Disbursement Date.

"Final Construction Disbursement Date" means the date of completion of the construction of the Building and the installation therein of the Leased Equipment as that date shall be certified as provided in Section 4.5 hereof.

"Indenture" means the Mortgage and Indenture of Trust between the Issuer and The First National Bank of Chicago, as Trustee, of even date herewith, including any indenture supplemental thereto, pursuant to which (i) the Bonds are authorized to be issued and (ii) the Issuer's interest in this Lease, and the rents and other revenues received by the Issuer from the Project, as well as the Project, are to be assigned, pledged and mortgaged as security for the payment of principal of, premium, if any, and interest on the Bonds.

"Independent Counsel" means an attorney duly admitted to practice law before the highest court of any state and not an officer or a full time employee of the Issuer or the Lessee.

"Independent Engineer" means an engineer or engineering firm qualified to practice the profession of engineering under the laws of any state, and not an officer or a full time employee of either the Issuer or the Lessee.

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

"Lease" means this agreement and any amendments and supplements hereto.

"Lease Term" means the duration of the leasehold estate created in this Lease as specified in Section 5.1 hereof.

"Leased Equipment" means those items of machinery, equipment and related property required or permitted herein to be acquired and installed in the Building with proceeds from the sale of the Bonds or the proceeds of any payment by the Lessee pursuant to Section 4.6 hereof (which property is described generally in Exhibit A hereto and will be described in the instruments referred to in Section 12.7 hereof) and any item of machinery and equipment and related property acquired and installed in the Building in substitution therefor or in addition thereto pursuant to the provisions of Sections 4.1(b), 6.2, 7.1 and 7.2 hereof, less such machinery, equipment and related property as may be released from this Lease pursuant to Section 6.2 of this Lease or taken by the exercise of the power of eminent domain as provided in Section 7.2 of this Lease, all as they may at any time exist, but not including the Lessee's own machinery and equipment installed under the provisions of Sections 6.1 and 9.7 hereof. All of Leased Equipment shall be identified as such by tags or other symbols affixed thereto. All property not so identified shall be presumed to be the Lessee's equipment.

"Leased Land" means the real estate, interests in real estate and other rights described in Exhibit B hereto and any lease supplementing this Lease, together with all additions thereto and substitutions therefor less such real estate, interests in real estate and other rights as may be released from this Lease pursuant to Section 8.5 hereof or taken by the exercise of the power of eminent domain as provided in Section 7.2 of this Lease.

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

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

"Permitted Encumbrances" means, as of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) this Lease and the Indenture, (iii) utility, access and other easements and rights of way, mineral rights, restrictions and exceptions that will not materially interfere with or impair the operations being conducted in the Building (or, if no operations are being conducted therein, the operations for which the Building was designed or last modified), (iv) such minor defects, irregularities, encumbrances, easements, rights of way and clouds on title as normally exist with respect to properties similar in character to the Project and as do not in the aggregate materially impair the property affected thereby for the purpose for which it was acquired or is held by the Issuer and (v) mechanics' and materialmen's liens not filed or perfected in the manner prescribed by law, as in effect on the date hereof or otherwise.

"Plant" shall mean all facilities (including the Project) located on the premises of Company in Chester County, South Carolina, and used by Company, its subsidiaries or affiliates in production of organic and inorganic chemicals and other products, as such facilities may at any time exist.

"Project" means the Leased Land, the Building and the Leased Equipment as they may at any time exist.

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

ARTICLE II

Representations

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

(a) The Issuer is a duly subsisting body public and corporate and is a political subdivision of the State of South Carolina. Under the provisions of the Act the Issuer, acting through the Board, has the power to enter into the transactions contemplated by this Lease and to carry out its obligations hereunder. The Project constitutes and will constitute a "Project" within the meaning of the Act. The Issuer is not in default under any of the provisions of the laws of South Carolina. By proper corporate action the Board has been duly authorized to execute and deliver this Lease.

(b) The Issuer has acquired good and marketable title to the Leased Land, subject to Permitted Encumbrances. The Issuer

proposes to lease the Project to the Lessee and to sell the Project to the Lessee upon Lessee's exercise of its option to purchase the Project or at the expiration of the Lease Term, all for the purposes set forth in the Act. The Lessee has procured from the appropriate state, county, municipal and other authorities and corporations connection and discharge arrangements for the supply of water, gas, electricity and other utilities and sewage and industrial waste disposal for the operation of the Project.

(c) To finance the cost of the Project the Issuer will issue Bonds in the aggregate principal amount of \$1,000,000 and such Bonds (i) will be scheduled to mature and bear interest and mature as provided in Section 202 of the Indenture (ii) will be subject to redemption in accordance with Article III of the Indenture.

(d) The Bonds are to be issued under and secured by the Indenture, pursuant to which the Issuer's interest in this Lease and the revenues and receipts derived by the Issuer from the leasing or sale of the Project will be pledged, and the Project will be mortgaged to the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds.

(e) The Issuer shall have no authority to operate the Project other than as lessor.

(f) The Board hereby finds and determines that the conveyance to the Lessee of the options to purchase the Project for the amounts set forth in Article XI hereof are in the best interest of Issuer and in furtherance of the policy of the Act.

(g) Subject to the provisions of Section 9.2 hereof, the Issuer will not mortgage the Project or pledge the revenues derived from the Project except with the express consent of the Lessee.

(h) The Issuer has obtained the approval required to be obtained in Section 14-399.34 of the Act.

(i) The Issuer has made all findings required by Section 14-399.26 of the Act.

(j) On the basis of the knowledge of the Board and the representations of the Company contained herein relating to the construction of the Project:

(1) All of the original proceeds (as defined in Proposed Regulations published on p. 10944 of the Federal Register for May 3, 1973 relating to arbitrage bonds) of the Bonds are needed for the purpose of paying the costs of the Project, including expenses incidental to the issuance of the Bonds.

(2) At least 85% of the spendable proceeds of the Bonds has been expended for the Project cost.

(3) Work on the Project has proceeded to substantial completion.

(4) The Project has not been and is not expected to be sold or otherwise disposed of, in whole or in part, prior to the last maturity of the Bonds (other than as provided in the Indenture).

(5) Accrued interest, if any, received upon the sale of the Bonds is to be applied to the first interest due thereon.

On the basis of the foregoing, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" under Section 103(d) of the Code, and the regulations promulgated under that Section. To the best knowledge and belief of the Board, there are no other facts, estimates or circumstances that would materially change the foregoing conclusion. The Issuer has not been notified of any listing or proposed listing of it by the Internal Revenue Services as a bond issuer whose arbitrage certificates may not be relied upon.

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

(a) The Lessee is a corporation duly incorporated under the laws of Maine, is qualified to do business as a foreign corporation and is in good standing in the State of South Carolina, has power to enter into this Lease and by proper corporate action has been duly authorized to execute and deliver this Lease.

(b) The execution and delivery of this Agreement and the consummation of the transactions contemplated herein will not conflict with or constitute a breach of or default under the Lessee's articles of incorporation or by-laws or any bond, debenture, note or other evidence of indebtedness or any contract, agreement or lease to which the Lessee is a party or by which it is bound.

(c) The leasing by the Issuer of the Project to the Lessee will induce the Lessee to locate in South Carolina a new manufacturing enterprise.

(d) The Lessee intends to operate or to cause the Project to be operated to the expiration or sooner termination of the Lease Term as provided herein for the manufacture, processing, storing and distributing of (i) sodium bisulphite and hydrosulphite - based products and (ii) such other products as the Lessee may deem appropriate.

(e) The property comprising the Project constitutes and will constitute either land or property of a character subject to the allowance for depreciation under §167 of the Code, and all expenditures for and costs of the Project will be charged to capital account for Federal income tax purposes. The estimated cost of the Project and the related costs of financing contemplated hereunder is \$1,000,000 and all of the proceeds of the Bonds made hereunder will be used only to provide manufacturing facilities. In estimating costs of the Project no amount has been included which, under the Federal income tax laws, will be deducted by the Lessee in the year in which paid or incurred except through an allowance for depreciation.

(f) The Project is located wholly within the boundaries of the Issuer.

ARTICLE III

Demising Clauses and Title Insurance

Section 3.1. Demise of the Leased Land, the Building and the Leased Equipment. The Issuer, acting through the Board, demises and leases to the Lessee, and the Lessee leases from the Issuer, the Project at the rental set forth in Section 5.3 hereof and in accordance with the provisions of this Lease, subject to Permitted Encumbrances.

Section 3.2. Title Insurance. The Issuer has obtained title insurance in the form of an ALTA owner-mortgagee title policy in the face amount of \$_____, and has furnished a copy of such policy to the Lessee. Any Net Proceeds payable either to the Issuer or the Lessee under such policy shall, at the Lessee's option, be either (a) used to acquire and construct replacement or substitute property for that to which title has been lost and such property shall be subjected to the lien of the Indenture, or (b) used to redeem Bonds on or after December 31, 1984 under the provisions of the second paragraph of Section 301 of the Indenture.

ARTICLE IV

Completion of the Project; Issuance of the Bonds

Section 4.1. Agreement to Construct and Equip the Building on the Leased Land. The Issuer agrees that, pursuant to Section 14-399.28 of the Act, the Lessee was authorized to acquire the Leased Land and to commence construction and acquisition of the Project in anticipation of the issuance of the Bonds and on behalf of Issuer and the Lessee agrees that:

(a) It has caused or will cause the Building to be constructed on the Leased Land, wholly within the boundary lines thereof, the Building consisting of manufacturing and appurtenant facilities not included in Leased Equipment for the manufacture, processing, storing, warehousing and distributing of (i) sodium bisulfite, hydrosulphite based products and (ii) such other products as the Lessee may deem appropriate, and has constructed, acquired and installed or will construct, acquire and install other facilities and real and personal property and easements, rights and permits necessary for the operation of the Project, all in accordance with the Lessee's plans and specifications, including any and all supplements, amendments and additions thereto.

(b) It has caused or will cause to be acquired and installed in the Building the Leased Equipment, consisting of the machinery, equipment and related property described in the general list thereof in Exhibit A hereto, and such other items of machinery, equipment and related property which in Lessee's judgment may be necessary or desirable for operation of the Project.

The Issuer has not and will not execute any contract for the construction of the Building or any part thereof or for the purchase or installation of any Leased Equipment or any part thereof without the prior written approval of the Lessee.

The Lessee agrees that construction of the Building and the acquisition and installation of the Leased Equipment has been substantially completed. Such construction, acquisition and installation was commenced prior to the receipt of proceeds from the sale of the Bonds and the Lessee has advanced all funds necessary for such purpose. Nothing contained in this Section shall relieve the Lessee from making the rental payments required to be made pursuant to Section 5.3 hereof.

Section 4.2. Agreement to Issue Bonds; Application of Bond Proceeds. In order to provide funds for payment of, or the reimbursement to the Lessee for the payment of, the costs of acquisition, construction and installation provided for in Section 4.1 hereof, the Issuer agrees that it will, prior to January 1, 1975 sell and cause to be delivered to the purchasers thereof \$1,000,000 aggregate principal amount of the Bonds. Upon receipt of said proceeds the Issuer will deposit in the Construction Fund the proceeds received from said sale.

Section 4.3. Disbursements from the Construction Fund.
In the Indenture the Issuer is authorizing and directing the Trustee to use the moneys in the Construction Fund only for the following purposes, subject to Section 14-399.29 of the Act, in connection with the acquisition, construction and installation of the Project:

(a) Payment to the Lessee or the Issuer, as the case may be, of such amounts, if any, as shall be necessary to reimburse the Lessee and the Issuer in full for all advances and payments made by them or either of them or for their accounts at any time prior to or after the delivery of the Bonds for expenditures in connection with the acquisition of any property required for the Project, the preparation of plans and specifications for the Project (including any preliminary study or planning of the Project or any aspect thereof), the acquisition, construction and installation of the Project and all real or personal property deemed necessary in connection with the Project, or any one or more of such expenditures (including architectural, engineering and supervisory services with respect to any of the foregoing), provided that such reimbursement to the Lessee shall not be made with respect to facilities that are not a part of the Project.

(b) Payment of financing costs, including but not limited to the initial or acceptance fee of the Trustee and fees and expenses of its counsel, legal, accounting and financial advisory fees and expenses, filing fees and printing and engraving costs incurred in connection with the authorization, sale and issuance of the Bonds, the execution and filing of the Indenture, this Agreement, and any financing statements and all other documents in connection therewith, and the payment of all fees, costs and expenses for the preparation of this Agreement, the Indenture and the Bonds.

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

(d) Payment of any other costs and expenses relating to the acquisition, construction and installation of the Project or the authorization, issuance and sale of the Bonds.

(e) All monies remaining in the Construction Fund at the Final Construction Disbursement Date after payment or provision for payment of all of the items provided for in the preceding subsections of this Section, shall, at the direction of the Lessee, be paid into the Bond Fund.

Before any payment shall be made from the Construction Fund, there shall be filed with the Trustee:

(1) A requisition, signed by the Authorized Lessee Representative stating:

(i) the name of the person, firm or corporation to whom the payment is due;

(ii) the amount to be paid; and

(iii) the purpose in reasonable detail for which the obligation to be paid was incurred;

(2) A certificate attached to the requisition, signed by the Authorized Lessee Representative stating that:

(i) the obligation stated on the requisition has been incurred by the Lessee in or about the acquisition, construction or installation of the Project and that each item is a proper charge against the Construction Fund;

(ii) the Lessee has not received a written notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition to any of the persons, firms or corporations named therein, or if any notice of any such lien, attachment or claim has been received, that such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of the requisition; and

(iii) such requisition contains no items representing payment on account of any retained percentages which the Lessee is entitled to retain at the date of the certificate; and

(3) If any requisition includes an item for payment for labor or to contractors, builders or materialmen, a certificate signed by the Authorized Lessee Representative stating that obligations as stated on the requisition have been properly incurred and such work was actually furnished or installed in or about the acquisition, construction or installation of the Project and are not subject to any lien or security interest.

Upon receipt of each such requisition and accompanying certificate or certificates the Trustee shall make payment from the Construction Fund in accordance with such requisition. If a requisition is for reimbursement to the Issuer for any part of the cost of the Project paid by it, whether prior to or after the delivery of the Bonds, the certificate required by subsection (2) shall be signed by the Authorized Issuer Representative and approved by the Authorized Lessee Representative.

Section 4.4. Obligation of the Parties to Cooperate in Furnishing Documents to Trustee. The Lessee agrees to cooperate with the Issuer in furnishing to the Trustee the documents referred to in Section 4.3 hereof that are required to effect payments out of the Construction Fund.

Section 4.5. Establishment of Final Construction Disbursement Date. The Final Construction Disbursement Date shall be evidenced to the Trustee by a certificate signed by the Authorized Lessee Representative stating that, except for amounts retained by the Trustee for the cost of the Project as provided in Section 4.3(h) hereof, all costs and expenses incurred in connection with the Project and the financing contemplated hereby have been paid. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being.

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

any portion of the said costs of the Project pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the Issuer or from the Trustee or from the holders of any of the Bonds, nor shall it be entitled to any diminution of the rents payable under Section 5.3 hereof.

Section 4.7. Authorized Lessee Representative. Prior to the sale of the Bonds the Lessee shall appoint an Authorized Lessee Representative for the purpose of taking all actions and making all certificates required to be taken and made by the Authorized Lessee Representative under the provisions of this Lease; and shall appoint one or more alternate Authorized Lessee Representatives to take any such action or make any such certificate if the same is not taken or made by the Authorized Lessee Representative. Said certificate shall contain the specimen signatures of the appointees and shall be furnished to the Issuer and the Trustee. In the event either of said persons, or any successor appointed pursuant to the provisions of this Section, should resign, become unavailable or unable to take any action or make any certificate provided for in this Lease, another Authorized Lessee Representative or alternate Authorized Lessee Representative shall thereupon be appointed by the Lessee.

Whenever under the provisions of this Lease the approval of the Lessee is required or the Issuer is required to take some action at the request of the Lessee, such approval or such request shall be made by the Authorized Lessee Representative unless otherwise specified in this Lease and the Issuer or the Trustee shall be authorized to act on any such approval or request and the Lessee shall have no complaint against the Issuer or the Trustee as a result of any such action taken.

Section 4.8. Issuer to Pursue Remedies Against Contractors and Subcontractors and Their Sureties. In the event of default of any contractor or subcontractor under any contract made by it in connection with the Project or in the event of breach of warranty with respect to any material, workmanship or performance guarantee, the Issuer will promptly proceed (subject to the Lessee's advice to the contrary), either separately or in conjunction with others, to exhaust the remedies of the Issuer against the contractor, subcontractor or supplier so in default and against each surety for the performance of such contract. The Issuer agrees to advise the Lessee of the steps it intends to take in connection with any such default. If the Lessee shall so notify the Issuer, the Lessee may, in its own name or in the name of the Issuer, prosecute or defend any action or

proceeding or take any other action involving any such contractor, subcontractor or surety which the Lessee deems reasonably necessary, and in such event the Issuer hereby agrees to cooperate fully with the Lessee and to take all action necessary to effect the substitution of the Lessee for the Issuer in any such action or proceeding. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing (a) if Lessee has corrected, at its own expense, the matter which gave rise to such default or breach, shall be paid to the Lessee or (b) if Lessee has not corrected, at its own expense, the matter which gave rise to such default or breach, shall be paid into the Construction Fund unless recovered after the Final Construction Disbursement Date and full disposition of the Construction Fund in accordance with Section 4.3(h) hereof, in which case they shall be paid into the Bond Fund.

Section 4.9. Investment of Construction Fund Moneys. At the written request of the Lessee in writing, the Trustee will invest and reinvest any moneys held in the Construction Fund in the following:

- (1) obligations of the United States and agencies thereof;
- (2) general obligations of the State of South Carolina or any of its political units;
- (3) savings and loan associations to the extent that the same are secured by the Federal Deposit Insurance Corporation;
- (4) certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; and
- (5) bonds or debentures issued by any Federal Home Loan Bank or in the consolidated bonds or debentures issued by the Federal Home Loan Bank Board.

All such investments shall have maturities consistent with the time or times when the invested moneys will be needed in cash. All such investments shall at all times be a part of the Construction Fund and all income and profits on such investments shall be credited to, and all losses thereon shall be charged against, the Construction Fund.

Section 4.10. Special Arbitrage Covenants. The Board and the Lessee covenant that the principal proceeds of the sale of the First Series Bonds shall be devoted to and used with due diligence for the completion of the Project. The Board and the Lessee hereby further certify, covenant and represent that:

1. The Project to be financed by the First Series Bonds consists of land, buildings, machinery, equipment and improvements constituting manufacturing facilities.

2. On the basis of the knowledge of the Board of Directors of the Lessee and the Board of Directors of the Board and upon an examination of reports and cost projections prepared by or on behalf of the Lessee in connection with the acquisition and construction of the Project.

ARTICLE V

Effective Date of This Lease; Duration of Lease Term; Rental Provisions

Section 5.1. Effective Date of this Lease; Duration of Lease Term. This Lease shall become effective upon its delivery, and the leasehold estate created in this Lease shall then begin, and, subject to the provisions of this Lease (including particularly Articles X and XI hereof), shall expire December 31, 1994 or if all of the Bonds have not been fully paid and retired (or provision for such payment made as provided in the Indenture), on such later date as such payment or provision for payment shall have been made, provided, however that this Lease shall terminate in any event on September 1, 2014.

Section 5.2. Delivery and Acceptance of Possession. The Issuer agrees to deliver to the Lessee sole and exclusive possession of the Project (subject to the right of the Issuer to enter thereon for inspection purposes and to the other provisions of Section 8.2 hereof) on the Final Construction Disbursement Date and the Lessee agrees to accept possession of the Project upon such delivery; provided that prior to such date for delivery of sole and exclusive possession the Lessee may take such possession of all or any part of the Project as shall not interfere with the construction of the Building or installation of the Leased Equipment. The Issuer covenants and agrees that it will not take any action, other than pursuant to Article X of this Lease, to prevent the Lessee from having quiet and peaceable possession and enjoyment of the Project during the Lease Term and will, at the request of the Lessee, and at the cost of the Lessee, cooperate with the Lessee in order that the Lessee may have quiet and peaceable possession and enjoyment of the Project.

Section 5.3. Rents and Other Amounts Payable. On or before June 30, 1975 and on or before each December 31 and June 30 thereafter until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Lessee shall pay to the Trustee as rent for the Project a sum equal to the amount payable on such June 30 or December 31 (whether at maturity or, by redemption as provided in Section 301 of the Indenture or by acceleration as provided in Section 1002 of the Indenture), premium, if any, and interest upon the Bonds, as provided in the Indenture.

Each rental payment under this Section shall at all times be sufficient to pay the total amount of interest and principal (whether at maturity, by redemption as provided in Section 301 of the Indenture or by acceleration as provided in Section 1002 of the Indenture) and premium, if any, payable on the next succeeding semi-annual interest payment date; provided that the Excess Amount (as hereinafter defined) held by the Trustee in the Bond Fund on a rental payment date shall be credited against the rental payment due on such date; and provided further that, subject to the provisions of the next succeeding sentence, if at any time the amount held by the Trustee in the Bond Fund should be sufficient to pay at the times required the principal of, interest and premium, if any, on the Bonds and coupons then remaining unpaid, the Lessee shall not be obligated to make any further rental payments under the provisions of this Section. Notwithstanding the provisions of the preceding sentence, if on any date the Excess Amount held by the Trustee in the Bond Fund is insufficient to make the then required payments of principal (whether at maturity, by redemption as provided in Section 301 of the Indenture or by acceleration as provided in Section 1002 of the Indenture), interest and premium, if any, on the Bonds on such date, the Lessee shall forthwith pay such deficiency as rent hereunder. The term "Excess Amount" as of any date shall mean the amount in the Bond Fund on such date in excess of the amount required for payment of the principal of the Bonds which have matured at maturity or on a redemption date, premium, if any, on such Bonds and past due interest in all cases where Bonds or coupons have not been presented for payment.

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

In the event the Lessee should fail to make any of the payments required in this Section, the item or installment so in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid, and the Lessee agrees to pay the same with interest thereon at the rate of 8 1/8% per annum until paid.

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

Section 5.5. Obligations of Lessee Hereunder Unconditional. The obligations of the Lessee to make the payments required in Section 5.3 hereof and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional and shall not be subject to diminution by set-off, counterclaim, abatement or otherwise and until such time as the principal of and interest and premium, if any, on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Lessee (i) will not, subject to the provisions of Section 9.6 hereof, suspend or discontinue, or permit the suspension or discontinuance of, any payments provided for in Section 5.3 hereof, (ii) will perform and observe all of its other agreements contained in this Lease and (iii) except as provided in Section 11.1 and 11.2 will not terminate the Lease Term for any cause including, without limiting the generality of the foregoing, failure to complete the Project, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws or administrative rulings of or administrative actions by the United States of America or the State of South Carolina or any political subdivision of either, or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Lease. Nothing contained in this Section shall be construed to release the Issuer from the performance of any of the agreements on its part herein contained; and in the event the Issuer shall fail to perform any such agreement on its part, the Lessee may institute such action against the Issuer as the Lessee may deem necessary to compel performance provided that no such action shall (i) violate the agreements on the part of the Lessee contained in the first sentence of this Section 5.5 or (ii) diminish the amounts required to be paid by the Lessee pursuant to Section 5.3 hereof. The Lessee may, however, at its own cost and expense and in its own name or in the name of the Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which the Lessee deems reasonably necessary in order to secure or protect its right of possession, occupancy and use hereunder, and in such event the Issuer hereby agrees to cooperate fully with the Lessee and to take all action necessary to effect the substitution of the Lessee for the Issuer in any such action or proceeding if the Lessee shall so request.

ARTICLE VI

Maintenance, Taxes and Insurance

Section 6.1. Maintenance and Modifications of Project by Lessee. The Lessee agrees that during the Lease Term it will at its own expense and to the full extent required by the Act, (i) keep the Project in as reasonably safe condition as its operations shall permit and (ii) keep the Building and the Leased Equipment and all

other improvements forming a part of the Project in good repair and in good operating condition, making from time to time all necessary repairs thereto (including external and structural repairs) and renewals and replacements thereof. The Lessee may, also at its own expense, make from time to time any additions, modifications or improvements to the Project it may deem desirable for its business purposes that do not adversely affect the structural integrity of the Building or substantially reduce its value; provided that all such additions, modifications and improvements to the Building or Leased Equipment shall be located wholly within the boundary lines of the Leased Land. All such additions, modifications and improvements so made by the Lessee shall become a part of the Project; provided, that any real or personal property, machinery, equipment, furniture or fixtures installed by the Lessee as part of the Project without expense to the Issuer which does not constitute a part of the Leased Equipment and is not essential to the operation of the Project, may be removed by the Lessee at any time and from time to time while it is not in default under this Lease; and provided further, that any damage to the Project occasioned by such removal shall be repaired by the Lessee at its own expense. The Lessee will not permit any mechanics' lien, security interest or other encumbrance to remain against the Project for labor or materials furnished in connection with any additions, modifications, improvements, repairs, renewals or replacements so made by it; provided, that if the Lessee shall first notify the Trustee of its intention, the Lessee may in good faith contest any mechanic's or other liens filed or established against the Project, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Issuer or the Trustee shall notify the Lessee that, in the opinion of Independent Counsel, by nonpayment of any such items the lien of the Indenture as to any part of the Project will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture, in which event the Lessee shall promptly pay and cause to be satisfied and discharged all such unpaid items. The Issuer will, at the expense of the Lessee, cooperate fully with the Lessee in any such contest.

Section 6.2. Removal of Leased Equipment. The Lessee shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary Leased Equipment. In any instance where the Lessee in its sound discretion determines that any items of Leased Equipment have become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, the Lessee may remove such items of Leased Equipment from the Building and the Leased Land and (on behalf of the Board) sell, trade-in, exchange or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Issuer or the Trustee therefor, provided that the Lessee:

(a) Substitutes (either by direct payment of the costs thereof or by advancing to the Issuer the funds necessary therefor) and installs anywhere in the Building or on the Leased Land other machinery or equipment having equal or greater utility (but not necessarily having the same function) in the operation of the Building as a manufacturing enterprise (provided such removal and substitution shall not impair operating unity), all of which substituted machinery or equipment shall be free of all liens and encumbrances (other than Permitted Encumbrances) but shall become a part of the Leased Equipment.

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

In the event that Lessee prior to such removal of items of Leased Equipment from the Building and the Leased Land has acquired and installed machinery or equipment with its own funds which has become part of the Leased Equipment, Lessee may take credit to the extent of the amount so spent by it against the requirement that it either substitute and install other machinery and equipment having equal or greater value or that it make payment into the Bond Fund, providing that the provisions of this sentence shall not relieve the Lessee of its obligations under the first sentence of Section 6.1 hereof.

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

The Lessee will promptly report to the Trustee each such removal, substitution, sale and other disposition of any item of Leased Equipment having a depreciated value (calculated in accordance with generally accepted accounting practice) of more than \$50,000 and will pay to the Trustee such amounts as are required by the provisions of the preceding subsection (b) of this Section to be paid into the Bond Fund promptly after the sale, trade-in or other disposition requiring such payment; provided, that no such report and payment

need be made until the amount to be paid into the Bond Fund on account of all such sales, trade-ins, or other disposition not previously reported aggregates at least \$100,000. The Lessee will pay any costs (including counsel fees) incurred in subjecting to the lien of the Indenture any items of machinery or equipment that under the provisions of this Section are to become a part of the Leased Equipment. The Lessee will not remove, or permit the removal of, any of the Leased Equipment from the Leased Land except in accordance with the provisions of this Section.

Section 6.3. Taxes, Other Governmental Charges and Utility Charges. The Lessee agrees to make payments to the Issuer, school district or school districts, and other political units wherein the Project is located, in lieu of taxes, in such amounts as would result from taxes levied on the Project by the Issuer or such school district or school districts and other political unit or units, if the Project were owned by the Lessee, but with appropriate reductions similar to the tax exemptions, if any, which would be afforded to the Lessee if it were owner of the Project.

The Lessee will, however, promptly pay, except to the extent that funds are available in the Construction Fund as provided in Section 4.3(g) hereof, as the same become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project or any interest therein or any machinery, equipment or other property installed or brought by the Lessee therein or thereon (including, without limiting the generality of the foregoing, any taxes levied upon or with respect to the revenues, income or profits of the Issuer from the Project which, if not paid, will become a lien on the Project prior to or on a parity with the lien of the Indenture or a charge on the revenues and receipts therefrom prior to or on a parity with the charge thereon and the pledge or assignment thereof to be created and made in the Indenture, and including all ad valorem taxes lawfully assessed upon the land described in Exhibit B hereto), all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by lien on the Project or on the land described in Exhibit B hereto; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Lessee shall be obligated to pay only such installments as are required to be paid during the Lease Term.

The Lessee may, at its expense and in its own name and behalf or in the name and behalf of the Issuer, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and

any appeal therefrom, provided during such period enforcement of any such contested item shall be effectively stayed. The Issuer at the expense of the Lessee will cooperate fully with the Lessee in any such contest. In the event that the Lessee shall fail to pay any of the foregoing items required by this Section to be paid by the Lessee, the Issuer or the Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the Issuer or the Trustee shall become an additional obligation of the Lessee to the one making the advancement, which amounts, together with interest thereon at the rate of 8 1/8% per annum from the date thereof, the Lessee agrees to pay.

Section 6.4. Insurance Required. During the Construction Period and throughout the Lease Term, the Lessee shall keep the Project or cause the same to be kept continuously insured against such risks as are customarily insured against by businesses of like size and type, paying (except as provided in Section 4.3(f)) as the same become due all premiums in respect thereto, including but not necessarily limited to:

(a) Insurance upon the repair or replacement basis if available, and otherwise to the full insurable value of the Project (with deductible provisions not to exceed \$_____ in any one casualty) against loss or damage by fire and lightning, with uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in South Carolina, provided that such insurance need not be taken out until the construction of the Building or the installation of the Leased Equipment has commenced or materials for such construction or installation have been stored on the Leased Land.

(b) Boiler explosion insurance on steam boilers, pressure vessels and pressure piping in an amount not less than repair or replacement cost (with deductible provisions not to exceed \$_____), provided that such insurance need not be taken out until the steam boilers, pressure vessels and pressure piping have been installed in the Project.

(c) Insurance to the extent of \$_____ per accident against liability for bodily injury including death resulting therefrom, and to the extent of \$_____ per accident against liability for damage to property including loss of use thereof, occurring on or in any way related to the Project or any part thereof.

Section 6.5. Application of Net Proceeds of Insurance. The Net Proceeds of the insurance carried pursuant to the provisions of Section 6.4(a) and (b) hereof shall be received by the Lessee and shall then be paid and applied as provided in Section

7.1 hereof and the Net Proceeds of insurance carried pursuant to the provisions of Section 6.4(c) hereof shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds have been paid.

Section 6.6. Additional Provisions Respecting Insurance. All insurance required in Section 6.4 hereof shall be taken out and maintained in generally recognized responsible insurance companies qualified to do business in the State of South Carolina selected by the Lessee. All policies evidencing such insurance shall provide for payment to the Issuer, the Lessee and the Trustee as their respective interests may appear, and the policies required by Section 6.4(a) and 6.4(b) shall contain standard mortgagee clauses requiring that all Net Proceeds of insurance resulting from any claim in excess of \$100,000 for loss or damage covered thereby be paid to the Trustee; provided, however, that all claims regardless of amount may be adjusted by the Lessee with the insurers, subject to approval of the Trustee as to any settlement of any claim in excess of \$100,000. A certificate or certificates of the insurers that such insurance is in force and effect shall be deposited with the Trustee; and prior to the expiration of any such policy the Lessee shall furnish the Trustee with evidence satisfactory to the Trustee that the policy has been renewed or replaced or is no longer required by this Lease.

Section 6.7. Advances by Issuer or Trustee. In the event the Lessee shall fail to maintain the full insurance coverage required by this Lease or shall fail to keep the Project in as reasonably safe condition as its operating condition will permit, or shall fail to keep the Building and the Leased Equipment in good repair and good operating condition, the Issuer or the Trustee may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same or make the required repairs, renewals and replacements; and all amounts so advanced therefor by the Board or the Trustee shall become an additional obligation of the Lessee to the one making the advancement, which amounts, together with interest thereon at the rate of 8 1/8% per annum from the date thereof, the Lessee agrees to pay on demand.

Section 6.8. Workmen's Compensation Coverage. During the Construction Period and throughout the Lease Term, the Lessee shall maintain or cause to be maintained, in connection with the Project, the Workmen's Compensation coverage required by the laws of the State of South Carolina.

Section 6.9. No Reserves Necessary. The Board, acting for the Issuer, hereby finds and determines that no reserves are necessary or advisable in connection with this Lease.

ARTICLE VII

Damage, Destruction and Condemnation

Section 7.1. Damage and Destruction. Unless the Lessee shall have exercised its option to purchase the Project pursuant to the provisions of Section 11.2(a) hereof, if prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) the Project is destroyed (in whole or in part) or is damaged by fire or other casualty to such extent that the claim for loss under the insurance policies required to be carried pursuant to Section 6.4(a) and (b) hereof resulting from such destruction or damage is not greater than \$100,000, the Lessee, or the Issuer at the Lessee's direction and expense, (i) will promptly repair, rebuild or restore the property damaged or destroyed to substantially the same condition as it existed prior to the event causing such damage or destruction, with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Lessee and as will not impair operating unity or productive capacity or the character of the Project as a manufacturing facility, and (ii) will apply for such purpose so much as may be necessary of any Net Proceeds of insurance resulting from such claims for losses, as well as any additional moneys of the Lessee necessary therefor. All Net Proceeds of insurance resulting from such claims for losses not in excess of \$100,000 shall be paid to the Lessee.

Unless the Lessee shall have exercised its option to purchase the Project pursuant to the provisions of Section 11.2(a) hereof, if prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) the Project is destroyed (in whole or in part) or is damaged by fire or other casualty to such extent that the claim for loss under the insurance policies required to be carried pursuant to Sections 6.4(a) and (b) hereof resulting from such destruction or damage is in excess of \$100,000, the Lessee shall promptly give written notice thereof to the Trustee. All Net Proceeds of insurance resulting from such claims for losses in excess of \$100,000 shall be paid to and held by the Trustee in a separate trust account, whereupon (i) the Lessee, or the Issuer at the Lessee's direction, will proceed promptly to repair, rebuild or restore the property damaged or destroyed to substantially the same condition as it existed prior to the event causing such damage or destruction, with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Lessee and as will not impair operating unity or

productive capacity or the character of the Project as a manufacturing facility and (ii) the Trustee will apply so much as may be necessary of the Net Proceeds of such insurance to payment of the costs of such repair, rebuilding or restoration, either on completion thereof or as the work progresses. In the event said Net Proceeds are not sufficient to pay in full the costs of such repair, rebuilding or restoration, the Lessee will nonetheless complete the work thereof and will pay that portion of the costs thereof in excess of the amount of said Net Proceeds or will advance to the Issuer and the Trustee the moneys necessary to complete said work, in which case the Issuer will proceed so to complete said work.

Any moneys held by the Trustee in the separate trust account under the provisions of the preceding paragraph shall, at the written request of the Authorized Lessee Representative, be invested or reinvested by the Trustee in investments enumerated in Section 4.9 hereof. The Lessee shall forthwith pay to the Trustee the amount of any losses on such investments.

Any balance of such Net Proceeds remaining after payment of all the costs of such repair, rebuilding or restoration shall be paid into the Bond Fund. If the Lessee shall so direct the Issuer in writing within 90 days following the payment of any such Net Proceeds into the Bond Fund, the Issuer shall cause such Net Proceeds, or such part thereof as the Lessee shall direct, to be applied by the Trustee to the redemption, at the earliest possible date, of the Bonds at the principal amount thereof plus accrued interest to the redemption date. If the Bonds have been fully paid (or provision for the payment thereof has been made in accordance with the Indenture) all Net Proceeds will be paid to the Lessee.

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

Section 7.2. Condemnation. Unless the Lessee shall have exercised its option to purchase the Project pursuant to the provisions of Section 11.2(b) hereof, in the event that title to, or the temporary use of, the Project or the leasehold estate of the Lessee in the Project created by this Lease or any part of either thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation

acting under governmental authority, the Lessee shall be obligated to continue to make the rental and all other payments specified in Section 5.3 hereof. The Issuer, the Lessee and the Trustee will cause the Net Proceeds received by them or any of them from any award made in such eminent domain proceedings, to be paid to and held by the Trustee in a separate trust account, to be applied in one or more of the following ways as shall be directed in writing by Lessee:

(a) The restoration of the improvements located on the Leased Land to substantially the same condition as they existed prior to the exercise of the said power of eminent domain.

(b) The acquisition, by construction or otherwise, by the Issuer of other improvements suitable for the Lessee's operations on or adjacent to the site of the Project (which improvements shall be deemed a part of the Project and available for use and occupancy by the Lessee without the payment of any rent other than as herein provided to the same extent as if such other improvements were specifically described herein and demised hereby); provided, that such improvements shall be acquired by the Issuer subject to no liens or encumbrances prior to the lien of the Indenture, other than Permitted Encumbrances.

(c) Redemption of any of the Bonds together with accrued interest thereon to the date of redemption; provided, that no part of any such condemnation award may be applied for such redemption unless (1) all of the Bonds are to be redeemed in accordance with the Indenture upon exercise of the option to purchase provided for by Section 11.2(b) hereof or (2) in the event that less than all of the Bonds are to be redeemed, the Lessee shall furnish to the Issuer and the Trustee a certificate of an Independent Engineer acceptable to the Issuer and the Trustee stating (i) that the property forming a part of the Project that was taken by such condemnation proceedings is not essential to the Lessee's use or occupancy of the Project, or (ii) that the Project has been restored to a condition substantially equivalent to its condition prior to the taking by such condemnation proceedings or (iii) that improvements have been acquired which are suitable for the Lessee's operations at the project as contemplated by the foregoing subsection (b) of this Section.

Unless the Lessee shall have exercised its option to purchase pursuant to the provisions of Section 11.2(b) hereof, within 90 days from the date of entry of a final order in any eminent domain proceedings granting condemnation, the Lessee shall direct the Issuer and the Trustee in writing as to which of the ways specified in this Section the Lessee elects to have the condemnation award applied. Any balance of the Net Proceeds of the award in such eminent domain proceedings shall be paid into the Bond Fund. If the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture), all Net Proceeds will be paid to the Lessee.

Any moneys held by the Trustee under the provisions of the preceding paragraph shall, at the written request of the Authorized Lessee Representative, be invested or reinvested by the Trustee in investments enumerated in Section 4.9 hereof. The Lessee shall forthwith pay to the Trustee the amount of any losses on such investments.

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

Section 7.3. Condemnation of Lessee-Owned Property. The Lessee shall also be entitled to the Net Proceeds of any condemnation award or portion thereof made for damages to or takings of its own property not included in the Project, provided that any Net Proceeds resulting from damages to or taking of all or a portion of the leasehold estate of the Lessee in the Project created by this Lease shall be paid and applied in the manner provided in Section 7.2 hereof.

ARTICLE VIII

Special Covenants

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

Section 8.2. Issuer's Right of Access to the Project and Lessee's Records. The Lessee agrees that the Issuer, the Trustee and their or either of their duly authorized agents shall have the right at all reasonable times to enter upon the Leased Land and to examine and inspect the Project. The Lessee further agrees that the Issuer and its duly authorized agents shall have such rights of access to the Project as may be reasonably necessary to cause to be completed the construction and installation provided for in Section 4.1 hereof, and thereafter for the proper maintenance of the Project in the event of failure by the Lessee to perform its obligations under Section 6.1 hereof. The Issuer and the Trustee shall also be permitted, at all reasonable times, to examine the books and records of the Lessee with respect to the Project. The Lessee has conveyed the Leased Land to the Issuer and included in said conveyance grants the Issuer an easement of ingress to and egress from the Project.

Section 8.3. Maintenance of Corporate Existence. The Lessee agrees that while any sum remains unpaid on the Bonds, it will maintain its corporate existence under the laws of the State of Maine and qualification to do business as a foreign corporation in South Carolina, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; provided, that the Company may, without violating the agreements contained in this Section, consolidate with or merge into another domestic corporation (i.e., a corporation incorporated and existing under the laws of one of the States of the United States of America or under the laws of the United States of America), or permit one or more domestic corporations to consolidate with or merge into it, or sell or otherwise transfer to another domestic corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided, in the event the Company is not the surviving, resulting or transferee corporation, as the case may be, assumes in writing delivered to the Trustee all of the obligations of the Lessee in this Agreement and is a South Carolina corporation or is qualified to do business in South Carolina as a foreign corporation.

Section 8.4. Lessee Agrees to Tag. The Lessee covenants and agrees to identify all Leased Equipment as the property of the Issuer by appropriate tags or other markings.

Section 8.5. Granting of Easements. If no event of default shall have happened and be continuing, the Lessee may at any time or times grant easements, licenses, rights of way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to any property included in the Indenture, free from the lien of the Indenture, or Lessee may release existing easements, licenses, rights of way and other rights or privileges with or without consideration, and the Issuer

agrees that it shall execute and deliver and will cause and direct the Trustee to execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right of way or other right or privilege upon receipt of: (i) a copy of the instrument of grant or release; (ii) a written application signed by a vice president of the Lessee requesting such instrument; and (iii) a certificate executed by a vice president of the Lessee stating (1) that such grant or release is not detrimental to the proper conduct of the business of the Lessee, and (2) that such grant or release will not impair the effective use or interfere with the operation of the Project and will not materially weaken, diminish or impair the security intended to be given by or under the Indenture. Any proceeds shall be paid into the Bond Fund.

Section 8.6. Release and Indemnification. The Lessee shall at all times protect and hold the Issuer harmless against any claims or liability resulting from any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project or the use thereof.

Whenever under the provisions of this Lease the approval of the Lessee is required or the Issuer is required to take some action at the request of the Lessee such approval or such request shall be made by the Authorized Lessee Representative unless otherwise specified in this Lease and the Issuer or the Trustee shall be authorized to act on any such approval or request and the Lessee shall have no complaint against the Issuer or the Trustee as a result of any such action taken.

Section 8.7. Financial Records and Statements. The Company will maintain proper books of record and account, in which full and correct entries will be made in accordance with generally accepted accounting principles of all its business and affairs. The Lessee will have an annual audit made by independent certified public accountants and, within 120 days after the end of each fiscal year, will furnish the Issuer, the Trustee and each holder of 10% or more in principal amount of the Bonds a balance sheet and statement of income and surplus showing the financial condition of the Lessee and its consolidated subsidiaries, if any, at the close of each fiscal year and the results of operations of the Lessee and its consolidated subsidiaries, if any, for each fiscal year, accompanied by a certificate or opinion of such accountants. In addition, the Lessee will furnish to the Issuer, the Trustee and each such holder promptly upon their becoming available, copies of each financial statement, report, notice or proxy statement sent by the Lessee to its stockholders generally, and of each regular or periodic report and any registration statement, prospectus or written communication (other than transmittal letters) in respect thereof filed with any securities exchange or with the Securities Exchange Commission or any successor agency.

Section 8.8. Tax Exempt Status of Bonds. The Lessee covenants that (i) the proceeds of the Bonds are to be used primarily with respect to facilities to be located in _____; (ii) that the Lessee will be the principal user of the facilities to be acquired and constructed with the proceeds of the Bonds within the meaning of Section 103(c)(6) of the Code; and (iii) that there are no outstanding obligations which are classified as "exempt small issues" under Section 103(c)(6) of the Code and any regulations with respect to Section 103(c)(6) of the Code, issued subsequent to April 30, 1968, of any state, territory or possession of the United States, or any political subdivision of the foregoing or of the District of Columbia, the proceeds of which have been or are to be used primarily with respect to facilities located in _____, and which are to be used primarily by the Lessee (including any person related to the Lessee within the meaning of Section 103(c)(6)(C) of the Code) other than the Bonds.

ARTICLE IX

Assignment, Subleasing, Mortgaging and Selling;
Redemption; Rent Prepayment and Abatement

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

(a) No assignment (other than pursuant to Section 8.3 hereof) shall relieve the Lessee from primary liability for any of its obligations hereunder, and in the event of any such assignment the Lessee shall continue to remain primarily liable for payment of the rents specified in Section 5.3 hereof and for performance and observance of the other covenants, warranties, representations and agreements on its part herein provided to be performed and observed by it to the same extent as though no assignment had been made.

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

(c) The Lessee shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Board and to the Trustee a true and complete copy of each such assignment, assumption of obligations and sublease, as the case may be.

(d) The Lessee shall, within 30 days after delivery of such assignment or lease, furnish or cause to be furnished to the Issuer and to the Trustee an opinion of Independent Counsel that nothing in the transaction so done has resulted or will result in an "Event of Taxability" (as defined in Section 11.6 hereof).

Section 9.2. Mortgaging of Project by Issuer. The Issuer may mortgage the Project, and may assign its interest in and pledge any moneys receivable under this Lease, to the Trustee pursuant to the Indenture as security for payment of the principal of and interest on the Bonds, but each such mortgage, assignment or pledge shall be subject and subordinate to this Lease.

Section 9.3. Restrictions on Sale of Project by Issuer. The Issuer agrees that, except as set forth in Section 9.2 hereof or other provisions of this Lease or the Indenture, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Project during the Lease Term.

Section 9.4. Redemption of Bonds. If the Lessee is not in default in the payment of rent under Section 5.3 hereof and if the moneys in the Bond Fund are sufficient to effect such redemption, the Issuer, at the request at any time of the Lessee and if the same are then callable, shall forthwith take all steps that may be necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the then outstanding Bonds, as may be specified by the Lessee, on the earliest redemption date on which such redemption may be made under such applicable provisions.

Section 9.5. Prepayment of Rents. There is expressly reserved to the Lessee the right, and the Lessee is authorized and permitted, at any time it may choose, to prepay all or any part of the rents payable under Section 5.3 hereof, and the Issuer agrees that the Trustee may accept such prepayment of rents when the same are tendered by the Lessee. All rents so prepaid shall be credited on the rental payments specified in Section 5.3 hereof, in the order of their due dates, and at the election of the Lessee shall be used for the redemption or purchase of outstanding Bonds in the manner and to the extent provided in the second paragraph of Section 301 of the Indenture.

Section 9.6. Lessee Entitled to Certain Rent Abatements if Bonds Paid Prior to Maturity. If at any time the aggregate moneys in the Bond Fund shall be sufficient to retire in accordance with the provisions of the Indenture all of the Bonds at the time outstanding, and to pay all fees and charges of the Trustee and any paying agents due or to become due through the date on which the last of the Bonds is retired, under circumstances not resulting in termination of the Lease Term, and if the Lessee is not at the time otherwise in default hereunder, the Lessee shall be entitled to use and occupy the Project from the date on which such aggregate moneys are in the hands of the Trustee to and including December 31 1994 without the payment

of rent during that interval (but otherwise on the terms and conditions hereof).

Section 9.7. Installation of Lessee's Own Machinery and Equipment. In addition to the machinery and equipment installed by the Lessee under the provisions of Section 6.1 hereof which does not become part of the Leased Equipment thereunder, the Lessee may from time to time, in its sole discretion and at its own expense, install additional machinery and equipment in the Building or on the Leased Land. All machinery and equipment so installed by the Lessee shall remain the sole property of the Lessee in which neither the Issuer nor the Trustee shall have any interest, may be modified or removed at any time while the Lessee is not in default hereunder and shall not be subject to the lien of the Indenture.

Section 9.8. References to Bonds Ineffective After Bonds Paid. Upon payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and all fees and charges of the Trustee and any paying agents, all references in this Lease to the Bonds and the Trustee and any paying agents shall be ineffective and neither the Trustee nor the holders of any of the Bonds shall thereafter have any rights hereunder, saving and excepting those that shall have theretofore vested.

ARTICLE X

Events of Default and Remedies

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

(a) Failure by the Lessee to pay the rents required to be paid under Section 5.3 hereof at the times specified therein.

(b) The Lessee's failure to observe and perform any of its other covenants, conditions or agreements contained herein for a period of 30 days after notice (unless the Trustee shall agree in writing to an extension of such time prior to its expiration) specifying such failure and requesting that it be remedied, given by the Issuer or the Trustee to the Lessee, or in the case of any such default which can be cured with due diligence but not within such 30-day period, the Lessee's failure to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence.

(c) The Lessee's making a general assignment for the benefit of creditors, or admitting in writing its inability to pay its debts as they become due, or filing a petition in bankruptcy, or being adjudicated a bankrupt or insolvent, or filing a petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, or filing an answer admitting or not contesting the material allegations of the petition against it in any such proceeding, or seeking or consenting to or acquiescing in the appointment of any trustee, receiver, liquidator of the Lessee or any material part of its properties.

(d) The Lessee's failure, within 60 days after the commencement of any proceeding against the Company seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, to have such proceeding dismissed, or, within 60 days after the appointment without the consent or acquiescence of the Lessee of any trustee, receiver or liquidator of the Lessee or of the Project or any material part of its properties, to have such appointment vacated.

(e) The Lessee's failure to perform and observe any provision contained in the Note Purchase Agreement pursuant to which the Lessee's \$10,000,000 of Senior Notes are issued, if such failure causes or permits such Noteholders to accelerate the repayment of such Notes.

(f) If any material representation or warranty made by the Lessee in that certain Bond Purchase Agreement among the Issuer, The Lincoln National Life Insurance Company (hereinafter called the "Purchaser") or in any certificate, notice, demand or request made in writing and delivered to the Trustee or the Purchaser pursuant to or in connection with the Indenture or said Bond Purchase Agreement, shall prove to be untrue or incorrect in any material respect as of the date made; or

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

(a) The Issuer or the Trustee as provided in the Indenture may, at its option, declare all installments of rent payable under Section 5.3 hereof for the remainder of the Lease Term to be immediately due and payable, whereupon the same shall become immediately due and payable. If the Bonds shall become due and payable under this subsection after an "Event of Taxability" has occurred under Section 11.6 hereof, the amount due and payable hereunder shall be the amount set forth in said Section 11.6. This covenant shall survive the termination of this Lease.

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

(c) The Issuer, with the prior written consent of the Trustee, may terminate the Lease Term, exclude the Lessee from possession of the Project and use its best efforts to lease the Project to another for the account of the Lessee, holding the Lessee liable for all rent and other payments due up to the effective date of such leasing.

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

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

(f) At any time after the expiration of the Lease Term pursuant to paragraph (c) hereof, whether or not the Issuer shall have collected any current damages, the Issuer shall, at its option, be entitled to recover from the Lessee, and the Lessee will pay to the Issuer on demand, as and for liquidated and agreed final damages for Lessee's default and in lieu of all current damages beyond the date of such demand, an amount equal to the greater of:

(i) The rent and other amounts which would be payable under this Lease from the date of such demand for what would be the then unexpired Lease Term if the same had not so expired, less the then fair net rental value of the Project for the same period, or

(ii) All unpaid installments of rent as hereinafter defined if any Bonds are then outstanding and unpaid. If any statute or rule of law shall validly limit the amount of such liquidated final damages to less than the amount agreed upon, the Issuer shall be entitled to the maximum amount allowable under such statute or rule of law. The term "all unpaid installments of rent" shall mean an amount equal to the entire principal amount of the then outstanding Bonds, together with any

applicable redemption premiums and all interest accrued or to accrue on and prior to the next succeeding redemption date or dates on which the Bonds can be redeemed after giving notice to the holders thereof as required by the Indenture (less moneys available for such purpose then held by the Trustee) and plus any other payments due or to become due hereunder, including, without limitation, any unpaid fees and expenses of the Trustee and any paying agents of the Bonds which are then due or will become due prior to the time that the Bonds are paid in full and the trust established by the Indenture is terminated.

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

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

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

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

applicable redemption premiums and all interest accrued or to accrue on and prior to the next succeeding redemption date or dates on which the Bonds can be redeemed after giving notice to the holders thereof as required by the Indenture (less moneys available for such purpose then held by the Trustee) and plus any other payments due or to become due hereunder, including, without limitation, any unpaid fees and expenses of the Trustee and any paying agents of the Bonds which are then due or will become due prior to the time that the Bonds are paid in full and the trust established by the Indenture is terminated.

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

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

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

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

ARTICLE XI

Options and Obligations to Terminate Lease or to Purchase Project

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

(a) At any time after December 31, 1984 and prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Lessee may terminate the Lease Term by paying to the Trustee an amount which, when added to the amount on deposit in the Bond Fund, will be sufficient to pay, retire and redeem all the outstanding Bonds in accordance with the provisions of the Indenture (including, without limiting the generality of the foregoing, principal, interest to maturity or earliest applicable redemption date, as the case may be, premium, if any, expenses of redemption and Trustee's and paying agents' fees and expenses), and in case of redemption making arrangements satisfactory to the Trustee for the giving of the required notice of redemption, and by paying to the Lessor any and all sums then due to the Issuer under this Lease.

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

In connection with any termination of the Lease Term or at any time prior to or within 180 days after the expiration or sooner termination of the Lease Term or any renewal term, the Lessee shall also have, and is hereby granted, the option to purchase the Project at any time on or after December 31, 1984. To exercise such option to purchase, the Lessee shall give written notice to the Issuer, and to the Trustee if any of the Bonds shall then be unpaid, and shall specify therein the date of closing such purchase, which date shall be not less than 45 nor more than 90 days from the date such notice is mailed, and in case of a redemption of the Bonds in accordance with the provisions of the Indenture shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption. The purchase price payable by the Lessee in the event of its exercise of the option granted in this paragraph shall be the amount payable (if any) to terminate the Lease Term as provided in this Section 11.1 plus the sum of \$1.00 which shall be paid directly to the Lessor for its own account (and not into the Bond Fund), and any and all other sums then due to the Issuer under this Lease for the Leased Land, Building and Leased Equipment.

Section 11.2. Option and Obligation to Purchase Project in Certain Events. The Lessee shall also have, and is hereby granted, the option, and shall also have the obligation in the case of (d) below, to purchase the Project prior to the full payment of all of the Bonds (or provision for payment thereof having been made in accordance with provisions of the Indenture), if any of the following shall have occurred:

(a) The Plant shall have been damaged or destroyed by fire or other casualty to such extent that in the opinions of the Lessee's Board of Directors expressed in a resolution and of an architect or engineer acceptable to the Board and the Trustee expressed in a certificate, in each case filed with the Issuer and the Trustee, (1) the Plant cannot be reasonably repaired, rebuilt or restored within a period of six months to its condition immediately preceding such damage or destruction, or (2) the Lessee is thereby prevented from carrying on its normal operations for a period of six months.

(b) Title to or the temporary use of a substantial part of the Plant shall have been taken under the exercise of the power of eminent domain which results or is likely to result in the Lessee being thereby prevented from carrying on its normal operations therein for a period of six months, as evidenced by the opinions of the Lessee's Board of Directors expressed in a resolution and of an architect or engineer acceptable to the Issuer and the Trustee expressed in a certificate, in each case filed with the Issuer and the Trustee.

(c) As a result of changes in the Constitution of South Carolina or the Constitution of the United States of America or of legislative or administrative action (whether local, state or federal) or by final decree, judgment or order of any court or administrative body (whether local, state or federal) after the contest thereof by the Company in good faith, the Agreement or this Lease shall become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed therein or unreasonable burdens or excessive liabilities are imposed upon the Issuer or the Lessee, including without limitation, federal, state or other ad valorem property, income or other taxes not being imposed on the date of the Agreement.

(d) Notice of Determination of Taxability is received by the Lessee as set forth in Section 11.4 hereof.

In case of any of the above events stated in Subsection (a), (b) or (c) of this Section, the Lessee, if it exercises its option to purchase the Project, must purchase the Project within 150 days after such event. In the case of the event stated in subparagraph (d) of this Section the Lessee hereby covenants and agrees that it will exercise such option and purchase the Project within 150 days after such event.

To exercise such option, the Lessee shall, within 60 days following the event authorizing the exercise of such option, give written notice to the Issuer and to the Trustee, if any of the Bonds shall then be unpaid or provision for payment shall not have been made in accordance with the provisions of the Indenture, and shall specify therein the date of closing such purchase, which date shall be not less than 45 nor more than 90 days from the date such notice is mailed, and in case of a redemption of the Bonds in accordance with the provisions of the Indenture shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption. The purchase price payable by the Lessee in the event of its exercise of the option granted in this Section shall be the sum of the following:

(1) An amount of money which, when added to the amount then on deposit in the Bond Fund, will be sufficient to retire and redeem all the then outstanding Bonds on the earliest redemption date next succeeding the closing date, including without limitation, principal, premium, all interest to accrue to said redemption date and redemption expenses, plus

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

(3) the sum of \$1.00 for the Leased Land, Building and Leased Equipment.

In the event of the exercise of the option granted in this Section and the purchase by the Lessee, any Net Proceeds of insurance or condemnation shall be paid to the Lessee.

Section 11.3. Conveyance on Exercise of Option to Purchase.

At the closing of the purchase pursuant to the exercise of any option to purchase granted herein, the Board will upon receipt of the purchase price deliver to the Lessee the following:

(a) If the Indenture shall not at the time have been satisfied in full, a release from the Trustee of the property with respect to which the option was exercised.

(b) Documents conveying to the Lessee good and marketable title to the property being purchased, as such property then exists, subject to the following: (i) those liens and encumbrances (if any) to which title to said property was subject when conveyed to the Issuer; (ii) those liens and encumbrances created by the Lessee or to the creation or suffering of which the Lessee consented; (iii) those liens and encumbrances resulting from the failure of the Lessee to perform or observe any of the agreements on its part contained in this Lease; (iv) Permitted Encumbrances

other than the indenture and this Lease; and (v) if the option is exercised pursuant to the provisions of Section 11.2(b) hereof, the rights and title of the condemning authority.

Section 11.4. Determination of Taxability. If the Lessee receives a notice from any holder of a Bond or the Trustee of a "Determination of Taxability" (as such term is hereinafter defined) the Lessee shall, within 60 days after receipt of such notice, give notice to the Issuer and the Trustee, which notice shall specify a date not more than 90 days thereafter on which the Project will be purchased by the Lessee and the Bonds redeemed in whole by the Issuer. The Lessee and the Issuer shall make arrangements satisfactory to the Trustee for giving the required notice of redemption of the Bonds. On or before the date fixed for redemption, the Lessee covenants to purchase the Project as provided in Section 11.2(d) hereof and pay to the Trustee, as the purchase price, an amount equal to the purchase price payable by the Lessee on its exercise of its option to purchase under Section 11.2 hereof, plus a premium equal to 3% of such outstanding Bonds, for each 6-months period or part thereof elapsed between the date on which interest on the Bonds became subject to Federal income taxation and the date of redemption.

A "Determination of Taxability" shall mean the issuance of a statutory notice of deficiency by the Internal Revenue Service which holds in effect that the interest payable on the Bonds is includable in the gross income of a holder of Bonds (other than a holder who is a "substantial user" or "related person" as such terms are defined in the Code).

ARTICLE XII

Miscellaneous

Section 12.1. Notices. All notices, approvals, consents, request or other communication hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by first class registered or certified mail, postage prepaid, return receipt requested, addressed as follows: if to the Issuer, at _____; if to the Lessee, at 3340 West Norfolk Road, Portsmouth, Virginia 23703, Attention Treasurer; and if to the Trustee, at One First National Plaza, P.O. Box A, Chicago, Illinois 60690 Attention of Corporate Trust Administrator. A duplicate copy of each notice, approval, consent, request, certificate or other communication given hereunder

by either the Issuer or the Lessee to the other shall also be given to the Trustee. The Issuer, the Lessee and the Trustee may, by notice given hereunder, designate any further or different address to which subsequent notices, approvals, consents, requests, certificates or other communications shall be sent or persons to whose attention the same shall be directed.

Section 12.2. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Issuer, the Lessee and their respective successors and assigns, subject, however, to the limitations contained in Sections 8.3, 9.1, 9.2 and 9.3 hereof.

Section 12.3. Severability. In the event any provision of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.4. Amounts Remaining in Bond Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or sooner termination of the Lease Term, as provided in this Lease, [after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), of the fees, charges and expenses of the Trustee and paying agents in accordance with the Indenture and of all other amounts required to be paid under this Lease and the Indenture] shall belong to and be paid to the Lessee by the Trustee as overpayment of rents.

Section 12.5. Amendments, Changes and Modifications. Except as otherwise provided in this Lease or in the Indenture, subsequent to the issuance of Bonds and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), this Lease may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee and the requisite consent of the holders of the Bonds, given in accordance with the Indenture.

Section 12.6. Execution Counterparts. This Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.7. Other Instruments. (a) In order to assure perfection of the respective security interests of the Issuer and the Trustee in and to certain tangible personal property which may constitute a part of the Leased Equipment, the Lessee agrees that on the Final Construction Disbursement Date it will furnish the Issuer and the Trustee with a written opinion of Independent Counsel to the effect that all appropriate steps on the part of the Lessee then

necessary to perfection of such respective security interests of the Issuer and the Trustee under the Indenture as may be created by this Lease in and to all tangible personal property as against third party creditors of and purchasers for value in good faith from the Board or the Lessee have been taken. The Issuer agrees that on the Final Construction Disbursement Date it will furnish the Trustee with a written opinion of Independent Counsel to the effect that all appropriate steps on the part of the Issuer then requisite to perfection (as aforesaid) of the respective security interests of the Trustee and the Issuer in and to all such personal property have been taken. Thereafter and at any such time as additional tangible personal property, whether as substitutions, replacements or otherwise, of an aggregate value in excess of \$50,000 shall become part of the Leased Equipment, the Lessee agrees to furnish to the Issuer and Trustee and the Issuer agrees to furnish to the Trustee supplements to the aforementioned written opinions of Independent Counsel to the effect that all steps requisite to perfection of the foregoing security interests have been duly taken. All opinions required by this Section 12.7 shall specify the further refillings and renewals required in order to continue perfection of such security interests for so long as the Bonds shall be outstanding under the terms of the Indenture.

(b) The Lessee and the Issuer agree to enter into all instruments (including financing statements) deemed necessary or advisable in the written opinion of Independent Counsel for perfection of and continuance of the perfection of the respective security interests as aforesaid. The Issuer agrees to file and record or cause to be filed and recorded all such instruments required to be so filed and recorded and shall continue or cause to be continued the liens of such instruments for so long as the Bonds shall be outstanding under the terms of the Indenture.

The Lessee shall pay the reasonable costs incurred by the Issuer in performing its obligations under this Section 12.7.

Section 12.8. Net Lease. This Lease shall be deemed and construed to be a "net lease", and the Lessee shall pay absolutely net during the Lease Term the rent and all other payments required hereunder, free of any deductions, without abatement, deduction or set-off other than those herein expressly provided.

Section 12.9. Applicable Law; Entire Understanding. This Agreement shall be governed by the laws of South Carolina. This expresses the entire understanding and all agreements between the parties. Neither party has made or shall be bound by any agreement or representation to the other party which is not expressly set forth herein.

Section. 12.10. Issuer's Power Limited. Anything in this Lease to the contrary notwithstanding, the Issuer shall not have the power to pay out of its general funds, or otherwise contribute, any part of the costs of acquiring the Project, and nothing in this Lease shall be construed to obligate the Issuer except with respect to the Project and the application of the revenues therefrom. No breach of any agreement herein contained shall impose any pecuniary liability upon the Issuer or a charge upon its general credit or against its taxing power.

IN WITNESS WHEREOF, the Issuer, acting through the Board and the Lessee have caused this Lease to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

CHESTER COUNTY

By _____
Chairman of the Board of County
Directors

(SEAL)

ATTEST:

By _____

Witness

Witness

VIRGINIA CHEMICALS INC.

By _____
President

(SEAL)

ATTEST:

By _____
Secretary

Witness

Witness

STATE OF _____)
COUNTY OF _____) SS

Personally appeared before me _____, who,
being duly sworn, says that he saw the corporate seal of Chester
County affixed to the foregoing instrument and that he also saw _____
_____, Chairman of the Board of County Directors and _____
_____, County Manager sign and attest the same, and that
he with _____ witnessed the execution and
delivery thereof as the act and deed of the said Chester County.

Sworn to before me this _____ day of _____, 197_.

Notary Public for _____
My commission expires _____

(SEAL)

STATE OF _____)
COUNTY OF _____) SS

Personally appeared before me _____, who,
being duly sworn, says that he saw the corporate seal of Virginia
Chemicals Inc. affixed to the foregoing instrument and that he also
saw _____, President and
Secretary of the Board of Directors of Virginia Chemicals Inc. sign
and attest the same, and that he with _____
witnessed the execution and delivery thereof as the act and deed of
the said Virginia Chemicals Inc.

Sworn to before me this _____ day of _____, 197_.

Notary Public for _____
My commission expires _____

(SEAL)

Exhibit A to Lease Agreement dated as of September 1,
1974 between Chester County, South Carolina and Virginia Chemicals
Inc.

LEASED EQUIPMENT

Exhibit B to Lease Agreement dated as of September 1,
1974 between Chester County, South Carolina and Virginia Chemicals
Inc.

LEASED LAND

CHESTER COUNTY, SOUTH CAROLINA

TO

THE FIRST NATIONAL BANK OF CHICAGO

as Trustee

MORTGAGE
AND
INDENTURE OF TRUST

Dated as of November 1, 1974

EXHIBIT 4

(I.D.)

F 327

I. D.

MORTGAGE AND INDENTURE OF TRUST

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and is only for convenience of reference.)

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MORTGAGE AND INDENTURE OF TRUST

THIS MORTGAGE AND INDENTURE OF TRUST dated as of the first day of November, 1974 by and between CHESTER COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina, acting through its Board of County Directors, party of the first part (hereinafter sometimes referred to as the "Issuer"), and THE FIRST NATIONAL BANK OF CHICAGO, a banking association duly organized, existing and authorized to accept and execute trusts of the character herein set out under the laws of the United States of America with its principal office, domicile and post office address located at One First National Plaza, P.O. Box A, Chicago, Illinois 60690, as Trustee, party of the second part;

W I T N E S S E T H:

WHEREAS, Sections 14-399.21 to 14-399.35:2, inclusive, Code of Laws of South Carolina, 1962, as amended, (the "Act"), authorize and empower the several counties of the State of South Carolina, functioning through their respective county boards, to acquire and improve projects (as defined in the Act) and to lease the same to others for the purpose of financing manufacturing facilities and vest such counties with powers that may be necessary to enable them to accomplish such purpose; and

WHEREAS the Issuer is further authorized by the Act to issue bonds payable solely from the revenues derived from the leasing of the project so acquired; and

WHEREAS the Issuer has made the necessary arrangements with Virginia Chemicals Inc., a Maine corporation (hereinafter referred to as the "Lessee"), for the location of a manufacturing plant within the boundaries of Issuer and has agreed to finance a portion of the cost of said plant (the portion of the plant to be financed is herein called the "Project") in order to accomplish the purposes provided by the Act, and the Issuer has further entered into a Lease Agreement, dated as of November 1, 1974 with the Lessee specifying the terms and conditions of the acquisition of the Project and the leasing of the same to the Lessee (hereinafter, as from time to time amended, sometimes referred to as the "Lease"); and

WHEREAS the execution and delivery of this Mortgage and Indenture of Trust (hereinafter sometimes referred to as the "Mortgage"), and the issuance of the bonds under the Act have been in all respects duly and validly authorized by the Board of County Directors of the Issuer; and

WHEREAS it has been determined that in order to obtain funds to pay the cost of the Project, including necessary expenses incidental thereto, the Issuer will issue Industrial Development Revenue Bonds (Virginia Chemicals Inc. Project), in the aggregate principal amount of \$1,000,000 (hereinafter sometimes referred to as the "Bonds"); and

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

NOTE: NO COUPON BONDS MAY BE
ISSUED UNTIL THE TRUSTEE HAS
RECEIVED THE OPINION OF COUNSEL
REFERRED TO IN SECTION 202 OF THIS
MORTGAGE.

(Form of Coupon Bond)

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
CHESTER COUNTY
Industrial Development Revenue Bond
(Virginia Chemicals Inc. Project)

No.

\$5,000

KNOW ALL MEN BY THESE PRESENTS that Chester County, a body politic and corporate and a political subdivision of the State of South Carolina, acting through its Board of County Directors (hereinafter called the "Issuer"), for value received, promises to pay from the source and as hereinafter provided, to bearer, or, if this Bond be registered to the registered owner hereof, on December 31, 199_, the principal sum of Five Thousand Dollars (\$5,000) and in like manner to pay interest on said sum from the date hereof at the rate of eight and one eighth per cent (8 1/8%) per annum on June 30, 1975 and semiannually thereafter on December 31 and June 30 of each year until said principal sum is paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may become applicable hereto, both principal of and interest on this Bond being payable in lawful money of the United States of America at the principal office of The First National Bank of Chicago, in the City of Chicago, Illinois, as Trustee, or its successor in trust.

This Bond is one of a series of Bonds issued under the hereinafter described mortgage in the aggregate principal amount of \$1,000,000 (hereinafter referred to as the "Bonds") for the purpose of providing funds to finance, in whole or in part, the cost of acquiring land, buildings, equipment, machinery and other facilities in connection therewith (such land, buildings, machinery, equipment and other facilities being hereinafter called the "Project") and paying expenses incidental thereto, so as to promote the economy and welfare of Chester County, South Carolina. The Project has been leased by the Issuer to Virginia Chemicals Inc., a Maine corporation (hereinafter called the "Lessee"), under the terms of a Lease Agreement dated as of November 1, 1974 (which agreement, as from time to time supplemented and amended, is hereinafter referred to as the "Lease Agreement"). Virginia Chemicals Inc. in a Guaranty Agreement with the Trustee dated as of November 1, 1974 (hereinafter referred to as the "Guaranty") has unconditionally guaranteed payment of principal of, premium, if any, and interest on the Bonds.

The Bonds are all issued under and equally and ratably secured and entitled to the security of a Mortgage and Indenture of Trust dated as of November 1, 1974 (hereinafter referred to as the "Mortgage") duly executed and delivered by the Issuer to The First National Bank of Chicago, in the City of Chicago, Illinois, as Trustee (the term "Trustee" where used herein referring to said Trustee or its successors in said trust), which Mortgage is recorded in the real property records of Chester County, South Carolina. Reference is made to the Mortgage and to all indentures supplemental thereto for a description of the property mortgaged, the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Issuer and the Trustee, the rights of the holders of the Bonds, the terms on which the Bonds are or may be issued and secured, and to all the provisions of which the holder hereof by the acceptance of this Bond assents.

This Bond and appurtenant coupons are fully negotiable and shall pass by delivery, but this Bond may be registered as to principal on the registration books of the Issuer in the principal office of the Trustee as Bond Registrar, upon presentation hereof at such office and the notation of such registration endorsed hereon by the Bond Registrar, and this Bond may thereafter be transferred on such books at the written request of the registered owner or by duly authorized attorney, evidence of such transfer to be in like manner endorsed hereon. Such transfer may be to bearer, and thereby transferability by delivery shall be restored, subject, however, to successive registrations and transfers as

before. The principal of this Bond if registered, unless registered to bearer, shall be payable only to or upon the order of the registered owner or his legal representative. Interest accruing on this Bond will be paid only on presentation and surrender of the attached interest coupons as they respectively become due, and registration of this Bond as to principal as aforesaid will not affect the transferability by delivery of such coupons.

The Bonds are issuable as coupon Bonds, registrable as to principal only, in the denomination of \$5,000 and as registered Bonds without coupons in denominations of \$5,000 and any authorized multiple thereof. Subject to the limitations and upon payment of the charges provided in the Mortgage, registered Bonds without coupons may be exchanged for a like aggregate principal amount of coupon Bonds of the same series and the same maturity, bearing all unmatured coupons (and any matured coupons in default) or for a like aggregate principal amount of registered Bonds without coupons of the same series and the same maturity of other authorized denominations, and coupon Bonds bearing all unmatured coupons (and any matured coupons in default) may be exchanged for a like aggregate principal amount of registered Bonds without coupons of the same series and the same maturity of authorized denominations.

The Bonds are callable for redemption in the event (1) of damage to or destruction of the Project or any part thereof or condemnation of the Project or any part thereof both to the extent provided in Article VII of the Lease Agreement or (2) the Lessee shall exercise its option to purchase the Project as provided in subsection (a), (b) or (c) of Section 11.2 of the Lease Agreement or (3) a Determination of Taxability (as defined in the Lease Agreement) occurs pursuant to Section 11.6 of the Lease Agreement. If called for redemption as a result of the events referred to in (1) and (2) above, such Bonds shall be subject to redemption by the Issuer on any interest payment date, in whole or in the inverse order of their maturity (in the case of redemption pursuant to Article VII of the Lease Agreement) in part (less than all of said bonds of a single maturity to be selected by lot in such manner as may be designated by the Trustee), at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date. If called for redemption as a result of the event referred to in (3) above, such Bonds shall be subject to redemption by the Issuer at any time as a whole at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date plus a premium equal to 3% thereof for each six month period or part thereof elapsed between the date on which interest on the Bonds became subject to Federal income taxation, and the redemption date all as provided in Section 11.6 of the Lease Agreement.

Any of the Bonds as may be outstanding are also subject to redemption by the Issuer prior to maturity on any interest payment date on or after December 31, 1984, in whole or in part in the inverse order of their maturity (less than all of such Bonds of a single maturity to be selected by lot in such manner as may be designated by the Trustee), at the redemption prices (expressed as percentages of principal amount) set forth in the table below plus accrued interest to the redemption date.

<u>Redemption Date</u>	<u>Redemption Price</u>
December 31, 1984 and June 30, 1985	105%
December 31, 1985 and June 30, 1986	104-1/2%
December 31, 1986 and June 30, 1987	104%
December 31, 1987 and June 30, 1988	103-1/2%
December 31, 1988 and June 30, 1989	103%
December 31, 1989 and June 30, 1990	102-1/2%
December 31, 1990 and June 30, 1991	102%
December 31, 1991 and June 30, 1992	101-1/2%
December 31, 1992 and June 30, 1993	101%
December 31, 1993 and June 30, 1994	100-1/2%

In the event any of the Bonds are called for redemption as aforesaid, notice thereof identifying the Bonds to be redeemed will be given by publication at least twice in a newspaper or financial journal of general circulation published in the City of New York, New York, the first of which shall be published not less than thirty days prior to the redemption date, and in the case of the redemption of Bonds at the time registered as to principal (except to bearer) or both principal and interest, upon mailing a copy of the redemption notice by registered or certified mail at least 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of Bonds. If all of the Bonds to be redeemed are at that time registered as to principal (except to bearer), notice by mailing given by registered or certified mail to the registered owner or owners thereof, at their addresses shown on the registration books, not less than thirty days prior to the date fixed for redemption shall be sufficient and published notice of the call for redemption need not be given. All Bonds so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time, and shall no longer be protected by the Mortgage and shall not be deemed to be outstanding under the provisions

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

This Bond and such other Bonds of the series of which it forms a part are issued pursuant to and in full compliance with the Constitution and laws of the State of South Carolina, particularly Sections 14-399.21 to 14-399.35:2, inclusive, Code of Laws of South Carolina, 1962, as supplemented and amended, and pursuant to proceedings adopted by the Board of County Directors of the Issuer which proceedings authorize the execution and delivery of the Mortgage. This Bond and the series of which it forms a part and the interest coupons appertaining hereto are limited obligations of the Issuer and are payable solely from the revenues derived from the leasing of the Project and otherwise as provided in the Mortgage and the Lease Agreement. The Bonds and the interest coupons appertaining thereto shall never constitute an indebtedness of the Issuer within the meaning of any State constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers. Pursuant to the provisions of the Lease Agreement, rental payments sufficient for the prompt payment when due of the principal of, premium, if any, and interest on the Bonds are to be paid by the Lessee to the Trustee for the account of the Issuer and deposited in a special account created by the Issuer and designated "Chester County Industrial Development Revenue Bond Fund - Virginia Chemicals Inc. Project", and such rental payments have been duly pledged for that purpose, the rights of the Issuer under the Lease Agreement have been assigned to the Trustee and the Project has been mortgaged under the Mortgage to secure payment of such principal, premium, if any, and interest.

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

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

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

IN WITNESS WHEREOF, Chester County, acting through its Board of County Directors, has caused this Bond to be executed in its name by the manual signature of the Chairman of its Board of County Directors and attested by the facsimile signature of its _____, and its corporate seal to be hereunto affixed or imprinted hereon, and has caused the interest coupons attached hereto to be executed by the facsimile signature of said Chairman, all as of the first day of November, 1974.

CHESTER COUNTY

By

Chairman of the Board of
County Directors

(SEAL)

ATTEST:

(facsimile)

(Form of Trustee's Certificate of Authentication)

This Bond is one of the Bonds described in the within-mentioned Mortgage and Indenture of Trust.

THE FIRST NATIONAL BANK OF CHICAGO,
as Trustee

By

Authorized Officer

(Form of Interest Coupon)

No.

\$ _____

On the first day of _____, 19____, Chester County (unless the Bond to which this coupon appertains shall have been duly called for previous redemption and payment of the redemption price shall have been made or provided for) will pay to bearer, subject to the provisions of the Mortgage and upon presentation and surrender of this coupon at the principal office of The First National Bank of Chicago, in the City of Chicago, Illinois, or its successor in trust, the amount shown hereon, as provided in and being semiannual interest then due on its Industrial Development Revenue Bond, (Virginia Chemicals Inc. Project), dated November 1, 1974 and numbered _____.

(Facsimile)

Chairman, Board of County Directors

(Form of Registration)

Date of Registration	Name of Registered Owner	Manner of Registration	Signature of Bond Registrar
•	•	•	•
•	•	•	•
•	•	•	•
•	•	•	•
•	•	•	•
•	•	•	•
•	•	•	•

(Form of Series 1974
Fully Registered Bond)

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
CHESTER COUNTY
Industrial Development Revenue Bond
(Virginia Chemicals Inc. Project)

TRANSFER RESTRICTED

THIS BOND AND OTHER DEBT SECURITIES ISSUED IN RELATED TRANSACTIONS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS BOND HAS BEEN ACQUIRED FOR INVESTMENT ONLY WITHOUT A VIEW TOWARD ITS DISTRIBUTION AND HAS BEEN ACQUIRED SUBJECT TO THE RESTRICTIONS SET FORTH BY LETTER DATED November 1, 1974, TO VIRGINIA CHEMICALS INC. IT MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT ON THE TERMS SET FORTH IN THE AFOREMENTIONED LETTER, A COPY OF WHICH IS ON FILE IN THE OFFICE OF THE TRUSTEE UNDER THE MORTGAGE PURSUANT TO WHICH THIS BOND WAS ISSUED.

No. R

\$ 1,000,000

KNOW ALL MEN BY THESE PRESENTS that Chester County, a body politic and corporate and a political subdivision of the State of South Carolina, acting through its Board of County Directors (hereinafter called the "Issuer"), for value received, promises to pay from the source and as hereinafter provided, to _____, or registered assigns, on December 31, 199_, the principal sum of \$1,000,000 Dollars and in like manner to pay interest on said sum from the date hereof at the rate of eight and one-eighth per cent (8 1/8%) per annum semiannually on June 30 and December 31 of each year until said principal sum is paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may become applicable hereto, both principal of and interest on this Bond being payable in lawful money of the United States of America at the principal office of The First National Bank of Chicago, in the City of Chicago, Illinois, as Trustee, or its successor in trust.

This Bond is one of a series of Bonds issued under the hereinafter described mortgage in the aggregate principal amount of \$1,000,000 (hereinafter referred to as the "Bonds") for the purpose of providing funds to finance, in whole or in part, the cost of acquiring land, buildings, equipment, machinery and other

facilities in connection therewith (such land, buildings, machinery, equipment and other facilities being hereinafter called the "Project") and paying expenses incidental thereto, so as to promote the economy and welfare of Chester County, South Carolina. The Project has been leased by the Issuer to Virginia Chemicals Inc., a Maine corporation (hereinafter called the "Lessee"), under the terms of a Lease Agreement dated as of November 1, 1974 (which agreement, as from time to time supplemented and amended, is hereinafter referred to as the "Lease Agreement"). Virginia Chemicals Inc. in a Guaranty Agreement with the Trustee dated as of November 1, 1974 (hereinafter referred to as the "Guaranty") has unconditionally guaranteed payment of principal of, premium, if any, and interest on the Bonds.

The Bonds are all issued under and equally and ratably secured and entitled to the security of a Mortgage and Indenture of Trust dated as of November 1, 1974 (hereinafter referred to as the "Mortgage") duly executed and delivered by the Issuer to The First National Bank of Chicago, in the City of Chicago, Illinois, as Trustee (the term "Trustee" where used herein referring to said Trustee or its successors in said trust), which Mortgage is recorded in the real property records of Chester County, South Carolina. Reference is made to the Mortgage and to all indentures supplemental thereto for a description of the property mortgaged, the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Issuer and the Trustee, the rights of the holders of the Bonds, the terms on which the Bonds are or may be issued and secured, and to all the provisions of which the holder hereof by the acceptance of this Bond assents.

This Bond is transferable by the registered holder hereof in person or by his attorney duly authorized in writing at the principal office of the Trustee in Chicago, Illinois, but only in the manner, subject to the limitations and upon payment of the charges provided in the Mortgage, and upon surrender and cancellation of this Bond. Upon such transfer a new registered Bond or Bonds without coupons of the same series and the same maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

The Issuer and the Trustee may deem and treat the registered holder hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and premium, if any, hereon and interest due hereon and for all other purposes and neither the Board nor the Trustee nor any paying agent shall be affected by any notice to the contrary.

The Bonds are initially issuable as registered Bonds without coupons in denominations of \$5,000 and any authorized multiple thereof. After the receipt of the opinion referred to in Section 202 of the Mortgage coupon Bonds, registrable as to principal only in the denomination of \$5,000 each may be issued and subject to the limitations and upon payment of the charges provided in the Mortgage, registered Bonds without coupons may be exchanged for a like aggregate principal amount of coupon Bonds of the same series and the same maturity, bearing all unmatured coupons (and any matured coupons in default) or for a like aggregate principal amount of registered Bonds without coupons of the same series and the same maturity of other authorized denominations, and coupon Bonds bearing all unmatured coupons (and any matured coupons in default) may be exchanged for a like aggregate principal amount of registered Bonds without coupons of the same series and the same maturity of authorized denominations.

The Bonds are callable for redemption in the event (1) of damage to or destruction of the Project or any part thereof or condemnation of the Project or any part thereof both to the extent provided in Article VII of the Lease Agreement or (2) the Lessee shall exercise its option to purchase the Project as provided in subsection (a), (b) or (c) of Section 11.2 of the Lease Agreement or (3) a Determination of Taxability (as defined in the Lease Agreement) occurs pursuant to Section 11.6 of the Lease Agreement. If called for redemption as a result of the events referred to in (1) and (2) above, such Bonds shall be subject to redemption by the Issuer on any interest payment date, in whole or (in the case of redemption pursuant to Article VII of the Lease Agreement) in part in the inverse order of their maturity (less than all of said Bonds of a single maturity to be selected by lot in such manner as may be designated by the Trustee), at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date. If called for redemption as a result of the event referred to in (3) above, such Bonds shall be subject to redemption by the Issuer at any time as a whole at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date plus a premium equal to 3% thereof for each six month period or part thereof elapsed between the date on which interest on the Bonds became subject to Federal income taxation and the redemption date all as provided in Section 11.6 of the Lease Agreement.

Any of the Bonds as may be outstanding are also subject to redemption by the Issuer prior to maturity on any interest payment date on or after December 31, 1984 in whole or in part in the inverse order of their maturity (less than all of such Bonds of a single maturity to be selected by lot in such manner as may be designated by the Trustee), at the redemption prices (expressed as percentages of principal amount) set forth in the table below plus accrued interest to the redemption date.

<u>Redemption Date</u>	<u>Redemption Price</u>
December 31, 1984 and June 30, 1985	105%
December 31, 1985 and June 30, 1986	104-1/2%
December 31, 1986 and June 30, 1987	104%
December 31, 1987 and June 30, 1988	103-1/2%
December 31, 1988 and June 30, 1989	103%
December 31, 1989 and June 30, 1990	102-1/2%
December 31, 1990 and June 30, 1991	102%
December 31, 1991 and June 30, 1992	101-1/2%
December 31, 1992 and June 30, 1993	101%
December 31, 1993 and June 30, 1994	100-1/2%

In the event any of the Bonds are called for redemption as aforesaid, notice thereof identifying the Bonds to be redeemed will be given by publication at least twice in a newspaper or financial journal of general circulation published in the City of New York, New York, the first of which shall be published not less than 30 days prior to the redemption date, and in the case of the redemption of Bonds at the time registered as to principal (except to bearer) or both principal and interest, upon mailing a copy of the redemption notice by registered or certified mail at least 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of Bonds. If all of the Bonds to be redeemed are at that time registered as to principal (except to bearer), notice by mailing given by registered or certified mail to the registered owner or owners thereof, at their addresses shown on the registration books, not less than 30 days prior to the date fixed for redemption shall be sufficient and published notice of the call for redemption need not be given. All Bonds so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time, and shall no longer be protected by the Mortgage and shall not be deemed to be outstanding under the provisions of the Mortgage. If, because of the temporary or

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

This Bond and such other Bonds of the series of which it forms a part are issued pursuant to and in full compliance with the Constitution and laws of the State of South Carolina, particularly Sections 14-399.21 to 14-399.35:2, inclusive, Code of Laws of South Carolina, 1962, as supplemented and amended, and pursuant to proceedings adopted by the Board of County Directors of the Issuer, which proceedings authorize the execution and delivery of the Mortgage. This Bond and the series of which it forms a part are limited obligations of the Issuer and are payable solely from the revenues derived from the leasing of the Project and otherwise as provided in the Mortgage and the Lease Agreement. The Bonds and the interest coupons appertaining thereto shall never constitute an indebtedness of the Issuer within the meaning of any State constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers. Pursuant to the provisions of the Lease Agreement, rental payments sufficient for the prompt payment when due of the principal of, premium, if any, and interest on the Bonds are to be paid by the Lessee to the Trustee for the account of the Issuer and deposited in a special account created by the Issuer and designated "Chester County Industrial Development Revenue Bond Fund - Virginia Chemicals Inc. Project", and such rental payments have been duly pledged for that purpose, the rights of the Issuer under the Lease Agreement have been assigned to the Trustee and the Project has been mortgaged under the Mortgage to secure payment of such principal, premium, if any, and interest.

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

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

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

IN WITNESS WHEREOF, Chester County, acting through its Board of County Directors, has caused this Bond to be executed in its name by the manual signature of the Chairman of its Board of County Directors and attested by the facsimile signature of its _____, and its corporate seal to be hereunto affixed or imprinted hereon, all as of the first day of _____.

CHESTER COUNTY, SOUTH CAROLINA

By _____
Chairman of the Board
of County Directors

(SEAL)

ATTEST:

(facsimile)

(Form of Trustee's Certificate of Authentication)

This Bond is one of the Bonds described in the within-mentioned Mortgage and Indenture of Trust.

THE FIRST NATIONAL BANK OF CHICAGO,
as Trustee

By _____
Authorized Officer

WHEREAS all things necessary to make the Bonds, when authenticated by the Trustee and issued as in this Mortgage provided, the valid, binding and legal obligations of the Issuer according to the import thereof, and to constitute this Mortgage a valid lien on the properties mortgaged and a valid assignment and pledge of the revenues derived from the Lease herein made to the payment of the principal of, premium, if any, and interest on the Bonds and a valid assignment and pledge of the rights of the Issuer under the Lease have been done and performed, and the creation, execution and delivery of this Mortgage, and the creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized.

GRANTING CLAUSES

NOW, THEREFORE, THIS MORTGAGE AND INDENTURE OF TRUST WITNESSETH:

That the Issuer, acting through its Board of County Directors in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Bonds by the purchasers thereof, one dollar duly paid to the Issuer by the Trustee at or before the execution and delivery of these presents and of other good and valuable considerations, the receipt of which is hereby acknowledged, and in order to secure the payment of the principal of, premium, if any, interest and any other sums payable on the Bonds outstanding hereunder from time to time, according to their tenor and effect, and to secure the observance and performance by the Issuer of all the covenants expressed or implied herein and in the Bonds, does hereby grant, bargain, sell, convey, mortgage, assign and pledge unto the Trustee, and unto its successors in trust, and to its assigns forever, all of the Issuer's estate, right, title and interest in, to and under any and all of the following described property, rights and interests (herein called the "Mortgaged Property" or "Trust Estate" or "property herein conveyed"):

GRANTING CLAUSE FIRST

The right, title and interest of the Issuer in the real estate described in Exhibit A hereto, together with the entire interest of the Issuer in and to all buildings, structures, improvements and appurtenances now standing, or at any time hereafter constructed or placed, upon such real estate, including all right, title and interest of the Issuer, if any, in and to all building

material, building equipment and fixtures of every kind and nature whatsoever on said real estate or in any building, structure or improvement now or hereafter standing on said real estate, and the reversion or reversions, remainder or remainders, in and to said real estate and together with the entire interest of the Issuer in and to all and singular the tenements, hereditaments, easements, rights of way, rights, privileges and appurtenances to said real estate, belonging or in any wise appertaining thereto, including the easement of the Issuer over the real estate described in Exhibit C hereto, and including without limitation the entire right, title and interest of the Issuer in, to and under any streets, ways, alleys, gores or strips of land adjoining said real estate, and all claims or demands whatsoever of the Issuer either in law or in equity, in possession or expectancy, of, in and to said real estate, it being the intention of the parties hereto that, so far as may be permitted by law, all property of the character hereinabove described, which is now owned or is hereafter acquired by the Board and is affixed or attached or annexed to said real estate, shall be and remain or become and constitute a portion of said real estate and the security covered by and subject to the lien of this Mortgage, and together with all rents, income, revenues, issues and profits thereof, and the present and continuing right to make claim for, collect, receive and receipt for any and all of such rents, income, revenues, issues and profits arising therefrom or in connection therewith; subject, however, to Permitted Encumbrances.

GRANTING CLAUSE SECOND

The machinery, equipment and other tangible personal property owned by the Issuer and described in Exhibit B hereto (which machinery, equipment and property is to be located on the real estate described in Exhibit A hereto), excluding property installed by the Lessee pursuant to Sections 6.1 and 9.7 of the Lease (as hereinafter defined), together with all other machinery, equipment and further tangible personal property which is now owned or hereafter acquired by the Issuer and which is now or at any time hereafter located on the real estate described in Exhibit A hereto, excluding property installed by the Lessee pursuant to Sections 6.1 and 9.7 of the Lease; subject, however, to Permitted Encumbrances.

GRANTING CLAUSE THIRD

The Lease including all extensions and renewals of the term thereof, if any, together with all right, title and interest of the Issuer, as lessor therein, thereto and thereunder including, but without limiting the generality of the foregoing, the present

and continuing right to make claim for, collect, receive and receipt for any of the rents, income, revenues, issues and profits and other sums of money payable or receivable thereunder, whether payable as rents or otherwise, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Issuer or any lessor is or may become entitled to do under the Lease, provided, that the assignment made by this clause shall not impair or diminish any obligation of the Issuer under the provisions of the Lease.

GRANTING CLAUSE FOURTH

All rents, revenues and receipts derived by the Issuer from the Project (as hereinafter defined), including those derived by the Issuer under and pursuant to the Lease.

GRANTING CLAUSE FIFTH

All moneys and securities from time to time held by the Trustee under the terms of this Mortgage and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, as and for additional security hereunder by the Issuer or by anyone in its behalf, or with its written consent to the Trustee which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in said Trust and assigns forever;

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

THIS MORTGAGE AND INDENTURE OF TRUST FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said property, rights and interest, including, without limitation, the lease rentals, revenues and receipts, hereby mortgaged or pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements,

trusts, uses and purposes as hereinafter expressed, and the Issuer has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective holders and owners, from time to time, of the said Bonds or coupons, or any part thereof, as follows (subject, however, to the provisions of Section 203 hereof):

ARTICLE I

Definitions; Provisions of General Application

Section 101. Definitions in Lease Agreement Incorporated. All words and phrases defined in Article I of the Lease shall have the same meaning in this Mortgage.

Section 102. Additional Definitions. In addition, the terms defined in this Article I shall have the following meanings for all purposes of this Mortgage unless the context or use indicates another or different meaning or intent:

"Bondholder" or "holder" or "owner of the Bonds" means the bearer of any coupon Bond not registered as to principal or registered to bearer and the registered owner of any fully registered Bond or of any coupon Bond registered as to principal (except to bearer).

"Bond Purchase Agreement" means that certain Bond Purchase Agreement dated as of November 1, 1974 between the Issuer and The Lincoln National Life Insurance Company, as the same may be amended and supplemented.

The term "coupon" means any of the coupons issued hereunder evidencing the semiannual installments of interest on the applicable coupon Bond or Bonds.

The terms "Default" and "Event of Default" mean those events specified in and defined by Section 1001 hereof.

"Extraordinary Services" and "Extraordinary Expenses" means all services rendered and all expenses incurred under the Mortgage other than Ordinary Services and Ordinary Expenses.

"Government Securities" means direct obligations of the United States of America.

"Guaranty" means the Guaranty Agreement of even date herewith between Virginia Chemicals Inc. and the Trustee pursuant to which Virginia Chemicals Inc. unconditionally guarantees to the Trustee for the benefit of the holders of the Bonds the full and prompt payment of the principal of, premium, if any, and interest on the Bonds and all expenses of the Trustee in realizing upon any of the payments so guaranteed.

"Mortgaged Property" means the properties, rights and interests more particularly described in the granting clauses hereof, including the properties leased to the Lessee under the Lease, as well as all properties which, under the terms hereof, are or subsequently become subject to the lien of this Mortgage, but excluding all property owned by the Lessee and title to which remains in the Lessee under the terms of the Lease.

"Ordinary Services" and "Ordinary Expenses" means those services normally rendered and those expenses normally incurred by a trustee under instruments similar to this Mortgage.

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

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

(b) Bonds for whose payment or redemption sufficient cash or Government Securities shall have been deposited with the Trustee; and

(c) Bonds in lieu of which others have been authenticated under Section 208, except that such Bonds shall be secured by this Mortgage and shall be deemed to be outstanding for that purpose.

If this Mortgage shall have been discharged pursuant to the provisions of Article IX hereof, no Bonds shall be deemed to be outstanding within the meaning of this provision.

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

The term "Trust Estate" or "property herein conveyed" means the Mortgaged Property.

"Trustee" means The First National Bank of Chicago, Chicago, Illinois, the party of the second part hereto, and any successor trustee pursuant to Section 1105 or 1108 at the time serving as successor trustee hereunder.

Section 103. General Provisions. Wherever in this instrument it is provided or permitted that there be deposited with or held by the Trustee or other person cash or Government Securities sufficient to pay or redeem any Bonds or any other indebtedness, it is intended that such cash or Government Securities shall be so deposited or held irrevocably in trust for such purposes, subject, as to cash

or Government Securities deposited with the Trustee hereunder, to Section 902. The amount of cash so to be deposited or held shall be the principal amount of such Bonds or other indebtedness and all unpaid interest thereon to maturity, unless said Bonds or other indebtedness are redeemable and are to be redeemed prior to maturity on the earliest redemption date and there shall be furnished to the Trustee

(1) proof satisfactory to the Trustee that notice of such redemption on a specified redemption date has been duly given, or

(2) a written instrument satisfactory to the Trustee, expressed to be irrevocable, authorizing the Trustee (or other person approved by the Trustee) to give such notice, or

(3) proof satisfactory to the Trustee that such notice has been waived in writing by the holders of all the Bonds or other indebtedness to be redeemed,

in which case the amount of cash so to be deposited or held shall be the principal amount of such Bonds or other indebtedness and all unpaid interest thereon to such redemption date together with the redemption premium, if any; provided, however, that in lieu of such cash Government Securities, the principal of and interest on which will on such redemption date be at least equal to the amount of such required cash, may be deposited with or held by the Trustee. Cash or Government Securities deposited or held irrevocably in trust as aforesaid shall not be a part of the Trust Estate. If the Issuer shall, pursuant to Article IX hereof, request the satisfaction and discharge of this Indenture, prior to the satisfaction and discharge of the Indenture, the Issuer shall cause notice of such deposit, of the specified redemption date, of the satisfaction and discharge of the Indenture and of any paying agent appointed under the succeeding sentence hereof, to be published once, in a daily newspaper in each city where the principal of or interest on such Bonds is payable and to be mailed, first-class postage prepaid, to all registered owners of such Bonds, at their addresses as the same shall appear upon the Bond register. If the specified redemption date is more than 60 days from the effective date of such satisfaction and discharge and if the Trustee does not then have a reported capital, surplus and undivided profits of at least \$50,000,000, the cash or Government Securities so to be held by the Trustee shall, concurrently with the satisfaction and discharge of the Indenture, be deposited with a paying agent which shall be a bank or trust company in good standing as a national banking association or under the laws of the State in which incorporated and having a reported capital, surplus and undivided profits

of at least \$50,000,000, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms, and shall thereafter be held irrevocably in trust by such paying agent.

ARTICLE II

The Bonds

Section 201. Authorized Amount of Bonds. No Bonds may be issued under the provisions of this Mortgage except in accordance with this Article. The total principal amount of Bonds that may be authenticated, delivered and outstanding hereunder is hereby expressly limited to \$1,000,000.

Section 202. Issuance of Bonds. The Bonds shall be designated "Industrial Development Revenue Bonds (Virginia Chemicals Inc. Project)". The Bonds shall bear interest from their respective dates and shall be issuable as fully registered Bonds without coupons in the denomination of \$5,000 and any authorized multiple thereof. Coupon Bonds, registrable as to principal only, in the denomination of \$5,000, may be issued only after the receipt by the Trustee of the opinion of counsel referred to in the last paragraph of this Section 202. Unless the Issuer shall otherwise direct the Bonds shall be lettered and numbered as follows: The coupon Bonds shall be numbered from 1 upward and the fully registered Bonds shall be lettered and numbered R1 and upward.

The coupon Bonds shall be dated November 1, 1974. Each fully registered Bond shall be dated as of the interest payment date to which interest has been paid as of the date on which it is authenticated or if it is authenticated prior to a date on which interest is paid, it shall be dated the date of such authentication. Interest on the Bonds shall be payable on June 30 and December 31 of each year commencing June 30, 1975 until the Bonds are paid.

The Bonds shall bear interest at the rate of 8-1/8% per annum and shall mature as follows:

<u>Maturity Date</u>	<u>Principal Amount</u>
December 31, 1990	\$200,000
December 31, 1991	\$200,000
December 31, 1992	\$200,000
December 31, 1993	\$200,000
December 31, 1994	\$200,000

The principal of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, and such principal, premium, if any, and interest shall be payable at the principal office of the Trustee, in the City of Chicago, Illinois. Payment of the interest on the coupon Bonds shall be made only upon presentation and surrender of the coupons representing such interest as the same respectively falls due. Payment of the interest on any fully registered Bond on any interest payment date shall be made to the person appearing on the Bond registration books of the Issuer as the registered owner thereof and shall be paid by check or draft mailed to the registered owner at his address as it appears on such registration books or at such other address as is furnished the Trustee in writing by such holder.

Notwithstanding the provisions of the foregoing paragraph, if there shall be filed with the Trustee an agreement between the Issuer and the holder of any fully registered Bond providing for a different manner of payment of principal, premium, if any, and interest on the Bonds held by such holder, payment shall be made in the manner set forth in such agreement and the Trustee hereby acknowledges receipt of the Bond Purchase Agreement which contains such an agreement in Section 5.1 thereof.

No coupon Bonds shall be issued or authenticated until the Trustee shall have received an opinion of Independent Counsel acceptable to the Lessee and the Trustee to the effect that an offer, sale, transfer, pledge, hypothecation or other disposal of Bonds at such time will comply with the rules, regulations and interpretations of the Securities and Exchange Commission.

Section 203. Execution; Limited Obligation. The Bonds shall be executed on behalf of the Issuer with the official manual or facsimile signature of the Chairman of its Board of County Directors and attested with the official manual or facsimile signature of the _____ of its Board of County Directors, provided that Bonds shall bear at least one manual signature, and shall have impressed or printed thereon the corporate seal of the Issuer. The coupons attached to the Bonds, if any, shall be executed by the facsimile of the official signature of said Chairman. Such facsimiles shall have the same force and effect as if said Chairman and _____ had manually signed each of said Bonds and said _____ had manually signed said coupons. The Bonds, together with interest thereon, shall be limited obligations of the Issuer payable solely from the revenues derived

from the leasing of the Project (except to the extent paid out of moneys attributable to the Bond proceeds or the income from the temporary investment thereof and under certain circumstances, proceeds from insurance and condemnation awards) and shall be a valid claim of the respective holders thereof only against the Bond Fund and other moneys held by the Trustee and the revenues derived from the leasing of the Project (but in addition shall be secured by a mortgage lien on the Project), which revenues are hereby pledged and mortgaged for the equal and ratable payment of the Bonds and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in this Mortgage. The Bonds shall be limited obligations of the Issuer, the principal of and interest on which shall be payable solely out of the revenues derived from the leasing of the Project. Bonds and interest coupons issued under the authority of the Act shall never constitute an indebtedness of the Issuer within the meaning of any State constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers. The Issuer shall not have the power to pay out of its general funds, or otherwise contribute, any part of the cost of acquiring the Project. In case any officer whose signature or facsimile of whose signature shall appear on the Bonds or coupons shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery.

Section 204. Authentication. No Bond and no coupon appertaining to any Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Mortgage unless and until a certificate of authentication on such Bond substantially in the form hereinabove set forth shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Mortgage. The Trustee's certificate of authentication on any bond shall be deemed to have been executed by it if signed by an authorized officer of the Trustee, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder. Before authenticating or delivering any coupon Bonds, the Trustee shall detach and cancel all matured coupons, if any, appertaining thereto, and such cancelled coupons shall be cremated or otherwise destroyed by the Trustee. The Trustee shall provide the Board and the Lessee a certificate certifying such cremation or other destruction.

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

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

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

1. A copy, duly certified by the _____ or an Assistant _____ of the Board, of the resolution adopted and approved by said Board authorizing the execution and delivery of the Lease and this Mortgage and the issuance of the Bonds.

2. An original executed counterpart of the Lease, the Mortgage and the Guaranty.

3. The written opinion of counsel for the Issuer or Independent Counsel expressing the conclusion that, in reliance upon the title policy or binder referred to in Section 3.2 of the Lease, the Issuer has good and marketable title to the real estate described in Exhibit A hereto (subject to Permitted Encumbrances).

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

5. A certified plat of survey of the real property constituting a part of the Project, and a proposed site plan indicating the proposed location of the Building or adequate certifications with respect to matters of survey signed by an officer of the Lessee.

6. If the Project has not been completed at the time of the issuance of the Bonds, a certificate by the Authorized Lessee Representative or an officer of the Lessee showing the estimated project cost.

7. A bill or bills of sale transferring to the Issuer title to such of the personal property then constituting or which may then constitute a part of the Project.

8. An opinion of Independent Counsel to the effect that all appropriate filings and other steps then necessary to perfection of the respective security interests as may be created by the Lease and this Mortgage in and to the property (real, personal or mixed) then constituting or which may then constitute a part of the Project as against third party creditors of and purchasers for value in good faith from the Lessee or the Issuer have been taken. The Issuer and the Trustee agree to join in the execution of all instruments deemed appropriate in the opinion of such counsel to perfection of such security interests.

Section 207. Priority Over Other Liens. This Mortgage is given in order to secure funds to pay for new construction or reconstruction and by reason thereof it is intended that this Mortgage shall be superior to any laborers', mechanics', or materialmen's liens which may be placed upon the Project.

Section 208. Mutilated, Lost, Stolen, or Destroyed Bonds or Coupons. In the event any Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and the Trustee may authenticate a new Bond of like date, maturity and denomination as that mutilated, lost, stolen or destroyed (which new Bond shall have attached thereto coupons corresponding in all respects to those, if any, on the Bond mutilated, lost, stolen or destroyed), and in the event any coupon is mutilated, lost, stolen or destroyed, the Issuer may execute a new coupon corresponding in all respects to that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated coupon or Bond, such mutilated coupon or Bond together with all coupons (if any) appertaining thereto shall first be surrendered to the Board, and in the case of any lost, stolen or destroyed coupon or Bond, there shall be first furnished to the Issuer and the Trustee evidence of such loss, theft or destruction satisfactory to the Issuer and the Trustee, together with indemnity satisfactory to them which shall be in the form of a bond naming the Trustee and the Lessee as insureds; provided, however, in the case of the initial purchaser of the Bonds, an agreement of indemnification from such purchaser (without a bond) shall be sufficient. In the event any

such Bond or coupon shall have matured, instead of issuing a duplicate Bond or coupon the Issuer may pay the same without surrender thereof. The Issuer and the Trustee may charge each holder or owner (other than the initial purchaser of the Bonds), of such Bond or coupon with their reasonable fees and expenses in this connection.

Section 209. Registration of Bonds; Persons Treated as Owners. Title to any coupon Bond, unless such Bond is registered in the manner hereinafter provided, and to any interest coupon shall pass by delivery in the same manner as a negotiable instrument payable to bearer. The Issuer shall cause books for the registration and for the transfer of the Bonds as provided in this Mortgage to be kept by the Trustee which is hereby constituted and appointed the Registrar of the Issuer. At the option of the bearer, any coupon Bond may be registered as to principal alone on such books upon presentation thereof to the Trustee which shall make notation of such registration thereon. Any coupon Bond registered as to principal alone may thereafter be transferred only upon an assignment duly executed by the registered owner or his attorney in such form as shall be satisfactory to the Trustee, such transfer to be made on such books and endorsed on the Bond by the Trustee. Such transfer may be to bearer and thereby transferability by delivery shall be restored, subject, however, to successive registrations and transfers as before. The principal of any Bond registered as to principal alone, unless registered to bearer, shall be payable only to or upon the order of the registered owner or his legal representative, but the coupons appertaining to any coupon Bond registered as to principal alone shall remain payable to bearer notwithstanding such registration. Upon surrender for transfer of any fully registered Bond at the principal office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by the registered owner or his attorney duly authorized in writing, the Board shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of the same series and the same maturity for a like aggregate principal amount. Fully registered Bonds may be exchanged at said office of the Trustee for a like aggregate principal amount of coupon Bonds (or for a like aggregate amount of fully registered Bonds of other authorized denominations) of the same series and the same maturity, and coupon Bonds may be exchanged at said office of the Trustee for a like aggregate principal amount of fully registered Bonds of authorized denominations of the same series and the same maturity. All coupon Bonds surrendered for exchange and delivered in exchange shall have attached thereto all unmatured coupons appertaining thereto (together with any matured coupons in default appertaining thereto). The Issuer shall execute and the Trustee shall

authenticate and deliver coupon Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding. The execution by the Issuer of any fully registered Bond without coupons of any denomination shall constitute full and due authorization of such denomination and the Trustee shall thereby be authorized to authenticate and deliver such registered Bond. The Trustee shall not be required to transfer or exchange any fully registered Bond during the period of 15 days next preceding any interest payment date of such Bond, nor to transfer or exchange any Bond after the publication of notice calling such Bond for redemption has been made, nor during a period of 15 days next preceding publication of a notice of redemption of any Bonds.

As to any Bond registered as to principal alone or as to any fully registered Bond without coupons the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such coupon Bond registered as to principal alone, or payment of either principal or interest on any fully registered Bond without coupons, shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. The Issuer and the Trustee or any other paying agent may deem and treat the bearer of any coupon Bond which shall not at the time be registered as to principal, and the bearer of any coupon appertaining to any Bond whether such Bond shall be registered as to principal or not, as the absolute owner of such Bond or coupon, as the case may be, whether such Bond or coupon shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and neither the Issuer nor the Trustee nor any other paying agent shall be affected by any notice to the contrary.

The Issuer may charge a sum not exceeding \$2.00 plus the cost of printing such Bond, if any, for each new Bond issued upon any exchange or transfer except in the case of (a) the issuance of Bonds for the unredeemed portion of a fully registered Bond called for redemption in part or (b) the first exchange or transfer of any Bond or Bonds issued at the time of the original issuance of Bonds hereunder. In each case any such first purchaser shall certify such fact to the Trustee at the time of exchange or transfer and the Trustee shall be entitled to conclusively rely upon any such certificate. Any such certificate need not be acknowledged. In each case the Trustee shall require the payment by the Bondholder requesting exchange or transfer, of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

ARTICLE III

Redemption of Bonds Before Maturity

Section 301. Redemption Dates and Prices. The Bonds are callable for redemption in the event (i) of damage to or destruction of the Project or any part thereof or condemnation of the Project or any part thereof to the extent provided in Article VII of the Lease or (ii) the Lessee shall exercise its option to purchase the Project as provided in (a), (b) or (c) of Section 11.2 of the Lease or (iii) the Lessee shall be required to purchase the Project as provided in (d) of Section 11.2 of the Lease. If called for redemption in either of the events referred to in (i) or (ii) above, such Bonds shall be subject to redemption by the Issuer on any interest payment date, in whole or (in the case of redemption pursuant to Article VII of the Lease) in part in the inverse order of their maturity (less than all of said Bonds of a single maturity to be selected by lot in such manner as may be designated by the Trustee), at 100% of the principal amount thereof plus accrued interest to the redemption date. If called for redemption in the event referred to in (iii) above, such Bonds shall be subject to redemption at any time, in whole and not in part, at 100% of the principal amount thereof plus accrued interest to the redemption date plus a premium equal to 3% thereof for each six month period or part thereof elapsed between the date on which interest on the Bonds became subject to Federal income taxation and the redemption date all as provided in Section 11.4 of the Lease.

Any of the Bonds as may be outstanding are also subject to redemption by the Issuer prior to maturity on any interest payment date on or after December 31, 1984, in whole or in part in the inverse order of their maturity (less than all of such Bonds of a single maturity to be selected by lot in such manner as may be designated by the Trustee), at the redemption prices (expressed as percentages of principal amount) set forth in the table below plus accrued interest to the redemption date:

<u>Redemption Date</u>	<u>Redemption Price</u>
December 31, 1984 and June 30, 1985	105%
December 31, 1985 and June 30, 1986	104-1/2%
December 31, 1986 and June 30, 1987	104%
December 31, 1987 and June 30, 1988	103-1/2%
December 31, 1988 and June 30, 1989	103%
December 31, 1989 and June 30, 1990	102-1/2%
December 31, 1990 and June 30, 1991	102%
December 31, 1991 and June 30, 1992	101-1/2%
December 31, 1992 and June 30, 1993	101%
December 31, 1993 and June 30, 1994	100-1/2%

Bonds shall be redeemed only in the principal amount of \$5,000 each (or any integral multiple thereof with respect to fully registered Bonds of denomination larger than \$5,000).

No redemption of less than all of the Bonds at the time outstanding shall be made pursuant hereto unless the total amount of funds available and to be used for such partial redemption is equal to or more than \$25,000.

Bonds shall be called for redemption by the Trustee as herein provided upon receipt by the Trustee at least 45 days prior to the redemption date of a resolution of the Issuer providing for such redemption. Such resolution shall specify the principal amount of the Bonds so to be called for redemption, the applicable redemption price or prices and the provision or provisions above specified pursuant to which such Bonds are to be called for redemption.

Section 302. Notice of Redemption. Notice of the call for any such redemption identifying the Bonds, or portions of fully registered Bonds, to be redeemed shall be given by publication at least twice in a newspaper or financial journal of general circulation published in the City of New York, New York, the first of which shall be published not less than 30 days prior to the redemption date, and in the case of the redemption of Bonds at the time registered as to principal (except to bearer) or both principal and interest, upon mailing a copy of the redemption notice by registered or certified mail at least 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books, provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of Bonds. If all of said Bonds to be redeemed are at that time registered as to principal (except to bearer), notice by mailing given by registered or certified mail to the registered owner or owners thereof, at their addresses shown on the registration books, not less than 30 days prior to the date fixed for redemption shall be sufficient and published notice of the call for redemption need not be given; provided, however, that failure to give such notice by mailing or any defect therein, shall not affect the validity of any proceedings for the redemption of Bonds. In the discretion of the Trustee, published notice of redemption required by this Section 302 will not be required if the holders of all Bonds so called for redemption have filed with the Trustee a written waiver of published notice at least 45 days prior to the redemption date.

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

Prior to the date that the redemption notice is first published or mailed as aforesaid, funds shall be placed with the Trustee to pay such Bonds and accrued interest thereon to the redemption date and the premium, if any. Upon the happening of the above conditions, the Bonds, or portions thereof, thus called shall not thereafter bear interest, shall no longer be protected by this Mortgage and shall not be deemed to be outstanding under the provisions of this Mortgage. The Trustee shall redeem, in the manner provided in this Section 302, such an aggregate principal amount of such Bonds at the principal amount thereof plus the applicable premium, if any, and accrued interest to the redemption date as will exhaust as nearly as practicable such funds. Such redemption shall be by lot in such manner as may be designated by the Trustee.

Section 303. Cancellation. All Bonds which have been redeemed shall be cancelled and cremated or otherwise destroyed by the Trustee together with any unmatured coupons appertaining thereto and shall not be reissued and a counterpart of the certificate of cremation or other destruction evidencing such cremation or other destruction shall be furnished by the Trustee to the Issuer and the Lessee, provided, however, that one or more new fully registered Bonds shall be issued for the unredeemed portion of any fully registered Bond without charge to the holder thereof.

Section 304. Unpaid Coupons. All unpaid interest coupons which appertain to Bonds so called for redemption and which shall have become payable on or prior to the date fixed for redemption shall continue to be payable to the bearers thereof severally and respectively upon the presentation and surrender of such coupons as provided in Section 202.

Section 305. Partial Redemption of Fully Registered Bonds. Upon surrender of any fully registered Bond for redemption in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the holder thereof, at the expense of the Issuer a new Bond or Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond surrendered, which new Bond or Bonds shall, at the option of the holder, either be a coupon Bond or Bonds with all unmatured coupons appertaining thereto or a fully registered Bond or Bonds without coupons.

ARTICLE IV

General Covenants

Section 401. Payment of Principal and Interest. The Issuer covenants that it will promptly pay the principal of, premium, if any, and interest on every Bond issued under this Mortgage at the place, on the dates and in the manner provided herein and in said Bonds and in the coupons appertaining thereto according to the true intent and meaning thereof. The principal, interest and premium, if any, are payable solely from revenues derived from the leasing of the Project and otherwise as provided herein and in the Lease, which revenues are hereby specifically pledged to the payment thereof in the manner and to the extent herein specified, and nothing in the Bonds or coupons or in this Mortgage should be considered as pledging any other funds or assets of the Issuer.

Section 402. Performance of Covenants; Authority. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Mortgage, in any and every Bond executed, authenticated and delivered hereunder and in all proceedings of its Board of County Directors pertaining thereto. The Issuer covenants that it is duly authorized under the Constitution and laws of the State of South Carolina to issue the Bonds authorized hereby and to execute this Mortgage, to mortgage the property described in and mortgaged hereby and to assign the Lease and pledge the lease rentals hereby pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Mortgage has been duly and effectively taken, and that the Bonds in the hands of the holders and owners thereof and the coupons appertaining thereto in the hands of the bearers thereof are and will be valid and enforceable obligations of the Issuer according to the import thereof.

Section 403. Ownership; Instruments of Further Assurance. The Issuer covenants that it lawfully owns the Leased Land described in Exhibit A hereto, and that it has good and indefeasible title and estate thereto except for Permitted Encumbrances. The Issuer covenants that it will lawfully acquire and own any machinery, equipment and related property described in Exhibit B hereto and that any machinery, equipment and related property becoming a part of the Leased Equipment shall be acquired and kept free of all liens and encumbrances except Permitted Encumbrances. The Issuer covenants that it will defend the title to the Project and each part thereof to the Trustee, for the benefit of the holders and owners of the

Bonds and the bearers of the coupons appertaining thereto against the claims and demands of all persons whomsoever, subject to Permitted Encumbrances. The Issuer covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such mortgages or indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, mortgaging, pledging, assigning and confirming unto the Trustee all and singular the property herein described and mortgaged hereby and the rights assigned hereby and the lease rentals and other amounts pledged hereby to the payment of the principal of, premium, if any and interest on the Bonds. The Issuer covenants and agrees that, except as herein and in the Lease provided, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Project or the lease rentals therefrom or of its rights under the Lease.

Promptly after any re-filing, re-registering or re-recording of this Mortgage or the Lease or any filing, registration, recording, re-filing, re-registration or re-recording of any supplement to either of said instruments, any financing statement or instrument of similar character relating to any of said instruments or any instrument of further assurance which is required pursuant to the preceding paragraph, the Issuer will deliver to the Trustee an opinion of counsel, who may be counsel for the Issuer, to the effect that such filing, registration, recording, re-filing, re-registration or re-recording has been duly accomplished and setting forth the particulars thereof. On or before September 1, 1975 and on or before each September 1 thereafter, so long as any of the Bonds shall be outstanding, the Issuer will deliver or cause to be delivered to the Trustee an opinion of counsel, who may be counsel for the Issuer, addressed to the Trustee stating that no filing, registration or recording and no re-filing, re-registration or re-recording of any instrument is necessary during the annual period immediately succeeding the date of such opinion in order to comply with this Section 403, or if such filing, registration or recording or re-filing, re-registration or re-recording is necessary, setting forth the requirements with respect thereto and the Issuer shall cause such requirements to be met and promptly thereafter shall deliver to the Trustee an opinion of counsel, who may be counsel for the Issuer, showing that they have been met. The Issuer agrees that it will, and will cause the Lessee to, comply with the provisions of Section 12.7 of the Lease.

Section 404. Payment of Taxes, Charges, Insurance, etc.
The Lessee will maintain certain insurance and pay all lawful taxes, assessments and charges at any time levied or assessed against or

with respect to the Project, or any part thereof, which might impair or prejudice the lien and priority of this Mortgage; provided, however, that nothing contained in this Section 404 shall require the maintenance of insurance or payment of any such taxes, assessments or charges if the same are not required to be maintained or paid under the provisions of Sections 6.3 or 6.4 of the Lease.

Section 405. Maintenance and Repair. Pursuant to the provisions of Section 6.1 of the Lease, the Lessee has agreed at its own expense to cause the Project to be maintained in good repair and in good operating condition, and the Lessee may, at its own expense, make from time to time additions, modifications or improvements to the Project under the terms and conditions set forth in Section 6.1 of the Lease.

Section 406. Recordation of Lease, Mortgage and Security Instruments. The Issuer shall cause this Mortgage, the Lease and all supplements hereto and thereto as well as such other security instruments, financing statements and all supplements thereto and other instruments as may be required from time to time to be kept recorded and filed in such manner and in such places as may be required by law in order to fully preserve and protect the security of the holders and owners of the Bonds and the bearers of the coupons appertaining thereto and the rights of the Trustee hereunder and to perfect the lien of, and the security interest created by, the Mortgage.

Section 407. Inspection of Project Books. The Issuer covenants and agrees that all books and documents in its possession relating to the Project and the revenues derived from the Project shall at all times be open to inspection by such accountants or other agencies as the Trustee may from time to time designate.

Section 408. List of Bondholders. To the extent that such information shall be made known to the Issuer under the terms of this Section 408, it will keep on file at the principal office of the Trustee a list of names and addresses of the last known holders of all Bonds payable to bearer and believed to be held by each of such last known holders. To said list the Trustee shall add the names and addresses of the holders of all Bonds which may from time to time be registered as to principal on the registration books in the hands of the Trustee as Bond Registrar. Whenever any coupon Bond registered as to principal shall become registered payable to bearer, the Trustee may but need not remove the name of the previous registered owner from said list. Any Bondholder may request that his name and address be placed on said list by filing a written request with the Issuer or with the Trustee, which request shall

include a statement of the principal amount of Bonds held by such holder and the numbers of such Bonds. The Trustee shall be under no responsibility with regard to the accuracy of said list. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied by the Lessee or by holders and/or owners (or a designated representative thereof) of 25% or more in principal amount of bonds then outstanding, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

Section 409. Rights Under Lease. The Lease, duly executed counterparts of which have been filed with the Trustee, set forth the covenants and obligations of the Issuer and the Lessee, including provisions that subsequent to the initial issuance of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions hereof, the Lease may not be effectively amended, changed, modified, altered or terminated (other than as provided therein) without the concurring written consent of the Trustee, and the requisite consent of the holders of the Bonds as provided herein, and reference is hereby made to the same for a detailed statement of said covenants and obligations of the Lessee under the Lease, and the Issuer agrees that the Trustee in its name or in the name of the Issuer may enforce all rights of the Issuer and all obligations of the Lessee, under and pursuant to the Lease for and on behalf of the Bondholders, whether or not the Issuer is in default hereunder.

Section 410. Designation of Additional Paying Agents. The Issuer hereby covenants and agrees to cause the necessary arrangements to be made through the Trustee and to be thereafter continued for the designation of alternate paying agents, if any, and for the making available of funds hereunder for the payment of such of the Bonds and coupons appertaining thereto as shall be presented when due at the principal office of the Trustee, or its successor in trust hereunder, or at the principal office of said alternate paying agents.

Section 411. Subordination to Rights of the Lessee. This Mortgage and the rights and privileges hereunder of the Trustee and the holders of the Bonds are specifically made subject and subordinate to the rights and privileges of the Lessee set forth in the Lease. So long as not otherwise provided in this Mortgage the Issuer shall be suffered and permitted to possess, use and enjoy the Project and appurtenances so as to carry out its obligations under the Lease.

ARTICLE V

Revenues and Funds

Section 501. Source of Payment of Bonds. The Bonds herein authorized and all payments by the Issuer hereunder are not general obligations of the Issuer but are limited obligations payable solely from revenues derived from the Project and as authorized by the Act and provided herein. The Bonds are secured as provided herein.

Section 502. Creation of the Bond Fund. There is hereby created by the Issuer and ordered established with the Trustee a trust fund to be designated "Chester County Industrial Development Revenue Bond Fund - Virginia Chemicals Inc. Project", which shall be used to pay the principal of, premium, if any, and the interest on the Bonds.

Section 503. Payments into the Bond Fund. There shall be deposited into the Bond Fund the amounts required by Section 601 hereof. In addition, there shall be deposited into the Bond Fund, as and when received, (a) any amount remaining in the Construction Fund to the extent provided in Section 4.3(h) of the Lease; (b) all rent payments specified in Section 5.3 of the Lease; (c) any balance of the Net Proceeds as specified in Sections 7.1 and 7.2 of the Lease; (d) any amount paid to the Trustee pursuant to Section 8.5, 11.1, 11.2 or 11.6 of the Lease; (e) all prepayments of rent specified in Section 9.5 of the Lease; and (f) all other moneys received by the Trustee under and pursuant to any of the provisions of the Lease when accompanied by directions that such moneys are to be paid into the Bond Fund. The Issuer hereby covenants and agrees that so long as any of the Bonds issued hereunder are outstanding it will deposit, or cause to be deposited, in the Bond Fund for its account sufficient sums from lease rentals, receipts and other amounts derived from the Project (whether or not under and pursuant to the Lease) promptly to meet and pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable and to this end the Issuer covenants and agrees that, so long as any Bonds issued hereunder are outstanding, it will cause the Project to be continuously and efficiently leased as a revenue and income producing undertaking, and that, should there be a default under the Lease with the result that the right of possession of the Project under the Lease is returned to the Issuer, the Issuer shall fully cooperate with the Trustee and with the Bondholders to the end of fully protecting the rights and security of the Bondholders and the bearers of the coupons appertaining to the Bonds and shall diligently proceed in good faith and use its best efforts to secure another tenant for the premises to the end that at all times sufficient lease rentals,

and receipts will be derived from the Project promptly to meet and pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable, as well as covering the cost of maintaining and insuring the Project. Nothing herein shall be construed as requiring the Issuer to operate the Project or to use any funds or revenues from any source other than funds and revenues derived from the Project.

Section 504. Payment of Interest due June 30, 1975. The rent payments specified in Section 5.3 of the Lease are to commence on or before June 30, 1975. The first rent payment shall be sufficient when added to the amount then on deposit in the Bond Fund and available for such payments to pay all interest, principal (if any) and premium (if any) becoming due on such June 30, 1975.

Section 505. Use of Moneys in the Bond Fund. Except as provided in Section 511 hereof, moneys in the Bond Fund shall be used solely for the payment of the principal of, premium, if any, and interest on the Bonds and for the redemption of the Bonds, prior to maturity. Whenever the amount in the Bond Fund from any source whatsoever is sufficient to redeem all of the Bonds outstanding hereunder and to pay interest to accrue thereon prior to such redemption, the Issuer may take and cause to be taken the necessary steps to redeem all of the Bonds on the next succeeding redemption date for which the required redemption notice may be given; and provided further that any moneys in the Bond Fund may be used to redeem a part of the Bonds outstanding so long as the Lessee is not in default with respect to any rental payments under the Lease and to the extent said moneys are in excess of the amount required for payment of Bonds theretofore matured or called for redemption and past due interest in all cases when such Bonds or coupons have not been presented for payment.

Section 506. Custody of the Bond Fund. The Bond Fund shall be in the custody of the Trustee but in the name of the Issuer and the Issuer hereby authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable and to make said funds so withdrawn available to the Trustee and to any alternate paying agent, for the purpose of paying said principal, premium and interest, which authorization and direction the Trustee hereby accepts. Funds received by any alternate paying agent shall be held in trust for the benefit of the bondholders.

Section 507. Non-Presentment of Bonds or Coupons. In the event (a) any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, or (b) any coupon shall not be presented for payment at the due date thereof, and if funds sufficient to pay such Bonds or coupons shall have been made available to the Trustee, or any paying agent all liability of the Issuer for the payment of such Bonds or coupons, as the case may be, shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee or such paying agent to hold such fund or funds, without liability for interest thereon, for the benefit of the holder of such Bonds, or the bearer of such coupons, as the case may be, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on their part under this Mortgage or on, or with respect to, said Bonds or coupons. Any moneys so deposited with and held by the Trustee or such paying agent not so applied to the payment of Bonds and coupons, if any, within five years after the date on which the same shall have become due shall be repaid by the Trustee or such paying agent to the Lessee and thereafter Bondholders shall be entitled to look only to the Lessee for payment, and then only to the extent of the amount so repaid, and the Lessee shall not be liable for any interest thereon and shall not be regarded as a trustee of such money; provided, however, that the Trustee or such paying agent, if any coupon bonds not registered as to principal are at the time outstanding, before being required to make any such repayment may, at the expense of the Lessee, give notice by publication at least once in each of two successive calendar weeks, on any day of each such weeks, in a newspaper of general circulation in and around the City of New York, New York, printed in the English language, stating that such moneys have not been so applied and that after a date specified therein any unclaimed balance of said moneys then remaining will be repaid to the Lessee.

Section 558. Trustee's and Paying Agents' Fees, Charges and Expenses. Pursuant to the provisions of the Lease the Lessee has agreed to pay to the Trustee, commencing with the Final Construction Disbursement Date (as defined in the Lease) and continuing until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the provisions of this Mortgage: (i) an amount equal to the annual fee of the Trustee for the Ordinary Services of the Trustee, as Trustee, rendered and its Ordinary Expenses incurred under this Mortgage, as and when the same becomes due, (ii) the reasonable fees, charges and expenses of the Trustee, as Bond Registrar and paying agent, and any paying agents for acting as paying agent as herein provided, as and when the same become due, and (iii) the reasonable fees, charges and

expenses of the Trustee for the necessary Extraordinary Services and Extraordinary Expenses of the Trustee under this Mortgage, as and when the same become due. It is further understood and agreed that the initial or acceptance fees of the Trustee and the fees, charges and expenses of the Trustee and paying agents referred to in the preceding sentence which become due prior to the time the Lessee begins to pay the same, will be paid to the Trustee from the Construction Fund as and when the same shall become due.

Section 509. Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee for account of the Bond Fund or the Construction Fund under any provision of this Mortgage shall be held by the Trustee in trust, and except for moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien hereof.

Section 510. Condemnation and Insurance Proceeds. Reference is hereby made to the Lease whereunder it is provided that under certain circumstances the net proceeds of insurance and condemnation awards are to be paid to the Trustee and deposited in a trust account and to be disbursed and paid out as therein provided. The Trustee hereby accepts and agrees to perform the duties and obligations as therein specified.

Section 511. Repayment to the Lessee from the Bond Fund. Any amounts remaining in the Bond Fund after payment in full of the principal of, premium, if any, and interest on the Bonds (or provision for payment thereof as provided in this Mortgage), the fees, charges and expenses of the Trustee and the alternate paying agents shall be paid to the Lessee upon the expiration or sooner termination of the term of the Lease as provided in Section 12.4 of the Lease.

ARTICLE VI

Custody and Application of Proceeds of Bonds

Section 601. Deposits in the Bond Fund. From the proceeds of the sale of the Bonds, there shall be deposited in the Bond Fund a sum equal to the accrued interest paid by the purchasers of such Bonds.

Section 602. Construction Fund; Disbursements. There is hereby created and established with the Trustee a trust fund in the name of the Issuer to be designated "Chester County Industrial Development Construction Fund - Virginia Chemicals Inc. Project". The balance of the proceeds of each issuance and delivery of Bonds remaining after the deduction provided by Section 601 hereof has been made shall be deposited in the Construction Fund. Moneys in the Construction Fund shall be expended in accordance with the provisions of the Lease, and particularly Section 4.3 thereof.

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

Section 603. Completion of the Project. The completion of the Project and payment of all costs and expenses incident thereto shall be evidenced as set forth in Section 4.5 of the Lease. As soon as practicable and in any event within 60 days from the date of the certificate referred to in Section 4.5 of the Lease any balance remaining in the Construction Fund shall without further authorization be deposited in the Bond Fund by the Trustee with advice to the Issuer.

As provided in the last sentence of Section 403 the Issuer agrees that it will, and will cause the Lessee to, comply with the provisions of Section 12.7 of the Lease.

ARTICLE VII

Investments

Section 701. Investment of Construction Fund Moneys. Any moneys held as part of the Construction Fund shall, at the written request of the Lessee, be invested or reinvested by the Trustee in accordance with the provisions of Section 4.9 of the Lease. The said written request shall specify the issuer or obligor, the principal amount, maturity date and interest rate of such investment and the subdivision of Section 4.9 of the Lease which permits such investment. Any such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the Construction Fund and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investments shall be charged to such fund. The Trustee is directed to sell and reduce to cash funds a sufficient amount of such investments whenever the cash balance in the Construction Fund is insufficient to pay a requisition when presented.

Section 602. Construction Fund; Disbursements. There is hereby created and established with the Trustee a trust fund in the name of the Issuer to be designated "Chester County Industrial Development Construction Fund - Virginia Chemicals Inc. Project". The balance of the proceeds of each issuance and delivery of Bonds remaining after the deduction provided by Section 601 hereof has been made shall be deposited in the Construction Fund. Moneys in the Construction Fund shall be expended in accordance with the provisions of the Lease, and particularly Section 4.3 thereof.

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

Section 603. Completion of the Project. The completion of the Project and payment of all costs and expenses incident thereto shall be evidenced as set forth in Section 4.5 of the Lease. As soon as practicable and in any event within 60 days from the date of the certificate referred to in Section 4.5 of the Lease any balance remaining in the Construction Fund shall without further authorization be deposited in the Bond Fund by the Trustee with advice to the Issuer.

As provided in the last sentence of Section 403 the Issuer agrees that it will, and will cause the Lessee to, comply with the provisions of Section 12.7 of the Lease.

ARTICLE VII

Investments

Section 701. Investment of Construction Fund Moneys. Any moneys held as part of the Construction Fund shall, at the written request of the Lessee, be invested or reinvested by the Trustee in accordance with the provisions of Section 4.9 of the Lease. The said written request shall specify the issuer or obligor, the principal amount, maturity date and interest rate of such investment and the subdivision of Section 4.9 of the Lease which permits such investment. Any such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the Construction Fund and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investments shall be charged to such fund. The Trustee is directed to sell and reduce to cash funds a sufficient amount of such investments whenever the cash balance in the Construction Fund is insufficient to pay a requisition when presented.

Section 702. Investment of Bond Fund Moneys. Any moneys held as part of the Bond Fund shall, at the written request of the Lessee, be invested or reinvested by the Trustee in accordance with the provisions of Section 4.9 of the Lease. The said written request shall specify the issuer or obligor, the principal amount, maturity date and interest rate of such investment and the subdivision of Section 4.9 of the Lease which permits such investment. Any such investments shall be held by or under control of the Trustee and shall be deemed at all times a part of the Bond Fund and the interest accruing thereon and any profit realized therefrom shall be credited to such fund and any loss resulting from such investments shall be charged to such fund. The Trustee shall sell and reduce to cash funds a sufficient portion of investments whenever the cash balance in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the Bonds as and when payable.

Section 703. Investment of 7.1 or 7.2 Moneys. Any moneys held in a separate trust account under the provisions of Section 7.1 or 7.2 of the Lease shall, at the written request of the Lessee, be invested or reinvested by the Trustee in accordance with the provisions of Section 7.1 or 7.2, respectively, of the Lease. The said written request shall specify the issuer or obligor, the principal amount, maturity date and interest rate of such investment and the subdivision of Section 4.9 of the Lease which permits such investment. Any such investments shall be held by or under control of the Trustee and shall be deemed at all times a part of the separate trust account in which they are held and the interest accruing thereon and any profit realized therefrom shall be credited to such account, and any loss resulting from such investments shall be charged to such account. The Trustee is directed to sell and reduce to cash funds a sufficient amount of such investments whenever the cash balance in such separate trust account is insufficient for the purposes required by that section of the Lease (Section 7.1 or 7.2) under the provisions of which such separate trust account is created.

Section 704. Investments Through Trustee's Bond Department; Arbitrage. The Trustee may make any and all investments permitted by the provisions of Sections 701, 702 and 703 through its own bond department. The Issuer and the Trustee jointly and severally covenant that none of the moneys held under this Indenture will be used in any manner which would result in the Bonds being classified as Arbitrage Bonds within the meaning of Section 103(d)(2) of the Code.

ARTICLE VIII

Possession, Use and Partial Release of Mortgaged Property

Section 801. Subordination to Rights of the Lessee. This Mortgage and the rights and privileges hereunder of the Trustee and the holders of the Bonds are specifically made subject and subordinate to the rights and privileges of the Lessee set forth in the Lease. So long as not otherwise provided in this Mortgage the Issuer shall be suffered and permitted to possess, use and enjoy the mortgaged property and appurtenances so as to carry out its obligations under the Lease.

Section 802. Release of Leased Equipment. Reference is made to the provisions of the Lease, including without limitation Section 6.2 thereof, whereby the Lessee may withdraw certain items of Leased Equipment upon compliance with the terms and conditions of the Lease. The Trustee shall at the request of the Issuer or the Lessee confirm that any such Leased Equipment is no longer subject to the lien of this Mortgage upon compliance with the terms and conditions of the Lease.

Section 803. Granting or Release of Easements. Reference is made to the provisions of the Lease, including, without limitation Section 8.5 thereof, whereby the Lessee may grant or release easements and take other action upon compliance with the terms and conditions of the Lease. The Trustee shall execute or confirm the grants or releases of easements, licenses, rights of way and other rights and privileges permitted by Section 8.5 thereof upon compliance with the provisions of the Lease.

ARTICLE IX

Discharge of Lien

If (1) the Issuer shall pay or cause to be paid the principal, premium, if any, and interest to become due on the Bonds at the times and in the manner stipulated therein and herein or shall deposit or cause to be deposited with the Trustee, in trust, at or before maturity, cash or Government Securities sufficient to pay or redeem the Bonds hereby secured, (2) all fees and expenses of the Trustee and alternate paying agents shall have been paid, and (3) the Issuer shall keep, perform and observe all and singular the

covenants and promises in the Bonds and in this Mortgage expressed as to be kept, performed and observed by it or on its part, then upon written request of the Issuer and the Lessee and an opinion of counsel (who may be counsel to the Issuer or to the Lessee) stating that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, (including, without limitation, the conditions precedent set forth in Section 103 hereof), this Mortgage and the Lien, rights and interests hereby granted shall cease, determine and be void, and thereupon the Trustee shall cancel and discharge the lien of this Mortgage, and execute and deliver to the Issuer such instruments in writing as shall be requisite to satisfy the lien hereof, and reconvey to the Issuer the estate hereby conveyed, and assign and deliver to the Issuer any property at the time subject to the lien of this Mortgage which may then be in its possession, except amounts in the Bond Fund required to be paid to the Lessee under Section 511 hereof and except cash held by the Trustee for the payment of interest on and retirement of the Bonds.

ARTICLE X

Default Provisions and Remedies of Trustee and Bondholders

Section 1001. Defaults; Events of Default. If any of the following events occur it is hereby defined as and declared to be and to constitute an "Event of Default":

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

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

(c) Default on the part of the Lessee under subsection (a) of Section 10.1 of the Lease;

(d) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer in this Mortgage or in the Bonds contained or default on the part of the Lessee under the Lease (other than under subsection (a) of Section 10.1 thereof), and the continuance thereof for a period of 30 days after written notice to the Issuer given by the Trustee or to the Trustee and the Issuer by the holders of not less than 25% of aggregate principal amount of Bonds then outstanding.

(e) Default by the Lessee under the Guaranty.

The term "Default" shall mean default by the Issuer in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Mortgage or in the Bonds or default on the part of the Lessee under the Lease or the Guaranty, exclusive of any period of grace required to constitute a default an "event of default" as hereinabove provided.

All remedies provided for herein shall be available only to the extent they are not prohibited by the Act, other South Carolina laws or South Carolina court decisions.

Section 1002. Acceleration. Upon the occurrence of an Event of Default the Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of Bonds then outstanding shall, by notice in writing delivered to the Issuer, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Upon any declaration of acceleration hereunder the Issuer and the Trustee shall immediately declare all installments of rent payable under Section 5.3 of the Lease to be immediately due and payable in accordance with Section 10.2 of the Lease.

Section 1003. Surrender of Possession of Mortgaged Property; Rights and Duties of Trustee in Possession. Upon the occurrence of an Event of Default the Issuer, upon demand of the Trustee, shall forthwith surrender the possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Mortgaged Property together with the books, papers and accounts of the Issuer pertaining thereto, and including the rights and the position of the Issuer under the Lease, and to hold, operate and manage the same, and from time to time to make all needful repairs and improvements as by the Trustee shall be deemed wise; and the Trustee may lease subject to the Lease the Mortgaged Property or any part thereof in the name and for account of the Issuer and collect, receive and sequester the rents, revenues, issues, earnings, income, products and profits therefrom, and out of the same and any moneys received from any receiver of any part thereof pay, and/or set up proper reserves for the payment of, all proper costs and expenses of so taking, holding and managing the same, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the Trustee hereunder, and any taxes and assessments and other charges prior to the lien of this Mortgage which the Trustee may deem it wise to pay, and all expenses of such repairs and improvements, and apply the remainder of the moneys so received in

accordance with the provisions of Section 1008 hereof. Whenever all that is due upon the Bonds shall have been paid and all Defaults made good, the Trustee shall surrender possession to the Board, its successors or assigns; the same right of entry, however, to exist upon any subsequent Event of Default.

While in possession of such property the Trustee shall render annually to the Board and the Lessee and also to the Bondholders, at their addresses set forth in the list required by Section 408 hereof and to the holders of all Bonds then registered as to principal (except to bearer) at their addresses shown by the registration books, a summarized statement of income and expenditures in connection therewith.

While any Bonds are outstanding, the Issuer shall not, subject to Section 1002, exercise any of the remedies on default specified in Section 10.2 of the Lease without the prior written consent of the Trustee.

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

Section 1004. Other Remedies; Rights of Bondholders. Upon the occurrence of an Event of Default the Trustee may, as an alternative, either after entry or without entry, pursue any available remedy by suit at law or equity to enforce the payment of the principal of, premium, if any, and interest on the Bonds then outstanding, including, without limitation, foreclosure and mandamus.

If an Event of Default shall have occurred, and if requested so to do by the holders of 25% in aggregate principal amount of Bonds then outstanding and indemnified as provided in Section 1101 hereof, the Trustee shall be obliged to exercise such one or more of the rights and powers conferred by this Section and by Section 1003 as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondholders.

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

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

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

Section 1005. Right of Bondholders to Direct Proceedings. Anything in this Mortgage to the contrary notwithstanding, the holders of a majority in aggregate principal amount of Bonds then outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Mortgage, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Mortgage.

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

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

Section 1008. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys in the Bond Fund shall be applied as follows:

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

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

Second--To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Mortgage), in the order of their due dates, with interest on such Bonds from the respective dates upon which they become due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of Subsection (b) of this Section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of Subsection (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the bearer of any unpaid coupon or the holder of any Bond until such coupon or such Bond and all unmatured coupons, if any, appertaining to such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal of, premium, if any, and interest on all Bonds have been paid under the provisions of this Section 1008 and all expenses and charges of the Trustee have been paid, any balance remaining in the Bond Fund shall be paid to the Lessee as provided in Section 511 hereof.

Section 1009. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Mortgage or under any of the Bonds or coupons may be enforced by the Trustee without the possession of any of the Bonds or coupons or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any holders of the Bonds or bearers of coupons, and any recovery of judgment shall be for the equal benefit of the holders of the outstanding Bonds and the bearers of the outstanding coupons.

Section 1010. Rights and Remedies of Bondholders. No holder or bearer of any Bond or coupon shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Mortgage or for the execution of any trust thereof or for the appointment of a receiver or any other remedy hereunder, unless a Default has occurred of which the Trustee has been notified as provided in subsection (g) of Section 1101, or of which by said subsection it is deemed to have notice, nor unless also such Default shall have become an Event of Default and the holders of 25% in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in Section 1101 nor unless the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its, his or their own name or names; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Mortgage, and to any action or cause of action for the enforcement of this Mortgage, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more holders or bearers of the Bonds or coupons shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Mortgage by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the holders of all Bonds then outstanding. Nothing in this Mortgage contained shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on any Bond at and after maturity thereof, or the obligation of the Board to pay the principal of and interest on each of the Bonds issued hereunder to the respective holders thereof at the time, place, from the source and in the manner in said Bonds and the appurtenant coupons expressed.

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

Section 1012. Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default hereunder and its consequences and rescind any declaration of maturity of principal of and interest on the Bonds, and shall do so upon the written request of the holders of (1) one-half in aggregate principal amount of all the Bonds then outstanding in respect of which Default in the payment of principal and/or premium, if any, and/or interest exists, or (2) one-half in aggregate principal amount of all Bonds then outstanding in the case of any other Default; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of any outstanding Bonds at the date of maturity specified therein or (b) any Default in the payment when due of the interest on any such Bonds unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such default shall have occurred on overdue installments of interest or all arrears of payments of principal and premium, if any, when due, as the case may be, and all expenses of the Trustee, in connection with such Default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, Trustee and the Bondholders shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to any subsequent or other Default, or impair any right consequent thereon.

ARTICLE XI

The Trustee

Section 1101. Acceptance of the Trusts. The Trustee hereby accepts the trusts imposed upon it by this Mortgage, and agrees to perform said trusts as a corporate trustee ordinarily would perform said trusts under a corporate mortgage, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Mortgage against the Trustee:

(a) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to

all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Issuer or the Lessee). The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(b) The Trustee shall not be responsible for any recital herein, or in the Bonds (except in respect to the certificate of the Trustee endorsed on the Bonds), or for the recording or re-recording, filing or re-filing of this Mortgage, or for insuring the property herein conveyed or collecting any insurance moneys, or for the validity of the execution by the Issuer of this Mortgage or of any supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for the value or title of the property herein conveyed or otherwise as to the maintenance of the security hereof; except that in the event the Trustee enters into possession of a part or all of the property herein conveyed pursuant to any provision of this Mortgage it shall use due diligence in preserving such property, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer or on the part of the Lessee under the Lease, except as hereinafter set forth; but the Trustee may require of the Issuer or the Lessee full information and advice as to the performance of the covenants, conditions and agreements aforesaid as to the condition of the property herein conveyed. Except as otherwise provided in Section 1003 hereof, the Trustee shall have no obligation to perform any of the duties of the Issuer as Lessor under the Lease, and the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Article VII hereof.

(c) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the owner of Bonds and coupons secured hereby with the same rights which it would have if not Trustee.

(d) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the

proper person or persons. Any action taken by the Trustee pursuant to this Mortgage upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bond, shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

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

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

(g) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except failure by the Issuer to cause to be made any of the payments to the Trustee required to be made by Article V unless the Trustee shall be specifically notified in writing of such default by the Issuer or by the holders of at least 25% in aggregate principal amount of all Bonds then outstanding and all notices or other instruments required by this Mortgage to be delivered to the Trustee, must, in order to be effective, be delivered at the principal corporate trust office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as aforesaid.

(n) If any event of default under this Mortgage shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it by this Mortgage and shall use the same degree of care as a prudent man would exercise or use in the circumstances in the conduct of his own affairs.

Section 1102. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for its Ordinary Services rendered hereunder and all advances, counsel fees and other Ordinary Expenses reasonably and necessarily made or incurred by the Trustee in connection with such Ordinary Services, and in the event that it should become necessary that the Trustee perform Extraordinary Services, it shall be entitled to reasonable extra compensation therefor, and to reimbursement for reasonable and necessary Extraordinary Expenses in connection therewith; provided, that if such Extraordinary Services or Extraordinary Expenses are occasioned by the neglect or misconduct of the Trustee, it shall not be entitled to compensation or reimbursement therefor. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as paying agent and Bond Registrar for the Bonds and coupons as hereinabove provided. Upon an event of default, but only upon an event of default, the Trustee shall have a first lien with right of payment prior to payment on account of interest or principal of, or premium, if any, on any Bond upon the Mortgaged Property for the foregoing advances, fees, costs and expenses incurred.

Section 1103. Notice to Bondholders if Default Occurs. If a default occurs of which the Trustee is by subsection (g) of Section 1101 hereof required to take notice or if notice of default be given as in said subsection (g) provided, then the Trustee shall give written notice thereof by mail to the last known owners of all Bonds then outstanding shown by the list of bondholders required by the terms of Section 408 hereof to be kept at the office of the Trustee.

Section 1104. Intervention by Trustee. In any judicial proceeding to which the Board is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of owners of the Bonds, the Trustee may intervene on behalf of Bondholders and, subject to the provisions of Section 1101(1), shall do so if requested in writing by the owners of at least 25% in aggregate principal amount of all Bonds then outstanding. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

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

(i) At any and all reasonable times, the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect any and all of the Mortgaged Property, including all books, papers and records of the Issuer pertaining to the Project and the Bonds, and to take such memoranda from and in regard thereto as may be desired subject to the provisions of Section 3.2 of the Lease.

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

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

(l) Before taking any action under this Section 1101 the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from the negligence or willful default in connection with any action so taken.

(m) All moneys received by the Trustee or any paying agent shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. Neither the Trustee nor any paying agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

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

Section 1106. Resignation by the Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving 30 days' written notice to the Issuer and the Lessee and by registered or certified mail to each registered owner of Bonds then outstanding and to each holder of Bonds as shown by the list of Bondholders required by Section 408 hereof to be kept at the office of the Trustee, and such resignation shall take effect at the end of such 30 days, or upon the earlier appointment of a successor Trustee by the Bondholders or by the Issuer. Such notice to the Issuer and the Lessee may be served personally or sent by registered mail.

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

Section 1108. Appointment of Successor Trustee by the Bondholders; Temporary Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the owners of a majority in aggregate principal amount of Bonds then outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their attorneys in fact, duly authorized; provided, nevertheless, that in case of such vacancy the Board by an instrument executed and signed by the Chairman and attested by the _____ of its Board of County Directors under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Bondholders in the manner above provided; and any

such temporary Trustee so appointed by the Issuer shall immediately and without further act be superseded by the Trustee so appointed by such Bondholders. Every such Trustee appointed pursuant to the provisions of this Section shall be a trust company or bank in good standing, within or outside the State of South Carolina, having a reported capital, surplus and undivided profits of not less than \$50,000,000, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Section 1109. Concerning Any Successor Trustees. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Board, or of its successor, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article shall be filed and/or recorded by the successor Trustee in each recording office where the Mortgage shall have been filed and/or recorded.

Section 1110. Right of Trustee to Pay Taxes, Other Charges and Insurance Premiums. In case any tax, assessment or governmental or other charge upon, or insurance premium with respect to, any part of the property herein conveyed is not paid as required herein, the Trustee may pay such tax, assessment or governmental or other charge or insurance premium, without prejudice, however, to any rights of the Trustee or the Bondholders hereunder arising in consequence of such failure; and any amount at any time so paid under this Section, with interest thereon from the date of payment at the rate of 8-1/8% per annum, shall become so much additional indebtedness secured by this Mortgage, and the same shall be given a preference in payment over any payment of principal of, premium, if any, and interest on the Bonds, and shall be paid out of the proceeds of revenues collected from the property herein conveyed, if not otherwise caused to be paid but the Trustee shall be under no obligation

to make any such payment unless it shall have been requested to do so by the holders of at least 25% in aggregate principal amount of Bonds then outstanding and shall have been provided with adequate funds for the purpose of such payment.

Section 1111. Trustee Protected in Relying Upon Resolution, etc. The resolutions, opinions, certificates and other instruments provided for in this Mortgage may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the release of property and the withdrawal of cash hereunder.

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

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

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Mortgage to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable the separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

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

ARTICLE XII

Supplemental Indentures

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

(a) To cure any ambiguity or formal defect or omission in this Mortgage;

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

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

(d) To release property from the lien of this Indenture or to grant or release easements to the extent permitted by Article VIII hereof.

The Issuer and the Trustee shall without consent of, or notice to, any of the Bondholders enter into an indenture or indentures supplemental to this Mortgage (i) to the extent necessary with respect to the machinery and equipment forming a part of the Mortgaged Property and generally described in Exhibit B hereto so as to more precisely identify the same or to substitute or add additional machinery and equipment acquired with the proceeds of

prescribed by the Issuer following the final publication of such notice, the holders of not less than two-thirds in aggregate principal amount of the Bonds outstanding at the time of execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no holder of any Bond and no bearer of any coupon shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Mortgage shall be and be deemed to be modified and amended in accordance therewith. The Trustee may receive an opinion of counsel (who may be counsel for the Issuer, the Lessee or both) that any such supplemental indenture entered into by the Issuer and the Trustee complies with the provisions of this Article XII and the Trustee may rely upon such opinion.

Anything herein to the contrary notwithstanding, a supplemental indenture under this Article XII which affects any rights of the Lessee shall not become effective unless and until the Lessee shall have consented to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture together with a copy of the proposed supplemental indenture to be mailed by certified or registered mail to the Lessee at least 15 days prior to the proposed date of execution and delivery of any such supplemental indenture. The Lessee shall be deemed to have consented to the execution and delivery of any such supplemental indenture if the Trustee does not receive a letter of protest or objection thereto signed by or on behalf of the Lessee on or before 4:30 o'clock P.M., Chicago, Illinois time, of the fifteenth day after the mailing of said notice and a copy of the proposed supplemental indenture.

ARTICLE XIII

Amendment of Lease

Section 1301. Amendments, etc., to Lease Not Requiring Consent of Bondholders. The Issuer and the Trustee shall without the consent of or notice to the Bondholders consent to any amendment, change or modification of the Lease as may be required (i) by the provisions of the Lease and this Mortgage, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) in connection with the Leased Equipment described in Exhibit B to the Lease so as to more precisely identify the same or substitute or add additional Leased Equipment acquired with the proceeds of

the Bonds in accordance with the provisions of Section 4.1(b) of the Lease and (ii) with respect to additional real estate which pursuant to the Lease is to become part of the Leased Land, as defined in the Lease, so as to subject the same to the lien hereof.

Section 1202. Supplemental Indentures Requiring Consent of Bondholders. Exclusive of supplemental indentures covered by Section 1201 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the holders of not less than two-thirds in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in this Mortgage to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Mortgage or in any supplemental indenture; provided, however, that nothing in this section contained shall permit, or be construed as permitting (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of payment of interest on, or reduction of any premium payable on the redemption of, any Bonds, without the consent of the holder of such Bond, or (b) the creation of any lien (other than any Permitted Encumbrances) prior to or on a parity with the lien of this Indenture, without the consent of the holders of all the Bonds at the time outstanding, or (c) a reduction in the aforesaid aggregate principal amount of Bonds the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all the Bonds at the time outstanding which would be affected by the action to be taken, (d) modify the rights, duties or immunities of the Trustee, without the written consent of the Trustee or (e) a privilege or priority of any Bond or Bonds over other Bond or Bonds.

If at any time the Issuer shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be published as shall be requested by the Issuer and in any event one time in a newspaper or financial journal of general circulation among dealers in municipal securities published in the City of New York, New York. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state the copies thereof are on file at the principal office of the Trustee for inspection by all Bondholders. If, within 60 days or such longer period as shall be

the Bonds in accordance with the provisions of Section 4.1 (b) of the Lease, (iv) in connection with additional real estate which pursuant to the Lease is to become part of the Leased Land, or (v) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the holders of the Bonds.

Section 1302. Amendments, etc., to Lease Requiring Consent of Bondholders. Except for the amendments, changes or modifications as provided in Section 1301 hereof, neither the Issuer nor the Trustee shall consent to any other amendment, change or modification of the Lease without publication of notice and the written approval or consent of the holders of not less than two-thirds in aggregate principal amount of the Bonds at the time outstanding given and procured as in Section 1202 provided. If at any time the Issuer and the Lessee shall request the consent of the Trustee to any such proposed amendment, change or modification of the Lease, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be published in the same manner as provided by Section 1202 hereof with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by all Bondholders.

ARTICLE XIV

Miscellaneous

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

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution.

(b) The fact of the holding by any person of Bonds and/or coupons transferable by delivery and the amounts and numbers of such Bonds, and the date of the holding of the same, may be proved by a certificate executed by any trust company, bank or bankers, wherever situated, stating that at the date thereof the party named therein did exhibit to an officer of such trust company or bank or to such banker, as the property of such party, the Bonds and/or coupons therein mentioned if such certificate shall be deemed by the Trustee to be satisfactory. The Trustee may, in its discretion, require evidence that such Bonds have been deposited with a bank, bankers or trust company, before taking any action based on such ownership. In lieu of the foregoing the Trustee may accept other proofs of the foregoing as it shall deem appropriate.

For all purposes of this Mortgage and of the proceedings for the enforcement hereof, such person shall be deemed to continue to be the holder of such Bond until the Trustee shall have received notice in writing to the contrary.

Section 1402. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Mortgage, or the Bonds is intended or shall be construed to give to any person or company other than the parties hereto, and the holders of the Bonds and the bearers of coupons appertaining thereto, any legal or equitable right, remedy or claim under or in respect to this Mortgage or any covenants, conditions and provisions herein contained, this Mortgage and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the holders of the Bonds and the bearers of such coupons as herein provided.

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

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

Section 1404. Notices. It shall be sufficient service of any notice, request, complaint, demand or other paper on the Issuer if the same shall be delivered or shall be duly mailed to the Issuer by first class registered or certified mail, postage prepaid, addressed to it at _____, South Carolina, or to such address as the Issuer may from time to time file with the Trustee and Lessee. It shall be sufficient service of any notice or other paper on Lessee if the same shall be delivered or shall be duly mailed to it by first class registered or certified mail, postage prepaid, and addressed to it at 3340 West Norfolk Road, Portsmouth, Virginia 23703, Attention: Treasurer, or to such other address as Lessee may from time to time file with the Issuer and the Trustee. It shall be sufficient service of any notice or other paper on the Trustee if the same shall be delivered or shall be duly mailed to the Trustee by first class registered or certified mail, postage prepaid, and addressed to it at One First National Plaza, P.O. Box A, Chicago, Illinois 60690, Attention: Corporate Trust Administrator.

Section 1405. Trustee as Paying Agent and Registrar. The Trustee is hereby designated and agrees to act as principal paying agent and Bond Registrar for and in respect to the Bonds.

Section 1406. Payments Due on Sundays and Holidays. In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be in Chicago, Illinois on either a Sunday or a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date in such city but may be made on the next succeeding business day not a Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Section 1407. Suspension of Newspaper Publication. If, because of the temporary or permanent suspension of the publication or general circulation of any newspaper or financial journal or for any other reason, it is impossible or impractical to publish any notice in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of notice.

Section 1408. Counterparts. This Mortgage may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Chester County, acting through its Board of County Directors, has caused these presents to be signed in its name and behalf by the Chairman of its Board of County Directors and attested by the _____ of its Board of County Directors, and to evidence its acceptance of the trusts hereby created, The First National Bank of Chicago has caused these presents to be signed in its name and behalf by one of its _____, its official seal to be hereunto affixed, and the same to be attested by one of its _____, all as of the first day of September, 1974.

CHESTER COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman of the Board of County
Directors

ATTEST:

Witness

Witness

THE FIRST NATIONAL BANK OF CHICAGO,
as Trustee

(SEAL)

By _____
Its _____

ATTEST:

Witness

Witness

Its _____

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

Personally appeared before me _____, who,
being duly sworn, says that he saw the corporate seal of The
First National Bank of Chicago affixed to the foregoing instru-
ment and that he also saw _____ and
_____, _____ of The First National Bank of Chicago
sign and attest the same, and that he with _____
witnessed the execution and delivery thereof as the act and deed
of The First National Bank of Chicago.

Sworn to before me this ____ day of _____, 1974.

Notary Public

(SEAL)

My commission expires _____.

STATE OF _____)
) SS
COUNTY OF _____)

Personally appeared before me _____, who,
being duly sworn, says that he saw the corporate seal of
Chester County affixed to the foregoing instrument and that
he also saw _____, Chairman and _____,
_____ of Chester County, Board of County Directors sign
and attest the same, and that he with _____
witnessed the execution and delivery thereof as the act and deed
of said Chester County.

Sworn to before me this ____ day of _____, 1974.

Notary Public

(SEAL)

My commission expires _____.

Exhibit A to Mortgage and Indenture of Trust dated as of
September 1, 1974 of Chester County, South Carolina.

DESCRIPTION OF REAL ESTATE
REFERRED TO IN GRANTING CLAUSE FIRST

(The definitions contained in the above described Mortgage
and Indenture of Trust are incorporated herein by reference.)

Subject to Permitted Encumbrances, as that term is defined
in the above described Mortgage and Indenture of Trust.

Exhibit B to Mortgage and Indenture of Trust dated as of
September 1, 1974, of Chester County, South Carolina.

LIST OF MACHINERY, EQUIPMENT
AND OTHER TANGIBLE PERSONAL PROPERTY
REFERRED TO IN GRANTING CLAUSE SECOND

Exhibit C to Mortgage and Indenture of Trust dated as of
September 1, 1974, of Chester County, South Carolina.

Chester, South Carolina

October 31, 1974

The County Board of Directors of Chester County, South Carolina, convened in public session at the regular meeting place of the Board in the County Courthouse, at 4:00 o'clock, P.M., on October 31, 1974, with the following members present:

Joseph F. Martin, Chairman
Richard Collins, Director
Marion M. Thomas, Director
L. W. Pittman, Director
 , Director

There was also present J. B. McDowell, County Manager.

After the meeting had been duly called to order by the Chairman and the roll called with the above result, and after the minutes of the preceding meeting had been read and approved, the following resolution was introduced in written form by Paul Hemphill, Jr., was read in full, and, after due discussion, pursuant to motion made by L. W. Pittman, and seconded by Richard Collins was adopted by the following vote:

Aye: Richard Collins
Marion M. Thomas
L. W. Pittman

Nay:

400

A RESOLUTION authorizing the issuance of \$1,000,000 8 1/8% Industrial Development Revenue Bonds of Chester County, South Carolina; authorizing the use of the proceeds from said bonds to acquire certain land and manufacturing facilities to be leased by Chester County to Virginia Chemicals Inc. pursuant to the terms contained in the Lease Agreement dated as of November 1, 1974 between Chester County and Virginia Chemicals Inc.; authorizing the execution and delivery of a Mortgage and Indenture of Trust dated as of November 1, 1974 from Chester County to The First National Bank of Chicago, as Trustee; authorizing the execution and delivery of a Bond Purchase Agreement dated as of November 1, 1974 between The Lincoln National Life Insurance Company, Virginia Chemicals Inc. and Chester County; and authorizing the sale of said bonds to the purchaser thereof and related matters.

WHEREAS, Sections 14-399.21 to 14.399.35:2, inclusive; Code of Laws of South Carolina, 1962, as amended, (the "Act"), authorize and empower, among other things, counties of the State of South Carolina to acquire by purchase one or more projects located within the county, to lease to others any or all of its projects for such rentals and upon such terms and conditions as the county board may deem advisable and as shall not conflict with the provisions of the Act, and to issue revenue bonds for the purpose of defraying costs of acquiring any project and to secure the payment of bonds, all as provided in the Act, subject to obtaining approval from the State of South Carolina Budget and Control Board; and

WHEREAS, pursuant to and in accordance with the provisions of the Act, Chester County (hereinafter sometimes referred to as the "Issuer"), a body politic and corporate and a political subdivision of the State of South Carolina, has agreed, subject to obtaining the approval referred to in the preceding recital, to acquire by purchase certain land, building, equipment and improvements (the "Project") to be leased to Virginia Chemicals Inc., a Maine corporation (the "Company") and to be used in the manufacturing of certain chemicals by the Company at its plant in Chester County, South Carolina; and

WHEREAS, the Issuer proposes to issue its revenue bonds for the purpose of defraying the cost of acquiring the Project and to secure the payment of such revenue bonds as hereinafter provided; and

WHEREAS, the Board of County Directors of Chester County, South Carolina finds that the Project will subserve the purposes

of the Act; that the Project will give rise to no pecuniary liability of Chester County or a charge against its general credit or taxing power; that the amount of bonds required to finance the Project, including authorizing costs relating thereto, is \$1,000,000; that the amount necessary in each year to pay the principal of and interest on the Industrial Development Revenue Bonds of the County (the "Revenue Bonds") proposed to be issued to finance the Project is as set forth in the below-mentioned Indenture; that the establishment of the reserve fund in connection with the retirement of the proposed Revenue Bonds and the maintenance of the Project is not deemed necessary or advisable by the County Board of Directors, and that in accordance with the terms under which the Project is to be leased, the Company shall maintain the Project and carry all proper insurance with respect thereto; and

WHEREAS, the Revenue Bonds are to be issued under and pursuant to a Mortgage and Indenture of Trust dated as of November 1, 1974 between the Issuer and The First National Bank of Chicago, as Trustee (the "Indenture"); and

WHEREAS, the Revenue Bonds will be secured by a pledge of the revenues to be derived under the proposed lease of the Project, a trust indenture covering the Project and a pledge of the proposed lease of such Project; and

WHEREAS, the Revenue Bonds are to be sold pursuant to the terms of a Bond Purchase Agreement dated as of November 1, 1974 between the Issuer and The Lincoln National Life Insurance Company, as purchaser (the "Bond Purchase Agreement"); and

WHEREAS, it is necessary for the Issuer to execute and deliver the Revenue Bonds, the Indenture, the Lease Agreement and the Bond Purchase Agreement; and

WHEREAS, prior to the issuance and delivery of the Revenue Bonds, the State Budget and Control Board of South Carolina will approve the issuance of the Revenue Bonds pursuant to the provisions of the Act;

NOW, THEREFORE, BE IT RESOLVED by the Board of County Directors of Chester County, South Carolina, as follows:

Section 1. That there be and there is hereby authorized and directed:

(a) The execution, issuance, sale and delivery of \$1,000,000 8 1/8% Industrial Development Revenue Bonds, pursuant to the Bond Purchase Agreement

for the purposes expressed in the preamble hereto and having the form, details and specifications set out in the Indenture; and

(b) The acquisition by Chester County of the Project and the lease thereof to the Company for the purposes expressed in the preamble hereto.

Section 2. That to provide for the authorization of and to secure the Revenue Bonds to finance the Project, including authorized costs related thereto, and to prescribe the terms and conditions upon which the Revenue Bonds are to be secured, executed, authenticated and held, the Chairman of the Board of County Directors is hereby authorized and directed to execute and acknowledge the Indenture and the Secretary of the Board of County Directors is hereby authorized and directed to execute said Indenture and to affix the seal of the County thereto and to attest the same, and the Chairman and Secretary are hereby authorized and directed to cause said Indenture to be delivered to, accepted, executed and acknowledged by The First National Bank of Chicago, as Trustee, said Indenture, which constitutes and is hereby made a part of this authorizing Resolution, to be in substantially the form attached hereto as Exhibit A.

Section 3. That Chester County, South Carolina use the proceeds from the sale of the Revenue Bonds to acquire by purchase the Project and to lease the same to the Company pursuant to the terms and conditions set out fully in the Lease Agreement, and that there be and there is hereby authorized the execution of the Lease Agreement by and between Chester County, South Carolina, as Lessor, and the Company, as Lessee, in substantially the form attached hereto as Exhibit B and made a part hereof, and the Chairman and Secretary of the Board of County Directors be and they are hereby authorized and directed to execute, acknowledge and deliver said Lease Agreement for and on behalf of said Chester County.

Section 4. The sale of the Revenue Bonds to The Lincoln National Life Insurance Company (the "Purchaser") pursuant to the Bond Purchase Agreement with the Purchaser at a price of \$1,000,000, is hereby authorized, approved and confirmed, and a Bond Purchase Agreement substantially in the form attached hereto as Exhibit C is hereby authorized to be executed, acknowledged and delivered on behalf of the Issuer by the Chairman of the Board of County Directors and said Revenue Bonds shall be printed, executed


and authenticated as soon as may be following adoption of this resolution and delivered to the Purchaser upon payment therefor pursuant to the Bond Purchase Agreement.

Section 5. That the Chairman and Secretary of the Board of County Directors for and on behalf of the Issuer be and they are hereby each authorized and directed to do any and all things necessary to effect the execution and delivery of the Lease Agreement, the Indenture and acceptance thereof by the Trustee, the performance of all obligations of the Issuer under and pursuant to the Indenture, and the execution and delivery of the Revenue Bonds; and The First National Bank of Chicago, as Trustee, is hereby authorized to receive and receipt for the proceeds of the Revenue Bonds on behalf of the Issuer and to hold, invest and disburse said proceeds in accordance with the provisions of said Indenture. All provisions of the Indenture, including those with respect to the Lease Agreement, the issuance, delivery and receipt of the proceeds of the Revenue Bonds and the receipt, custody, investment and application of the amounts to be received pursuant to the Lease Agreement, are hereby in all respects adopted, ratified and confirmed for and on behalf of the Issuer.

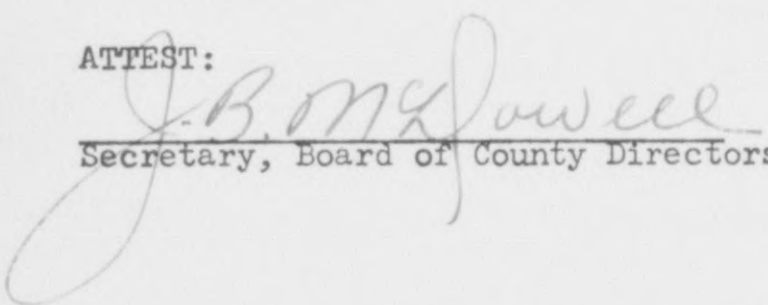
Section 6. That the provisions of this Resolution are hereby declared to be separable, and if any section, phrase or provision shall for any reason be declared by a court of competent jurisdiction to be invalid or unenforceable, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.

Section 7. That all orders and resolutions and parts thereof in conflict herewith are to the extent of such conflict hereby repealed, and this Resolution shall take effect and be in full force from and after its passage and approval.

Passed and approved October 31, 1974.

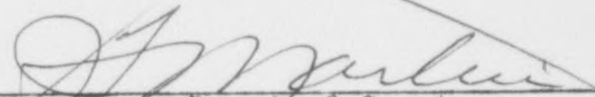

Chairman, Board of County Directors

ATTEST:

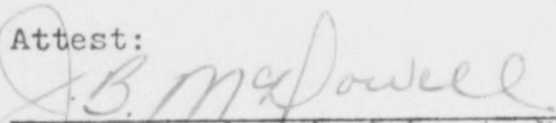

Secretary, Board of County Directors

(Other business not pertinent to the above appears in the minutes of the meeting.)

Pursuant to motion duly made and carried, the meeting was adjourned.


Chairman, Board of County
Directors

Attest:


Secretary, Board of County Directors

STATE OF SOUTH CAROLINA
COUNTY OF CHESTER

} SS.

I, J. B. McDowell, do hereby certify
that I am the duly qualified and acting Secretary of the Board
of County Directors of Chester County, South Carolina.

I further certify that the above and foregoing consti-
tutes a true and correct copy of the excerpts from the minutes
of a meeting of the Board of County Directors of said County held
on October 31, 1974, and of the Resolution adopted at said
meeting, as said minutes and Resolution are officially of record
in my possession.

IN WITNESS WHEREOF, I have hereunto subscribed my
official signature and impressed hereon the official seal of
said Chester County this 1st day of November, 1974.

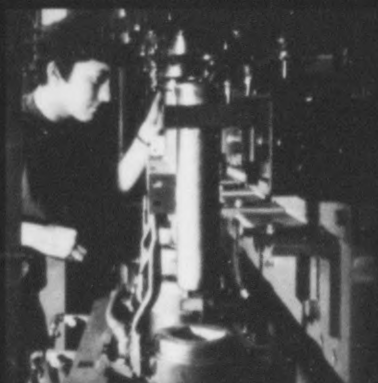
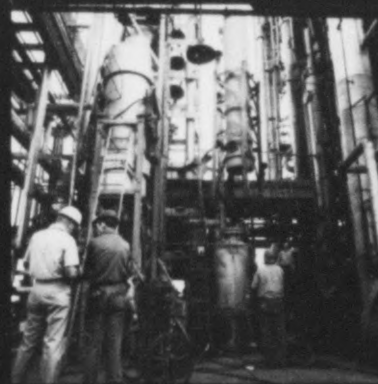
J. B. McDowell
Secretary

(Affix seal here)

THIS CASE MAY HAVE SOME OR ALL OF THE FOLLOWING DEFECTS WHICH MAY BE QUESTIONABLE WHEN READING. IN SPECIAL PROBLEM AREAS, THIS ROLL NOTE MAY BE REFILMED BEFORE THE DOCUMENT OR DOCUMENTS IN QUESTION.

1. PHOTOCOPY NOT CENTERED PROPERLY CUTTING OFF SOME OF THE INFORMATION.
2. DOCUMENTS ARE OF POOR LEGIBILITY AND MAY NOT PHOTOGRAPH WELL.
3. DOCUMENTS DAMAGED OR TORN BEFORE ARRIVING FOR FILMING.
4. DOCUMENTS CONTAIN A DOUBLE-COPY IMAGE, THE UNDERLYING IMAGE IS IRRELEVANT TO THE READABLE INFORMATION.
5. OVERSIZED DOCUMENTS THAT COMPRISE TWO OR MORE FRAMES.
6. DOCUMENTS WITH GLUED INSERTS WHICH WERE OR COULD NOT BE REMOVED, INFORMATION MAY OR MAY NOT BE UNDER THE INSERT.

Virginia Chemicals Inc. Annual Report 1973



About our cover ...

"Building for growth" is more than just a phrase at Virginia Chemicals; it's a total commitment.

To continue our growth as a company means fulfilling our responsibility to our customers, our suppliers, our people, our environment, and our shareholders.

It means good plants producing good products and populated by good people who have the interest of our customers and our company at heart.

Some of each of these, symbolic of this blending, are shown on our cover.

1	2	3	4
5	6	7	8 9
10	11	12	13
14	15	16	17

- | | |
|--------------------|----------------------------------|
| 1 Betty Barnes | 10 Janet Monroe |
| 2 James Rivoir | 11 Frank Falcone |
| 3 Portsmouth Plant | 12 Study Group |
| 4 John Arquette | 13 Linda Baker |
| 5 Bud Phillippe | 14 Gene Bushnell |
| 6 David Hall | 15 Board of Directors
on tour |
| 7 Joe Cannizzaro | 16 Walter Perry |
| 8 Barbara Smith | 17 Chuck Okleshen |
| 9 Jimmy Todd | |

Financial Highlights

for the year ended December 31

	1973	1972	% Change
Net Sales	\$51,216,000	\$44,133,000	+16
Net Income on Common Stock	1,870,000	1,185,000	+58
Dividends Declared on Common Stock	619,000	562,000	+10
Working Capital Provided from Operations	4,462,000	3,675,000	+21
Working Capital	8,332,000	9,400,000	-11
Common Shareholders' Equity	16,054,000	14,556,000	+10
Shares of Common Stock Outstanding as of December 31	1,020,333 shs.	1,009,362 shs.	+ 1
Per Share of Common Stock:			
Net Income	\$ 1.84	\$ 1.18	+56
Dividends Declared	.61	.56	+ 9
Book Value	15.73	14.42	+ 9
Return on Shareholders' Equity	11.7%	8.1%	+44

Virginia Chemicals manufactures and markets organic and inorganic chemicals for textile, pulp and paper, agricultural, and other markets; aerosol insecticides and automatic dispensers, including BUG-OFF™, a total flying insect control program; and chemical products and mechanical components used in the air conditioning and refrigeration industry.

To Our Shareholders

1973 was another growth year for Virginia Chemicals. For the thirteenth consecutive year sales increased, exceeding \$50,000,000 for the first time. Consolidated sales amounted to \$51,216,000, an increase of \$7,083,000 over 1972 sales. Net earnings were \$1,870,000, or \$1.84 per share, up from \$1,185,000, or \$1.18 per share, for 1972.

Orders for our products during 1973 continued strong, and at year end we were still not able to meet shipment requests for many of our major chemical products. The high level of business activity in the country created strong demand in many of our major markets.

The combination of this strong sales demand and increased chemical production capacity with new processes resulted in an improvement in profit margin. Improved cost control procedures also played a role. The improvement in this margin was accomplished in another year of federal price control programs and in spite of sharply rising manufacturing costs due principally to higher costs of key raw materials and energy. Our profit margin, like that of many other manufacturing companies, is still below appropriate levels.

Now that the Company has reached a milestone of \$50,000,000 in sales and engaged in a major program for new plants, it may be appropriate to review where we are and to outline plans and policies that are our operating guides.

Virginia Chemicals is a well established company that has grown primarily by internal development. In the last ten years this growth accelerated as the Company utilized new processes in new facilities to produce quality products and proprietaries for the industries the Company has traditionally served. Generally, favorable market conditions in our growing economy created the proper environment for this growth.

In the late 1960's the Company reviewed its markets, products, and production processes in light of forecasted national and industry growth and initiated a more formal growth plan.

One of the first accomplishments was the establishment of strong financial planning, including cost control

and management information systems. These systems were developed by our financial executives in conjunction with a financial program outlined by the management services group of Arthur Andersen & Co., our auditors. This financial program supplied the basis for our long-range plans, budgets and control systems and, when integrated with an appropriate computer system, provided management information for planning.

At the same time as the Company was reviewing its financial planning programs, other phases of the Company's operations were re-evaluated for the purpose of developing new and modified products for our markets and of determining the most desirable manufacturing process and raw materials usage for production of existing and new products. In these efforts we emphasized research and development and a consciousness of the needs of our customers, both from the standpoint of longer-term economics and the important environmental considerations.

Our efforts were and are to strengthen the Company's competitive position in each of our markets. Our goals were and are to provide our customers with innovative quality products and proprietaries, and to produce these with the technology and raw materials mix that will enable us to be a low-cost producer. The results of these efforts, implemented by our dedicated people, have enabled us to reach this stage in our growth and to develop plans and programs for the future.

The re-evaluation of all phases of our operations has resulted in development of new products, construction of new plants, modernization of some existing plants and the gradual phase-down of other plants that did not utilize the more economical processes. This has resulted in the last few years in larger capital expenditure programs that are essential for our growth.

Illustrative of this planning, the Company in 1970 began to plan for construction of a plant to manufacture sodium hydrosulfite and proprietaries. This resulted in a new plant in Bucks, Alabama, which was completed in



Leeds, South Carolina, plant

1972 and financed with the proceeds of a \$4,500,000 industrial revenue bond issue. It uses a process covered by patents granted to, applied for, and licensed to the Company. The reception of the products produced at the Bucks plant has led the Company to construct during 1973 a similar plant at Leeds, South Carolina. As the new Leeds plant begins commercial operations, it is planned that the output of these plants will be principally utilized by customers currently served by the Company.

In 1973, the Company's capital expenditures were \$6,141,000 and included \$4,600,000 for the new plant in Leeds. The Company was able to finance 1973 capital expenditures largely from internal cash sources.

The Company projects capital expenditures for 1974 of up to \$8,000,000 and for 1975 of up to \$8,000,000. The projected capital expenditures for 1974 and 1975 include approximately \$7,000,000 for a proposed new organic chemical facility including related pollution control equipment, on which a final decision will be made after feasibility studies are completed later this year.

Projected 1974 and 1975 capital expenditures for which feasibility studies have been completed include approximately \$800,000 for completion of the Leeds sodium hydrosulfite facility, which began test operations in December, and \$1,300,000 for related facilities, including pollution control equipment; and approximately \$2,200,000 at Portsmouth for completion of a new solid sodium bisulfite facility (\$1,700,000) and related pollution control equipment (\$500,000). The balance of the capital expenditures are for other corporate programs.

As is customary throughout the chemical industry, a large amount of the output of current and projected plants is covered by short and long-term arrangements. Based on the manner in which the Company conducts its business and on current information about the Company's long established markets, it is believed that the capital expenditures will be recovered from earnings attributable to the program within an acceptable number of years.

The financing necessary for these capital expenditures and related working capital and for retirement of \$2,500,000 of long-term bank debt that was outstanding on December 31, 1973, has been studied and present plans contemplate the issuance in 1974 of \$2,000,000 of tax-exempt industrial development bonds, \$1,200,000 of tax-exempt pollution control bonds, and \$5,000,000 of long-term senior notes. Depending on the results of the feasibility studies for the proposed organic chemical facility and the Company's capital needs, an additional \$5,000,000 of long-term debt securities, that may include \$1,000,000 of pollution control bonds, may be issued in 1975. It is contemplated that the funds to be derived from this financing, the sale of stock under existing employee benefit plans, and operations will be sufficient to pay for the capital expenditures, retire the \$2,500,000 long-term bank debt, and provide necessary additional working capital.

Although in recent years the Company's primary research, product development and construction efforts

Portsmouth, Virginia, plant



Bucks, Alabama, plant

have been in the areas referred to above, significant efforts have been and are being applied to our other areas of business. To date, however, these activities have not required major capital expenditures.

Some key raw materials utilized in the production of both organic and inorganic chemicals have been in short supply and during the past year we experienced some interruption in the supply of these materials, with the inevitable loss in production and in efficiency. Although petrochemical-based products utilized in the production of organic chemicals have been in tight supply, the Company has generally been able to obtain them. The Company maintained during 1973, and expects to be able to maintain during 1974, reasonable operating schedules because of the diversification of its plants and good inventory control programs.

In addition, there have been major increases in the prices of some raw materials. These increases in our costs have had to be reflected, where appropriate, in increased selling prices for our products.

We understand the acute concern about the world-wide energy problems and have taken action to reduce our requirements where possible. In our production facility planning several years ago, we built into our units two sources of fuel where feasible so as to be better able to adjust to short-term dislocations in supply.

During 1973, the cost of electric power and fuels for energy was approximately 2 per cent of our dollar sales.



We constantly monitor the air at our facilities and in surrounding neighborhoods by use of air pollution effects stations.

Utilizing our system of an aerator tank and settling basins, we return to the river water cleaner than the river itself.



Although energy costs are a significant factor in our plant operating cost, increased costs should in time be properly reflected in selling prices.

During 1973, we renewed our sales agreements with DuPont for Freon refrigerants.

A three-year contract, with a wage reopener for the third year, was negotiated with Local 12180, United Steelworkers of America, at our Portsmouth, Virginia, plant.

We extend to our employees our sincere thanks for their loyalty and dedication. Their talent and creativity have made outstanding contributions to the growth of the Company.

Harry W. Buchanan

Harry W. Buchanan
Chairman and President
February 22, 1974

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People

Our people were responsible for our past growth and on their shoulders future achievement depends.

To prepare them for growth in present jobs and future opportunities, we strengthened our long-range development program in 1973.

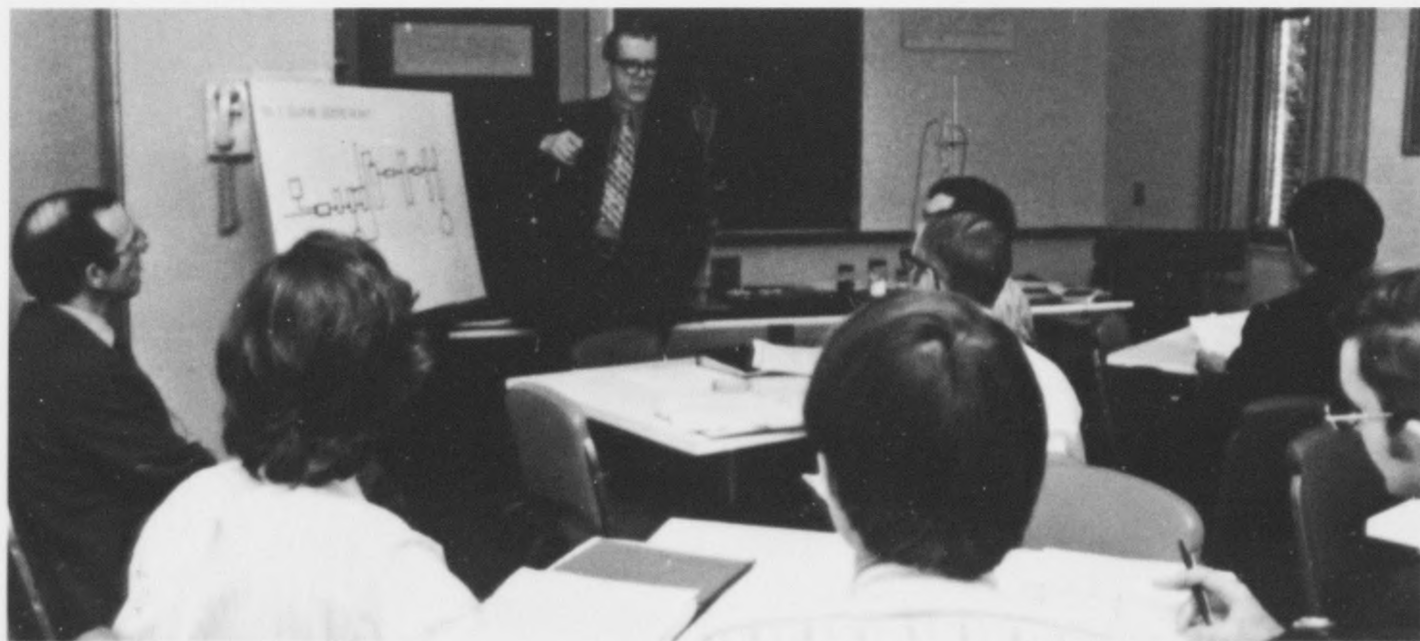
Our employees are attending classes in colleges and on the premises. They are engaged in training that ranges from industrial first aid to performance appraisal for productivity improvement.

Technical and non-technical people study the fundamentals of management. Supervisors attend courses to strengthen their leadership abilities. Our data processors go to school to improve their skills in ever-changing computer technology. Accountants and non-technical people take a course in the chemistry of Company products taught by our Director of Research.

The employee suggestion program had its best year with more than 1,000 ideas submitted for operating, production, and safety improvements.

Safety of our employees on and off the job, continues to receive high priority. In 1973, we substantially expanded our efforts and education to obtain safe conditions and practices at work and at home. We established active safety committees and conduct regular safety meetings. We distribute to employees a monthly safety bulletin, and we send to the home a quarterly home safety magazine from the National Safety Council.

We were gratified to learn midway in 1973 that our truck drivers placed second in the United States in a National Safety Council contest by driving 664,177 miles without an accident. And, though we have met with some successes, safety remains an objective for continuing emphasis.



Products

Over the years we have, through research, been able to make contributions to the art of bleaching groundwood pulp for newsprint and printing papers. Our technical people are known and respected in the industry.

Through research and development, with an emphasis on product use, we have introduced special proprietary products that benefit the paper industry. Chief among these are V-BRITE® for bleaching groundwood pulp and K-BRITE® for whitening clay used in the production of better grade papers. We also supply the paper industry with appreciable quantities of sulfur dioxide, our first chemical, and zinc hydrosulfite, both used in pulp bleaching processes.

In the textile industry, one of our innovations is a new, improved form of sodium hydrosulfite supplied in a line of proprietary products for the dyeing process. The principal product of this line is called VIRTEX-D®. The textile industry is also an important customer for zinc sulfate, sodium bisulfite, sulfur dioxide, hydroxylamine sulfate, and other of our products.

VIRTEX-D, V-BRITE, and K-BRITE are based on the improved sodium hydrosulfite produced by a formate process which we are the only one to use in this country. To supply additional quantities of sodium hydrosulfite and sodium hydrosulfite-based proprietaries for use in the paper, textile, and clay industries, we constructed a plant in Leeds, South Carolina, during 1973 and tested equipment there before the year ended. Production followed shortly thereafter. The new Leeds plant follows the opening of a similar facility in the spring of 1972 in Bucks, Alabama.



Our chemicals are used in:
flame retardants for cotton mattress materials, fixer for photo developing, and in a variety of products which improve the quality and yield of food crops



Our alkyl amines go to a variety of industries. Some find their way into the production of a group of herbicides, an item of growing importance in the soaring world production of food. Others are used in such widely diversified products as pharmaceuticals and rubber.

Sulfur dioxide, which we produce in plants on both coasts, is widely used. In addition to the paper and textile applications, we sell it for such varied processes as a bleaching agent in foods, as a major ingredient in controlling the effluent of chrome and other plating processes, to make glass stronger, to improve the odor and taste of water, in the production of metals, petroleum products, soft drinks, and wines, and in the tanning of leather.

In 1974 sulfur dioxide from the stack gases of a major west coast smelter will become available to the Company and will be used as a chemical intermediate in some of our plants as well as being sold to existing customers.



... in brightening newsprint

Some of our other products are:

- Sodium bisulfite, used in the production of synthetic fibers, the preservation of foods, and in photo developing
- Zinc sulfate, used as a micro-nutrient in fertilizer, particularly for food crops; in the production of rayon fiber; and by producers of fungicides and insecticides
- A new line of products under the VIRCHEM® label to control corrosion in potable water systems
- A group of flame retardants for cotton mattresses and other products.



... in hardening glass and coloring cola



... in processing textiles

The primary thrust of our air conditioning and refrigeration efforts is to provide, through the use of chemistry, products and components for the servicing and protection of air conditioning and refrigeration systems. These include refrigerants and oils for servicing and chemical-mechanical components for protection of the systems by the continuous chemical treatment and filtration of the refrigerant and oil.

Our refrigeration products make systems last longer, reduce warranty cost, and are designed for efficient installation. Some of our products indicate system difficulties and others are useful in reducing energy requirements.

One of our major strengths in the air conditioning and refrigeration aftermarket is the many products which we offer in this field. The wholesaler who sells these lines to contractors and repairmen is therefore able to look to us for more of his basic requirements.

Because we are a chemical company, and think chemically, we use this knowledge to produce a line of water treatment chemicals designed to prevent or alleviate problems of sludge, scale and corrosion in water-cooled refrigeration systems. This chemical expertise lends itself to the design and manufacture of our chemical-mechanical components, such as filter driers, filters, moisture indicators, and suction accumulators. We produce receiver driers and mechanical components to fit any American-made air-conditioned car on the road. We package refrigerants and refrigerants mixed with leak-detecting dye in various disposable containers under our trade names CAN-O-GAS® and CHARG-A-CAR®.

The Company continues as an important factor in the distribution of Du Pont Freon refrigerants to the air conditioning and refrigeration wholesale trade.

Our products aid the sanitarian in the control of insects both indoors and out.



We market refrigeration oils, vacuum pump oil, and a simple one-step test kit which indicates the acidic level of refrigeration oil. We are also a source of sealants, mastics, and insulation products.

Our refrigeration products are sold for industry and home use through original equipment manufacturers and refrigeration wholesalers. Automotive air conditioning products are sold through the original equipment manufacturers and automotive aftermarket channels of distribution.

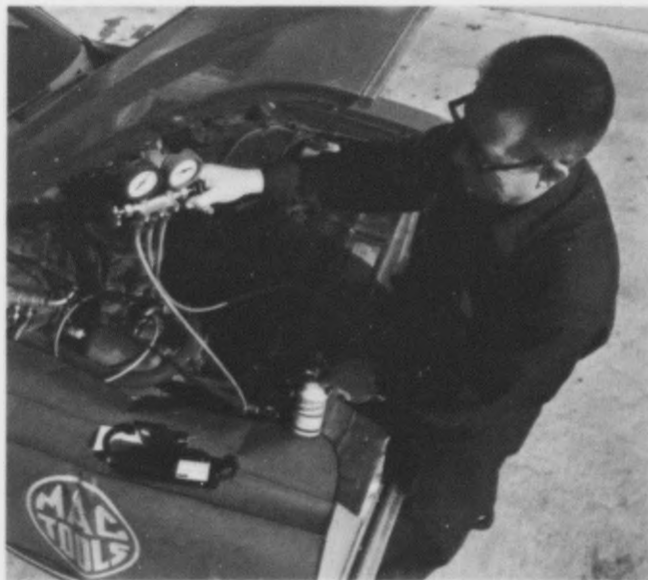
Because refrigeration products like ours are necessary for the maintenance of refrigeration systems, they are essential for food processing, food preservation, certain environmental control areas such as operating rooms and clean rooms, and all types of air conditioning systems.

The technology of insect control is an area in which we have made many important contributions. Our pesticide products are offered to licensed professional pest-control operators, food processing sanitarians, and distribution channels for pest control products, both as specialized formulated products and as an integrated program we call BUG-OFF™. This is one of the most comprehensive programs of flying insect control available in the market today. It includes aerosols, automatic dispensing equipment, mechanical apparatus, and chemicals to provide complete systems for insect control in such areas as food handling, industrial plants, warehouses, and other locations where flying insects are a problem.

Peanuts and tobacco are examples of commodities protected in storage from destructive insects by automatically controlled, multi-unit systems designed and serviced directly by our technicians.

Our efforts in the field of international sales continue to expand. Many of the products which we offer in the domestic marketplace are exported to more than 90 countries. In addition to these domestic products we also, through our overseas channels, offer resale items not sold by us in this country. These items, which are sold to the air conditioning and refrigeration industry, include brazing alloys, torches, leak detectors, valves, fittings and accessories, gauges, test equipment, water regulators and silica gel.

We offer a marketbasket of products for the servicing and protection of air conditioning and refrigeration systems, both stationary and mobile.



Financial Review

Sales

Net sales billed in 1973 amounted to \$51,216,000, an increase of \$7,083,000, or 16 per cent over the previous all-time high of \$44,133,000 in 1972. Sales of the industrial chemical activity, about three-fourths of the Company's total sales, increased by 18 per cent over the previous year. The air conditioning and refrigeration products activity recorded a sales increase of 12 per cent over the previous year. Aerosol insecticide sales increased 7 per cent. The above statistics include export sales by Vir-Chem Export Inc., the Company's Domestic International Sales Corporation.

The primary thrust of the Company's capital expansion programs in the past five years has been and for the next few years will be in the industrial chemical activity. However, opportunities in the Company's other activities are not being overlooked.

In the industrial chemical activity, sales of sodium hydrosulfite and sodium hydrosulfite-based proprietary products produced at the new plant in Bucks, Alabama, increased in 1973 because the plant was operating at commercial capacity for only six months in 1972. General demands for other sulfur based chemicals, amines, and other chemicals produced by the Company were also strong.

The sharply increased world price for zinc, coupled with environmental considerations associated with zinc, has substantially reduced the use of zinc hydrosulfite in some areas of North America. This was reflected in lower volume of production, particularly at the Company's Cornwall, Ontario, plant, and a change from zinc hydrosulfite to other chemicals, including proprietary sodium hydrosulfite products produced by the Company. The future market for zinc hydrosulfite will be determined by balancing the advantages of the product to the pulp and paper mills, and the economics of its use.

Earnings

Net income after taxes rose 58 per cent to \$1,870,000, or \$1.84 per share, from \$1,185,000, or \$1.18 per share, reported in 1972. Net income as a per cent of sales increased to 3.7 per cent from 2.7 per cent in each of the years 1972 and 1971. Return on shareholders' equity at year end 1973 was 11.7 per cent compared with 8.1 per cent at the end of 1972.

Improved earnings came primarily from improved sales in the industrial chemical activity where new facilities played a significant role. Amortization of investment tax credit was equivalent to \$.12 per share in 1973 and \$.07 in 1972.

The air conditioning and refrigeration and the aerosol insecticide activities showed improvement. Major portions of these two activities are still in accelerated programs for market development, research and new products. These programs have resulted in the Company manufacturing a greater per cent of the products it sells. In the past these established activities have contributed to the Company's growth and earnings. And despite the charges now being absorbed by them for developmental cost, they are showing progress in returning to their former profitability.

The Company is following its long established accounting policies. It expenses research and development, computer programming, plant start-up inefficiencies and other similar items as they are incurred. Investment tax credits are amortized over the lives of the related facilities rather than taken into current earnings. Useful lives of plants are shortened for depreciation purposes when, in the opinion of management, this is appropriate to recognize technological developments which may necessitate early replacement or retirement of equipment.

During the last several years the Company has installed formal business planning, budgeting and financial control programs covering all phases of the operations. These programs, coupled with the new facilities, have assisted the Company in its operations.

Fourth Quarter Results

In the 1973 fourth quarter sales increased to \$12,571,000 from \$10,542,000 in the 1972 quarter. Earnings were \$414,000, or \$.40 per share, compared with \$264,000, or \$.26 per share, in the same period of 1972.

Financial Position

Sixty-five per cent of cash required for 1973 came from operations. Sources of cash are listed below:

From operations including depreciation and amortization, deferred income taxes and investment tax credits	\$4,462,000
Increase in current liabilities net of a small increase in current assets (other than cash items and current maturities of long-term debt)	1,025,000
Sale of marketable securities on hand at December 31, 1972	604,000
Proceeds from new long-term bank debt ..	500,000
Sale of stock under employee plans	247,000
Decrease in cash in banks	16,000
Total cash available for needs	<u>\$6,854,000</u>

Increases in current liabilities were primarily in accounts payable to vendors, accrued income taxes because of higher earnings, and higher customer deposits on containers.

The marketable securities on hand at December 31, 1972, were sold to minimize new long-term debt requirements.

At December 31, 1973, the Company had a bank debt of \$2,500,000 compared with \$2,000,000 at the end of 1972. Because of the cash flow from operations, the Company was able to finance internally all except \$500,000 of the \$6,141,000 of the new capital investment in 1973.

Almost all of the stock sold was in connection with the Employees' Thrift Plan under which the Company matches half of the employees' contributions within certain limits.

Of the cash used, nearly 90 per cent was invested in new plant and equipment. The principal uses of cash during 1973 were:

New capital investment including principally the Leeds, South Carolina, plant	\$6,141,000
Cash dividends (\$.59 per share) paid to shareholders	597,000
Retirement of a long-term obligation with cash	116,000
Total uses of cash	<u>\$6,854,000</u>

The book value of a share of common stock was \$15.73 at December 31, 1973, compared with \$14.42 at December 31, 1972.

The ratio of current assets to current liabilities decreased from 3.0 at the end of 1972 to 2.6 at the end of 1973, primarily as a result of increased current liabilities and sale of marketable securities to finance a portion of the Leeds, South Carolina, plant thereby minimizing bank financing.

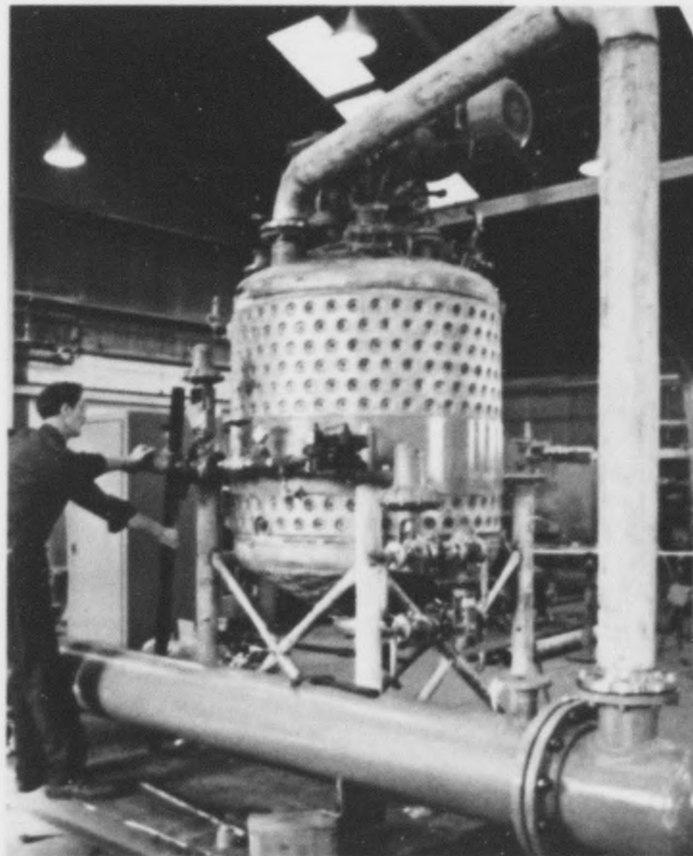
Environmental Expenditures

At the original headquarters plant in Portsmouth, we completed during the year a major phase of a long-term pollution control program, which was initiated some years ago, at a cost of approximately \$1,000,000. Pollution control expenditures for the Leeds plant are estimated to be \$700,000, and additional expenditures at Portsmouth are estimated to be \$500,000. Operating expense for pollution control facilities in Portsmouth was approximately \$100,000 in 1973.

Dividends

Common stock dividends paid in 1973 totaled \$.59 per share. The Board of Directors on November 28, 1973, increased the quarterly dividend from \$.15 to \$.16 per share. This dividend was paid on January 10, 1974, to shareholders of record December 21, 1973. Dividends have been increased in 11 of the 13 years since the Company went public.

Our maintenance people are also able to produce a complete "packaged plant" as shown below.



Net Sales

MILLIONS OF DOLLARS

60

50

40

30

20

10

0

'64 '65 '66 '67 '68 '69 '70 '71 '72 '73

Net Income on Common

THOUSANDS OF DOLLARS

2,400

2,000

1,600

1,200

800

400

0

'64 '65 '66 '67 '68 '69 '70 '71 '72 '73

Virginia Chemicals Inc. and Subsidiaries

Ten-Year Summary of Operations 1964-1973

(consolidated)

	1973	1972	1971
NET SALES	\$51,216,000	\$44,133,000	\$36,395,000
Gross profit	10,887,000	8,573,000	7,398,000
Interest expense (income) net	121,000	96,000	117,000
Income taxes	1,707,000	1,033,000	991,000
Net income	1,870,000	1,185,000	992,000
Net income applicable to Common Stock	1,870,000	1,185,000	992,000
Dividends on Common Stock	619,000	562,000	552,000
Dividends on Preferred Stock	—	—	—
Retained earnings (Note 15)	13,110,000	11,859,000	11,236,000
Paid-in surplus (Note 16)	903,000	678,000	432,000
COMMON SHAREHOLDERS' EQUITY	16,054,000	14,556,000	13,664,000
Working capital provided by operations	4,462,000	3,675,000	2,567,000
Working capital	8,332,000	9,400,000	8,148,000
Plant and equipment additions	6,141,000	1,149,000	964,000
Depreciation	1,739,000	1,454,000	1,472,000
TOTAL ASSETS EMPLOYED	26,557,000	23,004,000	21,298,000
Weighted average Common Shares outstanding (Note 15)	1,014,091 shs.	1,003,642 shs.	982,932 shs.
PER SHARE OF COMMON STOCK (Note 15)			
Net income	\$ 1.84	\$ 1.18	\$ 1.01
Dividends declared	.61	.56	.56
Book value	15.73	14.42	13.69

420

Common Shareholders' Equity

MILLIONS OF DOLLARS

24

20

16

12

8

4

0

'64 '65 '66 '67 '68 '69 '70 '71 '72 '73

The following summary of operations for the ten years ended December 31, 1973, has been examined by Arthur Andersen & Co. as set forth in their report included elsewhere in this Annual Report.

Depreciation

THOUSANDS OF DOLLARS

2,400

2,000

1,600

1,200

800

400

0

'64 '65 '66 '67 '68 '69 '70 '71 '72 '73

This summary should be read in conjunction with the financial statements and related notes appearing elsewhere in this Annual Report.

1970	1969	1968	1967	1966	1965	1964
\$31,613,000	\$31,369,000	\$28,169,000	\$22,969,000	\$22,402,000	\$18,649,000	\$15,645,000
6,337,000	8,036,000	7,318,000	5,742,000	5,549,000	4,344,000	4,143,000
136,000	(44,000)	(1,000)	(24,000)	(24,000)	5,000	(64,000)
561,000	1,944,000	1,858,000	1,294,000	1,324,000	832,000	961,000
565,000	1,699,000	1,601,000	1,400,000	1,499,000	1,007,000	923,000
565,000	1,672,000	1,573,000	1,372,000	1,471,000	979,000	894,000
545,000	512,000	444,000	398,000	311,000	246,000	213,000
—	27,000	28,000	28,000	28,000	28,000	28,000
10,796,000	10,776,000	10,219,000	9,090,000	8,116,000	6,956,000	6,223,000
165,000	144,000	42,000	39,000	39,000	—	—
12,909,000	12,863,000	11,556,000	10,424,000	9,452,000	8,249,000	7,516,000
1,883,000	2,956,000	2,729,000	2,508,000	2,519,000	1,910,000	1,655,000
7,006,000	4,835,000	5,610,000	4,393,000	4,344,000	3,148,000	2,131,000
1,193,000	2,576,000	1,061,000	1,850,000	1,026,000	699,000	3,610,000
1,159,000	1,023,000	955,000	856,000	773,000	720,000	481,000
20,338,000	19,768,000	16,656,000	14,903,000	13,286,000	11,659,000	10,838,000
972,530 shs.	971,430 shs.	971,430 shs.	972,105 shs.	971,205 shs.	969,630 shs.	969,630 shs.
\$.58	\$ 1.72	\$ 1.62	\$ 1.41	\$ 1.51	\$ 1.01	\$.92
.56	.53	.46	.41	.32	.25	.22
13.26	13.24	11.90	10.73	9.72	8.51	7.75

Virginia Chemicals Inc. and Subsidiaries

Consolidated Balance Sheet

as of December 31

ASSETS

	1973	1972
CURRENT ASSETS		
Cash	\$ 677,000	\$ 693,000
Marketable securities, at cost, which approximates market	—	604,000
Receivables, less reserves of \$223,000 and \$173,000 respectively	7,005,000	6,755,000
Inventories (Note 2)	5,752,000	5,916,000
Prepayments	123,000	198,000
Total current assets	13,557,000	14,166,000
PLANT AND EQUIPMENT, at cost (Note 3)		
Land	712,000	548,000
Buildings and equipment	23,582,000	17,741,000
Returnable containers	819,000	818,000
	25,113,000	19,107,000
Less — Accumulated depreciation	12,393,000	10,785,000
Net Plant and Equipment	12,720,000	8,322,000
DEFERRED CHARGES AND OTHER ASSETS (Note 13)		
	280,000	516,000
TOTAL ASSETS	\$26,557,000	\$23,004,000

LIABILITIES AND SHAREHOLDERS' EQUITY

	1973	1972
CURRENT LIABILITIES		
Current maturities of long-term debt (Note 4)	\$ 184,000	\$ 784,000
Accounts payable and accrued liabilities	3,982,000	3,298,000
Dividends payable	163,000	141,000
Accrued income taxes (Note 10)	273,000	84,000
Customers' deposits on returnable containers	623,000	459,000
Total current liabilities	5,225,000	4,766,000
LONG-TERM DEBT (Note 4)	2,321,000	1,338,000
DEFERRED INCOME TAXES (Note 10)	2,006,000	1,756,000
DEFERRED INVESTMENT TAX CREDIT , being amortized over life of related equipment (Note 10)	951,000	588,000
COMMITMENTS AND CONTINGENCIES (Notes 3 and 5)		
Total liabilities	10,503,000	8,448,000
SHAREHOLDERS' EQUITY (Notes 6 and 7)		
Common stock, \$2 par value — authorized 2,500,000 shares; outstanding 1,020,333 shares in 1973 and 1,009,362 shares in 1972	2,041,000	2,019,000
Paid-in surplus	903,000	678,000
Retained earnings	13,110,000	11,859,000
Total shareholders' equity	16,054,000	14,556,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$26,557,000	\$23,004,000

The accompanying notes are an integral part of this consolidated balance sheet.

Virginia Chemicals Inc. and Subsidiaries**Consolidated Statement of Income
& Retained Earnings**

for the year ended December 31

	1973	1972
NET SALES	\$51,216,000	\$44,133,000
COSTS AND EXPENSES (Notes 8, 9 and 12)		
Cost of goods sold	40,329,000	35,560,000
Selling, general and administrative	5,992,000	5,091,000
Research, development and technical service (Note 14)	1,197,000	1,168,000
Interest expense (income) net	121,000	96,000
Total costs and expenses	47,639,000	41,915,000
Income before income taxes	3,577,000	2,218,000
Provision for income taxes (Note 10)	1,707,000	1,033,000
NET INCOME ON COMMON STOCK	1,870,000	1,185,000
RETAINED EARNINGS, BEGINNING OF YEAR	11,859,000	11,236,000
Dividends on Common Stock (61¢ per share in 1973 and 56¢ in 1972)	619,000	562,000
RETAINED EARNINGS, END OF YEAR	\$13,110,000	\$11,859,000
NET INCOME PER COMMON SHARE (Note 11)	\$1.84	\$1.18

The accompanying notes are an integral part of this consolidated statement.

Virginia Chemicals Inc. and Subsidiaries

Consolidated Statement of Changes in Financial Position

for the year ended December 31

	1973	1972
SOURCES OF WORKING CAPITAL		
Working capital provided by operations:		
Net income	\$ 1,870,000	\$ 1,185,000
Items not requiring working capital —		
Depreciation (Note 3)	1,739,000	1,454,000
Deferred income taxes (Note 10)	250,000	504,000
Deferred investment tax credit, net (Note 10)	363,000	353,000
Amortization and write-off of deferred charges (Note 13)	236,000	102,000
Loss on retirement of plant and equipment (Note 3)	4,000	77,000
Total from operations	4,462,000	3,675,000
Proceeds from new long-term debt (Note 4)	500,000	—
Proceeds from refinanced short-term debt (Note 4)	667,000	—
Proceeds from stock issuances (Note 6)	247,000	269,000
TOTAL SOURCES	5,876,000	3,944,000
USES OF WORKING CAPITAL		
Plant and equipment additions (Note 3)	6,141,000	1,149,000
Deferred charges additions (Note 13)	—	198,000
Long-term debt becoming current (Note 4)	184,000	783,000
Common stock dividends declared	619,000	562,000
TOTAL USES	6,944,000	2,692,000
INCREASE (DECREASE) IN WORKING CAPITAL (Net)	(1,068,000)	1,252,000
REPRESENTED BY:		
Increase (decrease) in current assets —		
Cash, certificate of deposit and marketable securities	(620,000)	(479,000)
Receivables	250,000	1,951,000
Inventories (Note 2)	(164,000)	428,000
Prepayments	(75,000)	92,000
Decrease (increase) in current liabilities —		
Current maturities of long-term debt (Note 4)	600,000	(784,000)
Accounts payable and accrued liabilities	(684,000)	1,000
Dividends payable	(22,000)	(141,000)
Accrued income taxes (Note 10)	(189,000)	136,000
Customers' deposits on returnable containers	(164,000)	48,000
INCREASE (DECREASE) IN WORKING CAPITAL	\$ (1,068,000)	\$ 1,252,000

The accompanying notes are an integral part of this consolidated statement.

Virginia Chemicals Inc. and Subsidiaries

Notes to Consolidated Financial Statements

As an aid to the readers in the evaluation of the data in the consolidated financial statements, significant accounting policies have been highlighted in this color in the following notes.

1. Principles of Consolidation and Translation: Consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are totally-held. All material intercompany transactions have been eliminated. The financial statements of a Canadian subsidiary have been translated using the prevailing exchange rate at year-end for monetary assets and liabilities (items that are expected to provide or use cash), historical exchange rates for certain non-monetary assets and liabilities, and average prevailing rates during each year for sales and expenses, except depreciation which is translated at historical rates. Net gains on translation of monetary assets and liabilities are deferred until realized through cash distributions. Net losses on translation of monetary assets and liabilities are recognized currently.

The Company received cash dividends of \$105,000 in 1973 and \$845,000 in 1972 (representing distribution of retained earnings of its Canadian subsidiary accumulated over a span of years) and recognized and included in income previously deferred, translation gains of \$8,000 (1¢ per share) and \$63,000 (6¢ per share). Other translation gains and losses during 1973 and 1972 were nominal as was the effect of the devaluation of the U. S. Dollar in February, 1973. Translation gains of \$27,000 have been deferred.

2. Inventories: Inventories are valued at the lower of standard cost, which approximates average cost, or market. Inventories used in the computation of cost of goods sold were as follows:

	(In Thousands)		
	Dec. 31, 1973	Dec. 31, 1972	Dec. 31, 1971
Finished Goods	\$2,723	\$3,275	\$2,753
Raw Materials	2,346	2,183	2,274
Manufacturing Supplies	683	458	461
TOTAL	\$5,752	\$5,916	\$5,488

3. Property, Plant and Equipment: The Company provides depreciation using the straight-line method over various estimated useful lives ranging from 5 to 35 years. Maintenance and repairs are charged to expense as incurred; renewals and betterments are capitalized in the property accounts. When property or equipment is replaced, retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts. Any gain or loss is credited or charged to income or expense.

Additions to and retirements of property, plant and equipment during 1972 and 1973 were as follows:

	(In Thousands)			
	Total	Land	Buildings and Equipment	Returnable Containers
Balance Jan. 1, 1972	\$18,220	\$526	\$16,981	\$713
Additions	1,149	24	1,016	109
Retirements	(262)	(2)	(256)	(4)
Balance Dec. 31, 1972	\$19,107	\$548	\$17,741	\$818
Additions	6,141	164	5,976	1
Retirements	(135)		(135)	
Balance Dec. 31, 1973	<u>\$25,113</u>	<u>\$712</u>	<u>\$23,582</u>	<u>\$819</u>

Additions in 1973 included \$4,600,000 for a new sodium hydrosulfite facility in Leeds, South Carolina for which there is an additional commitment of approximately \$800,000 to the contractor.

Additions to and retirements from accumulated depreciation accounts for 1972 and 1973 were as follows:

	(In Thousands)		
	Total	Buildings and Equipment	Returnable Containers
Balance Jan. 1, 1972	\$ 9,516	\$ 8,993	\$523
Additions	1,454	1,403	51
Retirements	(185)	(181)	(4)
Balance Dec. 31, 1972	\$10,785	\$10,215	\$570
Additions	1,739	1,709	30
Retirements	(131)	(131)	
Balance Dec. 31, 1973	<u>\$12,393</u>	<u>\$11,793</u>	<u>\$600</u>

The Company also leases certain facilities including a plant described in Note 5.

4. Debt and Lines of Credit: Long-term debt includes a \$2,500,000 unsecured note payable to a bank, less current maturities of \$179,000, under a long-term loan agreement. The loan agreement permits the Company to borrow up to \$7,000,000 including the \$2,500,000 which was outstanding at December 31, 1973. Borrowings under the agreement bear interest payable quarterly at 1/2% above the prime rate and are payable in fourteen equal semi-annual installments beginning July, 1974. Under the agreement, the Company must maintain net worth in excess of \$12,000,000, net working capital in excess of \$5,000,000, and unencumbered gross fixed assets of \$12,000,000.

The Company also has a line of credit with the same bank permitting seasonal borrowings for up to \$3,000,000 at the prime rate, subject to review in April of each year. \$500,000 was borrowed under this line after December 31, 1973.

5. Commitments and Contingencies: The Company leases the plant that it operates in Bucks, Alabama from the Industrial Development Board of the City of Mobile which financed the plant with a \$4,500,000 industrial revenue bond issue. The Company has not capitalized the cost of the land and plant or recorded its commitment with respect to the remaining \$4,275,000 indebtedness.

At the start of the plant's operations, the Company began to expense the anticipated aggregate lease cost over the estimated useful life of 11 years rather than over the 20 year term of the lease agreement. The Company is expensing approximately \$740,000 per year for the plant and is required under the lease to pay approximately \$430,000 a year through 1991 to the lessor. The difference of \$310,000 will be recorded from 1974 through 1982 as a reserve for possible early retirement of the long-term commitment in 1982 or later. The Company has an option to purchase the plant at any time after ten years for an amount equal to the unretired bonds and accrued interest to the date of redemption, plus prepayment penalty of no more than one year's interest.

The interest on the bonds is exempt from all Federal income tax. If such exempt status is lost, the Company may be required to purchase the plant for an amount equal to the unretired bonds, plus accrued interest and a penalty equal to one year's interest for each year between the date of loss of exempt status and purchase of the plant.

Non-capitalized financing leases include the lease on the plant at Bucks, Alabama referred to above and on an airplane. The present values of minimum rental commitments for both non-capitalized financing leases aggregate \$4,406,000 at December 31, 1973 of which \$4,275,000 is applicable to the Bucks plant and \$131,000 is applicable to the airplane. The average interest rate applicable to the Bucks plant is 7% and the average interest rate applicable to the airplane is 11%. The following table reflects the impact on net income if both non-capitalized financing leases had been capitalized:

	(In Thousands)	
	1973	1972
Decrease in rent expense	\$ 786	\$ 356
Increase in depreciation	(455)	(213)
Increase in interest expense	(319)	(153)
Decrease (increase) in income taxes	(6)	5
Increase (decrease) in net income	\$ 6	\$ (5)

The Company also has non-cancellable operating leases for railroad cars and trucks. The majority of these leases are for tank cars commonly used in the chemical industry. Minimum rental commitments under non-cancellable leases for railroad cars, trucks, the airplane and the Bucks plant as of December 31, 1973 were:

1974	\$ 1,158,000
1975	1,118,000
1976	1,061,000
1977	998,000
1978	958,000
1979 through 1983	4,619,000
1984 through 1988	2,549,000
1989 through 1991	1,239,000
Total rental commitment	\$13,700,000

The Company also has cancellable leases and other rent expense for office equipment and space, data processing

equipment and other items. Total rent expense charged to income for 1973 and 1972 was \$1,659,000 and \$1,089,000 of which \$786,000 and \$356,000 were applicable to non-capitalized financing leases.

During 1973 the Company experienced sporadic plant shut-downs due to a temporary lack of raw materials. While management anticipates possible recurrences of a similar nature during 1974, its present evaluation of raw material sources and markets indicates the frequency and duration of such shut-downs should not have a material impact on 1974 earnings.

6. Common Stock: Under the Company's stock option plans, qualified options to purchase the Company's common stock may be granted to officers and key employees at market value on date of grant. They may be exercised anytime within five years after the date of grant. The Company had 110,118 shares of common stock reserved for issuance under the plans at December 31, 1973. Of these shares 87,568 had been optioned as follows: 27,900 in 1973, 7,000 in 1972, 41,168 in 1971, and 11,500 in 1970. The remaining 22,550 shares are available for option. All of the outstanding options are exercisable.

Options outstanding under the plans were:

	December 31	
	1973	1972
Number of shares	87,568	59,868
Option price and quoted market at date of grant	\$16.00-\$28.50	\$17.13-\$28.50
Total	\$1,636,986	\$1,194,386

Options which became exercisable and which were exercised during the year were:

	1973	1972
Shares becoming exercisable	45,300	7,540
Option price per share	\$16.00-\$28.50	\$20.50-\$28.50
Total	\$794,229	\$192,720
Market price at date exercisable		
Per share	\$16.00-\$27.25	\$23.00-\$28.50
Total	\$920,900	\$199,320
Shares exercised on options	200	1,962
Option price per share	\$19.00	\$17.13-\$20.50
Total	\$3,800	\$36,578
Market price at date exercised		
Per share	\$28.12	\$25.75-\$27.00
Total	\$5,624	\$51,967

The Company has also reserved 53,582 shares for issuance in connection with an Employees' Thrift Plan. During 1973 and 1972, there were 10,771 shares and 9,349 shares issued in connection with the plan. The \$222,000 and \$214,000 excess of the proceeds over the par value of the shares issued was credited to paid-in surplus.

Under all plans, 10,971 shares were issued in 1973 and 11,311 shares in 1972 for proceeds of \$247,000 and \$269,000 respectively. The excess of the proceeds over the par value of the shares issued was credited to paid-in surplus and

amounted to \$225,000 in 1973 and \$246,000 in 1972. No other shares of common stock were issued or retired during these years.

In addition, the Company has reserved 8,085 shares for issuance as deferred compensation under a retired officer's deferred compensation agreement.

7. Preferred Stock: Authorized capital includes 300,000 preference shares. None of these shares has been issued.

8. Pension Plans: The Company and its subsidiaries provide funds for pension plans covering substantially all employees. One of these is a plan for the bargaining-unit employees and is administered by a four member committee, two representing the Company and two representing the bargaining unit. Through negotiations the Company and the union agree to the amount of the Company's contribution per hour worked by covered employees. The Company contributed \$64,300 in 1973 and \$80,500 in 1972 (which included an adjustment for prior years of \$31,982) for the bargaining unit plan. The second plan, for non-bargaining unit employees, generally provides that employees are eligible for retirement at age 65. Pension expense under the non-bargaining unit plan was \$299,600 in 1973 and \$237,200 in 1972. The Company's policy is to fund non-bargaining unit pension cost actuarially accrued. The actuarially computed value of vested benefits of the non-bargaining unit plan was less than the market value of the assets as of June 30, 1972 and \$24,400 more than the market value of the assets as of June 30, 1973.

9. Bonus Plans: The incentive compensation provided for the Chairman of the Board in his employment contract which extends to September 1, 1976 is 72/100ths of 1% of the amount by which the Company's operating income (before Federal income taxes and executive profit sharing) for the year exceeds 10% of the average stockholders' equity.

Historically, certain key employees (including officers and directors) have been compensated by a salary and a bonus based on performance. Total bonuses paid to all key employees were \$128,800 in 1973 and \$117,600 in 1972, including incentive compensation paid to the Chairman of the Board under his employment contract referred to above.

One officer and director of the corporation who is ineligible to receive a qualified stock option has been granted two deferred compensation agreements based upon future value of common stock. One provides for the payment to him of the amount (if any) by which the market value of 2,000 shares of common stock on June 22, 1976 exceeds \$34,260 (the market value of 2,000 shares on the date granted). The other provides for the payment to him of the amount (if any) by which the market value of 2,000 shares of common stock on December 9, 1976 exceeds \$38,000 (the market value of 2,000 shares on the date granted). The compensation accruing under these agreements, if any, is expensed currently.

10. Income Taxes: The provisions for income taxes include the following components:

(In Thousands)			
	Total	U. S. Federal	State & Foreign
1973 —			
Currently payable	\$1,094	\$ 931	\$163
Deferred portion	613	652	(39)
	<u>\$1,707</u>	<u>\$1,583</u>	<u>\$124</u>
1972 —			
Currently payable	\$ 176	\$ 87	\$ 89
Deferred portion	857	756	101
	<u>\$1,033</u>	<u>\$ 843</u>	<u>\$190</u>

The deferred portion of the tax provisions results from differences in the years in which sales, expenses and the investment credit are recognized for tax and financial statement purposes. Such differences generally arise from an attempt to accelerate deduction of expenses for tax purposes to the maximum extent permissible under tax laws or in the case of the investment credit, an attempt to spread the immediate tax benefit of the purchase of assets over their productive life. The tax effect in 1973 and 1972 of the various differences is set forth in the table below.

(In Thousands)		
	1973	1972
Excess of tax over book depreciation	\$ 115	\$ 11
Excess of depreciation and interest over rent expense of leases capitalized for tax purposes	169	435
Other	(34)	73
Charge equivalent to current investment tax credits	481	405
Amortization of deferred tax credits	(118)	(67)
	<u>\$ 613</u>	<u>\$ 857</u>

It is the Company's intention to reinvest earnings of its subsidiaries that were undistributed as of December 31, 1973 through expansion of its operation in these subsidiaries and, accordingly, it has not accrued the taxes which would be payable upon distribution to the parent of such earnings. Undistributed earnings on which taxes have not been provided, including 50% of the earnings of the Company's Domestic International Sales Corporation, total \$360,000.

11. Earnings Per Share: Earnings per share have been calculated using the weighted average number of common shares outstanding during the year. Outstanding options to purchase common stock have been excluded from the computation on the basis that their inclusion would not result in significant dilution.

12. Supplementary Profit and Loss Information: The following amounts were charged directly to costs and expenses for the years ended December 31, 1973 and 1972:

(In Thousands)		
	Dec. 31 1973	Dec. 31 1972
Maintenance and repairs	\$1,500	\$1,342
Taxes other than income taxes	500	486
Rent	1,659	1,089

13. Deferred Charges: Deferred charges represent the capitalized cost of patents, trademarks, licenses, goodwill, and miscellaneous tooling, which are being amortized over their estimated useful lives.

14. Research and Development: Research and development costs are charged to operations as incurred. Research and development expense also includes costs of technical service provided to customers which may be of that nature, and cannot be reasonably segregated from research and development.

15. Retained Earnings: In 1969, as shown on the Ten-Year Summary of Operations, \$603,000 was transferred from retained earnings to common stock and \$45,000 was transferred from paid-in surplus to common stock in connection with a 3 for 2 stock split on April 15, 1969; per share data reflects adjustments for the split.

16. Paid-in Surplus: In the Ten-Year Summary of Operations, credits to paid-in surplus include (1) proceeds in excess of par value of common shares issued in connection with the exercise of options and participation in the Employees' Thrift Plan as follows: 1973 — \$225,000; 1972 — \$246,000; 1971 — \$267,000; 1970 — \$21,000; and 1966 — \$39,000; and (2) par value of preferred shares retired in excess of cost as follows: 1969 — \$147,000; and 1968 — \$3,000. Charged to paid-in surplus was \$45,000 in connection with the 3 for 2 stock split in 1969.

Auditors' Report

To the Shareholders of Virginia Chemicals Inc:

We have examined the consolidated balance sheet of VIRGINIA CHEMICALS INC. (a Maine corporation) and subsidiaries as of December 31, 1973 and 1972, and the related consolidated statements of income and retained earnings and changes in financial position for the years then ended. We have also examined the ten-year summary of operations (included on page 12) for the ten years ended December 31, 1973. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Virginia Chemicals Inc. and subsidiaries as of December 31, 1973 and 1972, and the results of their operations and changes in their financial position for the years then ended, and the ten year summary of operations summarizes fairly the operations for the ten years ended December 31, 1973, all in conformity with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & CO.

1666 K Street, N.W.
Washington, D. C. 20006
February 22, 1974



J. S. Armstrong



P. Eustis



E. H. Will



H. W. Buchanan



N. R. Bowditch



W. E. C. Eustis



D. W. Duncan



R. F. Lotz



M. A. Kise



F. A. Eustis II



C. C. March



C. A. Sears



J. A. Weatherford



H. E. Diggs



G. T. Wrenn, Jr.



E. A. Gross



J. L. Myers



L. W. Rue



A. K. Scribner, Jr.

Directors

(Years as board member in parentheses)

J. SINCLAIR ARMSTRONG, *Executive Vice President, United States Trust Company of New York (1)*

HARRY W. BUCHANAN, *Chairman of the Board and President, Portsmouth (7)*

NATHANIEL R. BOWDITCH, *Vice Chairman, First Pennsylvania Corporation and First Pennsylvania Bank (4)*

DR. DANIEL W. DUNCAN, *Executive Vice President, Portsmouth (11)*

FREDERIC A. EUSTIS II, *Assistant Secretary and Assistant Treasurer, Boston (4)*

PETER EUSTIS, *Vice President — Secretary and Treasurer, Portsmouth (25)*

WILLIAM E. C. EUSTIS, *Management Consultant, Boston (19)*

RUDOLPH F. LOTZ, *Retired Vice President, Portsmouth (25)*

CECIL C. MARCH, *Retired Group Vice President and Director of 3M Co. (4)*

ERWIN H. WILL, *Retired Chairman of the Board of Virginia Electric and Power Company, Richmond (13)*

Honorary Directors

C. RODGERS BURGIN, *Retired Chairman of New England Merchants National Bank of Boston*

A. KENNETH SCRIBNER, *Honorary Chairman of the Board*

Officers

(Years of company service in parentheses)

HARRY W. BUCHANAN, *Chairman of the Board and President (7)*

DR. DANIEL W. DUNCAN, *Executive Vice President (27)*

PETER EUSTIS, *Vice President — Secretary and Treasurer (28)*

DR. MEARL A. KISE, *Vice President — Research and Development (25)*

JAMES L. MYERS, *Controller (6)*

DR. CARLTON A. SEARS, *Vice President — Commercial Development (12)*

JESSE A. WEATHERFORD, *Vice President — Director of Marketing (20)*

GEORGE T. WRENN, JR., *Vice President — Engineering and Refrigeration (28)*

FREDERIC A. EUSTIS II, *Assistant Secretary and Assistant Treasurer (17)*

GLADYS B. MORRIS, *Assistant Secretary (28)*

CLIFFORD N. YERBY, *Assistant Treasurer (44)*

Additional Operating Management

HENRY E. DIGGS, *Director of Personnel (1)*

EMORY A. GROSS, *Chief Engineer (1)*

LORING W. RUE, *Manager of Chemical Manufacturing (18)*

A. KENNETH SCRIBNER, JR., *Manager of Materials (25)*

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Transfer Agents

New England Merchants National Bank of Boston, *Boston*

United Virginia Bank, *Richmond*

Registrars

The First National Bank of Boston, *Boston*

The Central National Bank of Richmond, *Richmond*

Independent Accountants

Arthur Andersen & Co., *Washington*

ANNUAL MEETING

The management intends to solicit proxies for the annual meeting of shareholders to be held in Portland, Maine, on March 25, 1974, at 9 a.m. (E.D.T.)



3340 West Norfolk Road, Portsmouth, Virginia 23703
Telephone (804) 484-5000

EXHIBIT II
NOV. 14, 1974

STATE OF SOUTH CAROLINA)
) SS.
COUNTY OF CHESTER)

TO THE STATE BUDGET AND CONTROL
BOARD OF SOUTH CAROLINA

P E T I T I O N

The Petition of the County Board of Directors of Chester County (the "County Board") pursuant to Sections 63-195.51 to 63-195.65, inclusive, of the Code of Laws of the State of South Carolina, 1962, as amended, (the "Act"), and in particular Section 63-195.52 thereof, respectfully shows:

1. The County Board is the governing body of Chester County, as established by Section 14-1361 of the Code of Laws of the State of South Carolina, 1962, as amended, and as such is the "governing board" of Chester County referred to in the Act.

2. The act authorizes the County Board, subject to obtaining the approvals from the State Budget and Control Board and the South Carolina Department of Health and Environmental Control (successor by consolidation to the former Pollution Control Authority), required by Sections 65-195.63 and 63-195.56 of the Act, respectively, to enter into agreements with any industry to construct pollution control facilities, to enter into loan agreements with such industry prescribing the terms and conditions of the payments to be made by the industry to Chester County or its assignee to meet the payments that shall become due on bonds issued pursuant to the Act; and to issue bonds for the purpose of defraying the cost to such industry of acquiring by construction and purchase pollution control facilities.

3. The County Board has agreed with Virginia Chemicals, Inc., a Maine corporation (the "Company"), which owns and operates a chemical manufacturing facility for the manufacture of sodium bisulphite and hydrosulphite-based products at Leeds in Chester County, that Chester County will undertake to issue its 8 1/8% \$700,000 Pollution Control Revenue Bonds and will loan the proceeds to the Company. Such proceeds will be used by the Company to

reimburse the Company for its cost in acquiring, constructing and installing certain pollution control facilities to be installed at said manufacturing facilities for the purpose of eliminating, mitigating or preventing air and water pollution with the result that the air and water pollution resulting from the operation of said manufacturing facilities will be in compliance with the applicable statutes, rules and regulations. A copy of the financial statements for the Company for its fiscal year ended December 31, 1973 is attached hereto as Exhibit 1.

4. The County Board is advised by the Company that the cost of acquiring and installing said pollution control facilities (the "Project"), including the cost of issuing the bonds hereinafter described, will be approximately \$700,000, and that it will therefore be necessary that the County Board issue Pollution Control Revenue Bonds, Series 1974, in an amount not exceeding \$700,000 (the "Revenue Bonds") the proceeds of which shall be used to defray the cost of acquiring the Project, including the related costs of authorization, sale and issuance of the Revenue Bonds.

5. In a meeting held on October 31, 1974, the County Board of Chester County adopted a Resolution, attached hereto as Exhibit 2, providing for the authorization, execution and delivery of the Revenue Bonds and the below-mentioned Bond Purchase Agreement and Loan Agreement.

6. The South Carolina Department of Health and Environmental Control has certified that the Project is necessary and that the design thereof will result in the elimination, mitigation and prevention of air and water pollution as required by Section 63-195.56 of the Act, a copy of which certification is attached hereto as Exhibit 3.

7. For the reasons set forth above and hereinafter disclosed, the County Board has found as follows:

A. The Project will result in the elimination, mitigation and prevention of air and water pollution resulting from the operation of the Company's chemical manufacturing facilities in Chester County, South Carolina, and the financing of the Project will serve the purposes of the Act.

B. The Revenue Bonds shall be limited obligations of Chester County payable solely out of the moneys to be derived by Chester County pursuant to the Loan Agreement hereinafter

described and the Note.

C. Chester County has entered into a Bond Purchase Agreement dated as of November 1, 1974 (the "Bond Purchase Agreement") with Lincoln National Life Insurance Company ("Lincoln") pursuant to which Chester County will issue and Lincoln will purchase the Revenue Bonds; and a copy of said Bond Purchase Agreement is attached hereto as Exhibit 4.

D. The Loan Agreement dated as of November 1, 1974 (the "Loan Agreement") to be entered into between Chester County and the Company in substantially the form attached hereto as Exhibit 5 obligates the Company to pay an amount equal to the principal of and interest and premium, if any, on the Revenue Bonds.

E. The Loan Agreement further provides as permitted by the Act that the Project will be owned by the Company upon the acquisition and construction thereof, and Chester County shall have no interest therein except under the Loan Agreement and the Note evidencing the unsecured indebtedness of the Company to Chester County.

F. The principal of, interest and premium, if any, on the Revenue Bonds shall be secured by a pledge of the revenues derived from the Loan Agreement and the Note and neither the Revenue Bonds nor any coupons attached thereto shall ever constitute an indebtedness of Chester County within the meaning of any State constitutional provision or statutory limitation, nor ever constitute or give rise to a pecuniary liability of Chester County or a charge against its general credit or taxing powers.

8. Pursuant to the Act, the County Board sets forth the following information:

A. The Project to be financed out of the proceeds of the Revenue Bonds consist of facilities which the South Carolina Department of Health and Environmental Control has certified as being necessary and that the design thereof will result in the elimination, mitigation and prevention of air and water pollution, as more fully described in the Loan Agreement.

B. The cost of the Project is estimated to be not in excess of \$700,000, including acquisition and installation costs, financing costs and all other expenses to be incurred

in connection therewith and in connection with the issuance of the Revenue Bonds.

C. The Loan Agreement provides in general:

(a) To finance the cost of the acquisition and construction of the Project, Chester County will issue \$700,000 of Revenue Bonds which will be secured by a pledge of the revenues derived from the Loan Agreement and the Note.

(b) Proceeds derived from the sale of the Revenue Bonds are to be deposited with the Trustee and will be applied solely for the payment of or reimbursement to the Company of the costs of acquiring by construction and purchase of the Project, including the related costs of authorization, sale and issuance of the Revenue Bonds. Until needed for such purposes, such proceeds may be invested in accordance with general laws of South Carolina applicable to counties and any proceeds not needed for the purpose for which the Revenue Bonds will be issued will be applied to the payment of principal and interest on the Revenue Bonds.

(c) As permitted by the Act, the Project shall become the property of the Company upon the construction and acquisition thereof, and Chester County shall have no interest therein except under and by virtue of the Loan Agreement and the Note.

(d) The principal of and interest and premium, if any, on the Revenue Bonds shall be secured by a pledge of the revenues derived under the Loan Agreement and the Note and neither the Revenue Bonds nor any coupons attached thereto shall ever constitute an indebtedness of Chester County within the meaning of any state constitutional provision or statutory limitation, nor ever constitute an indebtedness of Chester County within the meaning of any state constitutional provision or statutory limitation, nor ever constitute or give rise to a pecuniary liability of Chester County or a charge against its general credit or taxing powers.

9. The Revenue Bonds are to be issued under the terms of an indenture of trust dated as of November 1, 1974, between Chester County and The First National Bank of Chicago, and a draft copy is attached hereto as Exhibit 6. It provides for the payment and

redemption of the Revenue Bonds, the establishment of a Bond Fund in which the proceeds of the payments made by the Company pursuant to the Loan Agreement are placed, and for the use of said fund for the payment of the Revenue Bonds. Said Indenture of Trust contains no provision imposing any pecuniary liability upon Chester County or which would create a charge upon its general credit or taxing power.

10. It is the intent of the County Board that the Loan Agreement and the Indenture of Trust shall be finally executed and delivered in substantially the form of those documents attached hereto, and, although changes may be made in the enclosed forms, it is not expected that there will be any changes which will substantially and adversely affect the undertaking of Chester County as now outlined therein.

Upon the basis of the foregoing, the County Board respectfully prays that the State Budget and Control Board accept the filing of this Petition together with the Exhibits attached hereto, and that the State Board as soon as practical make such investigation as it deems advisable, and that if it finds that the Project is intended to promote the purposes of the Act and may reasonably be anticipated to effect such result, that it approve the Project and the proposed financing thereof by Chester County through the issuance of Revenue Bonds pursuant to the Act, including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking of Chester County, and give published notice of its approval in the manner set forth in the Act.

This 13th day of November, 1974.

Respectfully submitted,

CHESTER COUNTY, SOUTH CAROLINA

By

J. Martin
Chairman of the County Board
of Chester County

(SEAL)

ATTEST:

J. B. McDowell
Secretary of the County Board
of Chester County

RESOLUTION

STATE OF SOUTH CAROLINA BUDGET AND CONTROL BOARD

WHEREAS, the County Board of Directors (the "County Board") of Chester County, South Carolina (the "County") did, pursuant to Sections 63-195.51 to 63-195.65, inclusive, of the Code of Laws of South Carolina, 1962, as amended (the "Act"), petition the State Budget and Control Board of South Carolina (the "State Board") seeking the approval of the State Board to an undertaking by the County pursuant to the Act; and

WHEREAS, the proposed undertaking consists of a loan in the amount of \$700,000 to Virginia Chemicals, Inc., a Maine corporation (the "Company"), for the purpose of defraying the costs of the acquisition and construction of certain air, water and solid waste pollution control facilities located within the County (the "Project") under and pursuant to the terms of a Loan Agreement dated as of November 1, 1974 (the "Loan Agreement"); and

WHEREAS, in order to finance the Project, the County proposes to provide for an issue and sale of 8 1/8% \$700,000 of Pollution Control Revenue Bonds (the "Revenue Bonds") to be issued under and pursuant to the terms of an Indenture of Trust (the "Indenture of Trust") dated as of November 1, 1974, between the County and The First National Bank of Chicago, as Trustee; and

WHEREAS, the Loan Agreement provides that the Company shall issue its $8\frac{1}{8}\%$ \$700,000 Pollution Control Note (the "Note") to evidence the indebtedness of the Company to the County and the Note and the Loan Agreement shall be pledged by the County with said Trustee under the Indenture of Trust to secure the Revenue Bonds; and

WHEREAS, neither the Revenue Bonds nor any interest payable thereon shall ever constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation, nor ever constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers; and

WHEREAS, drafts of the Loan Agreement, the Note, the Indenture of Trust and the Bond Purchase Agreement dated as of November 1, 1974 between the County and the Lincoln National Life Insurance Company have been submitted to and considered by this State Board, together with such other documents and matters relating to the issue and sale of the Revenue Bonds and the acquisition and construction of the Project as are deemed necessary by this State Board;

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

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

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

(b) That the County Board has filed a proper petition to the State Board setting forth a brief description of the Project; the action taken by the South Carolina Department of Health and Environmental Control in connection with the Project; a reasonable estimate of the cost of the Project; and a general summary of the terms and conditions of the Loan Agreement and the Indenture of Trust to be entered into by the County.

(c) That the Project (as designed) will provide for the elimination, mitigation or prevention of pollution in the air and water, and will be of benefit to the County and adjoining areas; and

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

2. On the basis of the foregoing findings, the proposed undertaking of the County to loan money to the Company for the acquisition and construction of the Project and to finance the cost thereof through the issuance of Revenue Bonds under the Indenture Trust to be paid out of the revenues to be derived under the Loan Agreement the Note, be and the same is hereby approved in every respect.

3. Notice of the action of the State Board in giving approval to the undertaking of Chester County above described shall be published once in a newspaper having general circulation in Chester County, South Carolina.

4. The notice to be published shall be in the form substantially as set forth as Exhibit A attached hereto.

NOTICE PURSUANT TO SECTION 63-195.63
CODE OF LAWS OF SOUTH CAROLINA, 1962; AS AMENDED

Notice is hereby given that following the filing of a Petition by the County Board of Directors (the "County Board") of Chester County, South Carolina (the "County"), approval has been given by the State Budget and Control Board to the following undertaking, viz.:

The loan by the County to Virginia Chemicals Inc. (the "Company") of \$700,000 for the purpose of defraying the costs of the acquisition and construction of certain air, water and solid waste pollution control facilities on land now owned by the Company at its chemical manufacturing facility at Leeds in Chester County, South Carolina. To finance such cost of the pollution control facilities through the loan to the Company, the County will issue its 8 1/8% \$700,000 pollution control revenue bonds ("Revenue Bonds"). The Revenue Bonds will be payable solely in the amounts to be paid to the County under and pursuant to the terms of a Loan Agreement between the County and the Company and neither the Revenue Bonds nor any interest thereon shall ever constitute an indebtedness to the County within the meaning of any state constitutional provision or statutory limitations nor ever constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

Notice is further given that any interested party may at any time within twenty (20) days after the date of the publication of this notice, challenge the validity of such approval of the State Budget and Control Board, by action de novo instituted in the Court of Common Pleas for Chester County, South Carolina.

THE STATE BUDGET AND CONTROL BOARD
OF SOUTH CAROLINA

BY

Secretary

Publication Date:

_____, 1974

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

I, W. T. Putnam, Assistant Auditor of the State of South Carolina, and Assistant Secretary of the State Budget and Control Board, DO HEREBY CERTIFY:

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

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

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

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

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

The Honorable F. Julian LeaMond, Chairman of the House Ways and Means Committee.

That due notice of meeting of said Board, called to be held at the office of the Governor, in the Capitol Building, at Columbia, South Carolina, at 3:00 P. M., November 14, 1974, was given to all members in writing, and at least four (4) days prior to said meeting; that all members of said Board were present at said meeting, with the exception of:

Mr. LeaMond

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

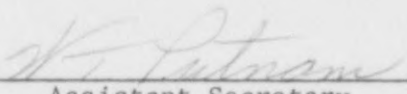
FOR MOTION

4

AGAINST MOTION

0

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



Assistant Secretary

November 15, 1974

Chester, South Carolina

October 31 , 1974

The County Board of Directors of Chester County, South Carolina, convened in public session at the regular meeting place of the Board in the County Courthouse, at 4:00 o'clock, P.M., on October 31, 1974, with the following members present:

Joseph F. Martin , Chairman
Richard Collins , Director
Marion M. Thomas , Director
L. W. Pittman , Director
_____, Director

There was also present J. B. McDowell, County Manager.

After the meeting had been duly called to order by the Chairman and the roll called with the above result, and after the minutes of the preceding meeting had been read and approved, the following resolution was introduced in written form by Paul Hemphill, Jr. , was read in full, and, after due discussion, pursuant to motion made by Marion M. Thomas , and seconded by L. W. Pittman was adopted by the following vote:

Aye: Richard Collins
Marion M. Thomas
L. W. Pittman

Nay:

A RESOLUTION authorizing the issuance of \$700,000 Pollution Control Revenue Bonds dated November 1, 1974, of Chester County, South Carolina; authorizing the loan of the proceeds from said bonds to Virginia Chemicals Inc. for the purpose of defraying the costs of the acquisition and construction of certain air, water and solid waste pollution control facilities under and pursuant to the terms contained in the Loan Agreement dated as of November 1, 1974 between Chester County and Virginia Chemicals Inc.; authorizing the execution and delivery of a Trust Indenture dated as of November 1, 1974 from Chester County to The First National Bank of Chicago, as Trustee; authorizing the execution and delivery of a Bond Purchase Agreement dated as of November 1, 1974 between The Lincoln National Life Insurance Company, Virginia Chemicals Inc. and Chester County and authorizing the sale of said bonds to the purchaser thereof and related matters.

WHEREAS, Sections 63-195.51 to 63-195.65, inclusive, Code of Laws of South Carolina, 1962, as amended, (the "Act"), authorize and empower, among other things, counties of the State of South Carolina to issue revenue bonds and loan the proceeds therefrom to a corporation operating any manufacturing enterprise for the purpose of financing pollution control facilities (as such term is defined in the Act), subject to obtaining approvals from the State of South Carolina Budget and Control Board and the State of South Carolina Department of Health and Environmental Control; and

WHEREAS, pursuant to and in accordance with the provisions of the Act, Chester County (hereinafter sometimes referred to as the "Issuer"), a body politic and corporate and a political subdivision of the State of South Carolina, has agreed, subject to obtaining the approvals referred to in the preceding recital, to make a loan to Virginia Chemicals Inc., a Maine corporation (the "Company"), for the purpose of financing the acquisition and construction of certain air, water and solid waste pollution control facilities, including all machinery and other equipment required for said pollution control facilities, all to be located in Chester County, South Carolina (the "Project"); and

WHEREAS, the Issuer proposes to finance the Project as an authorized pollution control facility under said Act by the issuance of revenue bonds of the Issuer and by loaning the proceeds therefrom to the Company; and

WHEREAS, it has been determined that the estimated amount

necessary to loan to the Company to finance the cost of the pollution control facilities constituting the Project, including authorized costs related thereto, will require the issuance, sale and delivery, from time to time, of Pollution Control Revenue Bonds, in the aggregate principal amount of \$700,000 (the "Revenue Bonds"), as hereinafter provided; and

WHEREAS, the Revenue Bonds are to be issued under and pursuant to an Indenture of Trust dated as of November 1, 1974 between the Issuer and The First National Bank of Chicago, as Trustee (the "Indenture"); and

WHEREAS, the Revenue Bonds will be secured by a pledge of the Loan Agreement dated as of November 1, 1974 between the Company and the Issuer (the "Loan Agreement") and the Company's 8 1/8% \$700,000 Pollution Control Note (the "Note") issued pursuant to the Loan Agreement to evidence the loan made thereunder; and

WHEREAS, the Revenue Bonds are to be sold pursuant to the terms of a Bond Purchase Agreement dated as of November 1, 1974 between the Issuer and The Lincoln National Life Insurance Company, as purchaser (the "Bond Purchase Agreement"); and

WHEREAS, it is necessary for the Issuer to execute and deliver the Revenue Bonds, the Indenture, the Loan Agreement and the Bond Purchase Agreement; and

WHEREAS, it is necessary and proper and for the interests and convenience of the Issuer and its inhabitants to aid in the acquisition and construction of the Project for the elimination, mitigation and prevention of pollution in the air and in the water; and

WHEREAS, prior to the issuance and delivery of the Revenue Bonds the South Carolina Department of Health and Environmental Control (the lawfully constituted and duly authorized successor to the Pollution Control Authority) will certify that the Project is in furtherance of the purpose of abating or controlling atmospheric pollutants or contaminants or water pollution and enter a finding that the Project is necessary and that the design thereof will result in the elimination, mitigation and prevention of air and water pollution;

NOW, THEREFORE, BE IT RESOLVED by the County Board of Directors of Chester County, South Carolina, as follows:

Section 1. That there be and there is hereby authorized and directed:

(a) The execution, issuance, sale and delivery of \$700,000 Pollution Control Revenue Bonds, dated November 1, 1974 pursuant to the Bond Purchase Agreement, for the purposes expressed in the preamble hereto and having the form, details and specifications set out in the Indenture; and

(b) The loan in the aggregate principal amount of \$700,000 to the Company for the Project pursuant to the Loan Agreement for the purposes expressed in the preamble hereto and to be evidenced by the Note.

Section 2. To provide for the authorization of and to secure the Revenue Bonds to finance the Project, including authorized costs related thereto, and to prescribe the terms and conditions upon which the Revenue Bonds are to be secured, executed, authenticated and held, the Chairman of the County Board of Directors is hereby authorized and directed to execute and acknowledge the Indenture and the Secretary of the County Board of Directors is hereby authorized and directed to execute said Indenture and to affix the seal of the County thereto and to attest the same, and the Chairman and Secretary are hereby authorized and directed to cause said Indenture to be delivered to, accepted, executed and acknowledged by The First National Bank of Chicago, as Trustee, said Indenture, which constitutes and is hereby made a part of this authorizing resolution, to be in substantially the form attached hereto as Exhibit A.

Section 3. That Chester County, South Carolina, loan to the Company \$700,000 said loan to be evidenced by the Note and to be used for the purpose of defraying the costs of acquisition and construction of the Project described in the form of Loan Agreement herein authorized pursuant to the terms and conditions set out fully in the form of Loan Agreement and that there be and there is hereby authorized the execution of the Loan Agreement by and between said Chester County, South Carolina and the Company in substantially the form attached hereto as Exhibit B and made a part hereof, and the Chairman and Secretary of the County Board of Directors be, and they are hereby authorized and directed to execute, acknowledge and deliver said Loan Agreement for and on behalf of said Chester County.

Section 4. The sale of the Revenue Bonds to The Lincoln National Life Insurance Company (the "Purchaser") pursuant to the Bond Purchase Agreement with the Purchaser at a price of \$700,000 and accrued interest from November 1, 1974 to the date of delivery, is hereby authorized, approved and confirmed, and a Bond Purchase Agreement substantially in the form attached hereto as Exhibit C is hereby authorized to be executed, acknowledged and delivered on behalf of the Issuer by the Chairman of the County Board of Directors and said Revenue Bonds shall be printed, executed and authenticated as soon as may be following adoption of this resolution and delivered to the Purchaser upon payment therefor pursuant to the Bond Purchase Agreement.

Section 5. That the Chairman and Secretary of the County Board of Directors for and on behalf of the Issuer be and they are hereby each authorized and directed to do any and all things necessary to effect the execution and delivery of the Loan Agreement, the Indenture and acceptance thereof by the Trustee, the performance of all obligations of the Issuer under and pursuant to the Indenture, and the execution and delivery of the Revenue Bonds; and The First National Bank of Chicago, as Trustee, is hereby authorized to receive and receipt for the proceeds of the Revenue Bonds on behalf of the Issuer and to hold, invest and disburse said proceeds in accordance with the provisions of said Indenture. All provisions of the Indenture, including those with respect to the Loan Agreement, the issuance, delivery and receipt of the proceeds of the Revenue Bonds and the receipt, custody, investment and application of the amounts to be received pursuant to the Loan Agreement and the Note are hereby in all respects adopted, ratified and confirmed for and on behalf of the Issuer.


Section 6. That it is hereby found, determined and declared that the entire cost of the loan to the Company will be out of the proceeds from the sale of Revenue Bonds; that none of said Revenue Bonds will be general obligations of the Issuer nor shall any of the Revenue Bonds, including interest or premium thereon, constitute or give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers, but shall be secured only by a pledge of the Loan Agreement and the Note; and that no part of said costs will be payable out of the general funds or other contributions of the Issuer nor will any land owned by the Issuer be used in connection with the Project.

Section 7. That the provisions of this Resolution are hereby declared to be separable, and if any section, phrase or provision shall for any reason be declared by a court of competent jurisdiction to be invalid or unenforceable, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.

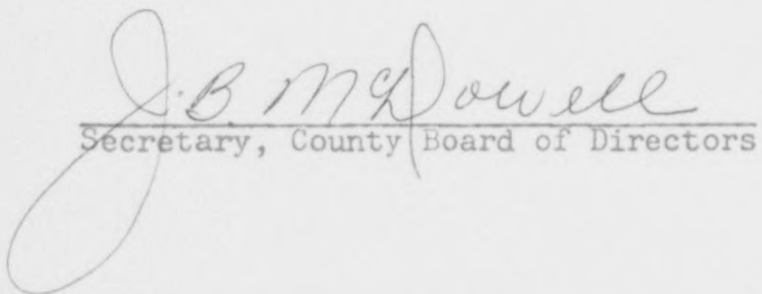
Section 8. That all orders and resolutions and parts thereof in conflict herewith are to the extent of such conflict hereby repealed, and this resolution shall take effect and be in full force from and after its passage and approval.

Passed and approved

October 31, 1974.


Chairman, County Board of Directors

Attest:


Secretary, County Board of Directors

STATE OF SOUTH CAROLINA)
) SS.
COUNTY OF COLUMBIA)

CERTIFICATE

The South Carolina Department of Health and Environmental Control (the "Department") does hereby certify as follows:

1. That the Department constitutes the state agency exercising jurisdiction over the subject matter herein;
2. That Virginia Chemicals, Inc. ("Virginia Chemicals") has filed with the Department applications of March 2, 1973 and May 18, 1973, for construction permits for air and water pollution control facilities (the "Project") for its chemical manufacturing facilities at Leeds in Chester County, South Carolina, and pursuant thereto Permits Nos. 2671-C; P/C-12-002; P/C-12-003; and P/C-12-005 all issued;
3. That the Department is the properly designated state agency for processing permit applications and information of the character referred to above;
4. That the Project (as designed), as summarily described in Exhibit A attached hereto and as more fully described in the engineering documents, drawings and other material and information previously submitted to the Department, is in furtherance of the purpose of abating or controlling atmospheric pollutants or contaminants or water pollution within the meaning of Section 1.103-8(g)(2)(i)(b) of the Federal Income Tax Regulations;
5. That the Project is necessary and that the design thereof will result in elimination, mitigation, and prevention of air and water pollution within the meaning of Section 63-195.56 of the Pollution Control Facilities Act enacted by the South Carolina General Assembly by enactment of Act No. 156 of 1971 (Sections 63-195.51 to 63-195.65 inclusive of the

code of Laws of the State of South Carolina, 1962, as amended): and

6. That in our opinion the Project, with proper operation and maintenance, can comply with South Carolina Air Pollution Regulations and Standards, but this Certificate does not relieve Virginia Chemicals or the owner of the Project of responsibility for compliance with all applicable State and Federal Regulations and Standards.

IN WITNESS WHEREOF, this Certificate is officially signed at Columbia, South Carolina, this 6th day of November, 1974.

SOUTH CAROLINA DEPARTMENT OF HEALTH
AND ENVIRONMENTAL CONTROL

By E. Smith Aycock M.D.
Its Commissioner

EXHIBIT "A"

SUBJECT: Pollution Control Facilities
at Leeds, South Carolina

I Water Pollution Control		
A.	Water drainage from the area surrounding the sodium bisulfite plant.	\$ 26 466
B.	Water drainage from the area surrounding the sodium hydrosulfite plant.	7 653
C.	Water drainage from the area surrounding the caustic concentrator.	25 421
D.	Water drainage from the area surrounding the sodium hydrosulfite tank farm.	149 135
E.	Water drainage from the area surrounding the formate manufacturing process.	19 059
F.	Water drainage from the area surrounding the liquid sodium hydrosulfite facilities.	9 393
G.	Sanitary collection. Amount represents cost in excess of conventional sewage collection system.	7 019
H.	Piping to conduct water periodically purged (blow-down) from the cooling water system to the waste treatment facility.	1 359
I.	The activated sludge waste treatment system into which these seven water collection systems flow prior to the treated water entering the Broad River.	\$326 300
	(a) Plastic Liner	12 500
	(b) Engineering design of the activated sludge treatment system by J.E. Strrine Company.	+ 31 531
		370 331
J.	The system which collects a co-product from the bottom of a column including storage and shipping facilities. Amount represents cost of storing and loading vs. draining to river.	\$ 87 474
	(a) Plastic Liner	+ 12 500
		99 974
II Air Pollution Control		
A.	Dust collection system. Amount represents difference between blowing out of room and collecting, dissolving in water, and conducting to the waste treatment system.	21 038
III General		
A.	VCI Engineering	5 000
B.	Legal fees, closing costs, financial advisor, trustee fees, and related costs and disbursements	36 438
IV Sale of Recovered Material		
	Present value of the co-product recovered (See Item I - J)	- 78 286
		<u>\$ 700 000</u>

CHESTER COUNTY, SOUTH CAROLINA

TO

THE FIRST NATIONAL BANK OF CHICAGO

as Trustee

TRUST INDENTURE

Dated as of November 1, 1974

EXHIBIT 6
(P. C.)

TRUST INDENTURE
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(This Table of Contents is not a part of this Trust Indenture
and is only for convenience of reference.)

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TRUST INDENTURE

THIS TRUST INDENTURE dated as of the first day of November, 1974 by and between CHESTER COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina, acting through its Board of County Directors, party of the first part (hereinafter sometimes referred to as the "Issuer"), and THE FIRST NATIONAL BANK OF CHICAGO, a banking association duly organized, existing and authorized to accept and execute trusts of the character herein set out under the laws of the United States of America with its principal office, domicile and post office address located at One First National Plaza, P.O. Box A, Chicago, Illinois 60690, as Trustee, party of the second part;

W I T N E S S E T H:

WHEREAS, the Pollution Control Facilities Act contained in Section 63-195.51 to 63-195.65, inclusive, of the Code of Laws of South Carolina, as amended (the "Act"), empowers the governing boards of the several counties of the State of South Carolina to enter into agreements with any industry to construct and thereafter operate, maintain and improve facilities designed for the elimination, mitigation or prevention of air or water pollution, to enter into loan agreements with such industry, prescribing the terms and conditions of the payments to be made by the industry to meet the payments that shall become due on bonds and to issue bonds for the purpose of defraying the cost of acquiring by construction and purchase pollution control facilities; and

WHEREAS, subject to obtaining approvals from the State Budget and Control Board of South Carolina and the South Carolina Department of Health and Environmental Control as required by the Act, the Issuer has agreed with Virginia Chemicals Inc., a Maine corporation (hereafter referred to as the "Company"), to issue its bonds hereunder and to loan the proceeds received from the sale of such bonds to the Company for the purpose of financing the cost of acquiring by construction or purchase the Project (hereinafter defined) to be used for the elimination, mitigation or prevention of air and water pollution, and Issuer has further entered into a loan agreement dated as of September 1, 1974, (hereafter as from time to time amended being referred to as the "Loan Agreement") with the Company providing for the completion of the Project, the issuance of the bonds and the loaning of the proceeds to the Company; and

WHEREAS the execution and delivery of this Trust Indenture (hereinafter sometimes referred to as the "Indenture"), and the issuance of the bonds under the Act have been in all respects duly and validly authorized by the Board of County Directors; and

WHEREAS, it has been determined that in order to obtain funds to loan to the Company to pay the cost of the Project, including necessary expenses incidental thereto, the Issuer will issue its 8 1/8% Pollution Control Revenue Bonds (Virginia Chemicals Inc. Project), in the aggregate principal amount of \$ 700,000 (hereinafter sometimes referred to as the "Bonds"); and

WHEREAS, the \$ 700,000 principal amount of Bonds to be issued, the interest coupons to be attached thereto, and the Trustee's Certificate of Authentication to be endorsed on such Bonds, are all to be in substantially the following form, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture, to wit:

NOTE: NO COUPON BONDS MAY BE
ISSUED UNTIL THE TRUSTEE HAS
RECEIVED THE OPINION OF COUNSEL
REFERRED TO IN SECTION 202 OF THIS
INDENTURE.

(Form of Coupon Bond)

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
CHESTER COUNTY
Pollution Control Revenue Bond
(Virginia Chemicals Inc. Project)

No.

\$5,000

KNOW ALL MEN BY THESE PRESENTS that Chester County, a body politic and corporate and a political subdivision of the State of South Carolina, acting through its Board of County Directors (hereinafter called the "Issuer"), for value received, promises to pay from the source and as hereinafter provided, to bearer, or, if this Bond be registered to the registered owner hereof, on December 31, 199_, the principal sum of Five Thousand Dollars (\$5,000) and in like manner to pay interest on said sum from the date hereof at the rate of eight and one eighth per cent (8 1/8%) per annum on June 30, 1975 and semiannually thereafter on December 31 and June 30 of each year until said principal sum is paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may become applicable hereto, both principal of and interest on this Bond being payable in lawful money of the United States of America at the principal office of The First National Bank of Chicago, in the City of Chicago, Illinois, as Trustee, or its successor in trust.

This Bond is one of a series of Bonds issued under the hereinafter described indenture in the aggregate principal amount of \$ 700,000 (hereinafter referred to as the "Bonds") for the purpose of defraying, in whole or in part, the cost of acquiring facilities which are designed for the elimination or prevention of air and water pollution or contribute to such elimination (such facilities being hereinafter called the "Project") and paying expenses incidental thereto, so as to promote the health and welfare of Chester County, South Carolina. The Project is owned by Virginia Chemicals Inc., a Maine corporation (hereinafter called the "Company"), which has agreed pursuant to a Loan Agreement dated as of November 1, 1974 (which agreement, as from time to time supplemented and amended, is hereinafter referred to as the "Loan Agreement") and its unsecured promissory note dated November 1, 1974 in the principal amount of \$ 700,000 (hereinafter referred to as the "Note") to make payments equal to the payments of principal of, and premium, if any, and interest on, the Bonds as the same become due. The Company, in a Guaranty Agreement with the Trustee dated as of November 1, 1974 (hereinafter referred to as the "Guaranty"), has unconditionally guaranteed payment of principal of, premium, if any, and interest on the Bonds.

The Bonds are all issued under and equally and ratably secured and entitled to the security of a Trust Indenture dated as of November 1, 1974 (hereinafter referred to as the "Indenture") duly executed and delivered by the Issuer to The First National Bank of Chicago, in the City of Chicago, Illinois, as Trustee (the term "Trustee" where used herein referring to said Trustee or its successors in said trust), which assigns to the Trustee as security for the Bonds, the Issuer's rights under the Loan Agreement and the Note, a copy of which Indenture is filed with the Trustee. Reference is made to the Indenture and to all indentures supplemental thereto for the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Issuer and the Trustee, the rights of the holders of the Bonds, the terms on which the Bonds are or may be issued and secured, and to all the provisions of which the holder hereof by the acceptance of this Bond assents.

This Bond and appurtenant coupons are fully negotiable and shall pass by delivery, but this Bond may be registered as to principal on the registration books of the Issuer in the principal office of the Trustee as Bond Registrar, upon presentation hereof at such office and the notation of such registration endorsed hereon by the Bond Registrar, and this Bond may thereafter be transferred on such books at the written request of the registered owner or by duly authorized attorney, evidence of such transfer to be in like manner endorsed hereon. Such transfer may be to bearer, and thereby transferability by delivery shall be restored, subject, however, to successive registrations and transfers as

before. The principal of this Bond if registered, unless registered to bearer, shall be payable only to or upon the order of the registered owner or his legal representative. Interest accruing on this Bond will be paid only on presentation and surrender of the attached interest coupons as they respectively become due, and registration of this Bond as to principal as aforesaid will not affect the transferability by delivery of such coupons.

The Bonds are issuable as coupon Bonds, registrable as to principal only, in the denomination of \$5,000 and as registered Bonds without coupons in denominations of \$5,000 and any authorized multiple thereof. Subject to the limitations and upon payment of the charges provided in the Indenture, registered Bonds without coupons may be exchanged for a like aggregate principal amount of coupon Bonds of the same series and the same maturity, bearing all unmatured coupons (and any matured coupons in default) or for a like aggregate principal amount of registered Bonds without coupons of the same series and the same maturity of other authorized denominations, and coupon Bonds bearing all unmatured coupons (and any matured coupons in default) may be exchanged for a like aggregate principal amount of registered Bonds without coupons of the same series and the same maturity of authorized denominations.

The Bonds are callable for redemption in the event (1) the Company shall exercise its option to prepay the Note as provided in subsection (a), (b) or (c) of Section 7.1 of the Loan Agreement or (2) a Determination of Taxability (as defined in the Loan Agreement) occurs pursuant to Section 7.3 of the Loan Agreement. If called for redemption as a result of the event referred to in (1) above, such Bonds shall be subject to redemption by the Issuer on any interest payment date, in whole, at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date. If called for redemption as a result of the event referred to in (2) above, such Bonds shall be subject to redemption by the Issuer at any time as a whole at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date plus a premium equal to 3% of the principal amount thereof for each six month period or part thereof elapsed between the date on which interest on the Bonds became subject to Federal income taxation and the redemption date all as provided in Section 7.3 of the Loan Agreement.

Any of the Bonds as may be outstanding are also subject to redemption by the Issuer prior to maturity on any interest payment date on or after December 31, 1984, in whole or in part in the inverse order of their maturity (less than all of such Bonds of a single maturity to be selected by lot in such manner as may be designated by the Trustee), at the redemption prices

(expressed as percentages of principal amount) set forth in the table below plus accrued interest to the redemption date:

<u>Redemption Date</u>	<u>Redemption Price</u>
December 31, 1984 and June 30, 1985	105%
December 31, 1985 and June 30, 1986	104-1/2%
December 31, 1986 and June 30, 1987	104%
December 31, 1987 and June 30, 1988	103-1/2%
December 31, 1988 and June 30, 1989	103%
December 31, 1989 and June 30, 1990	102-1/2%
December 31, 1990 and June 30, 1991	102%
December 31, 1991 and June 30, 1992	101-1/2%
December 31, 1992 and June 30, 1993	101%
December 31, 1993 and June 30, 1994	100-1/2%

In the event any of the Bonds are called for redemption as aforesaid, notice thereof identifying the Bonds to be redeemed will be given by publication at least twice in a newspaper or financial journal of general circulation published in the City of New York, New York, the first of which shall be published not less than thirty days prior to the redemption date, and in the case of the redemption of Bonds at the time registered as to principal (except to bearer) or both principal and interest, upon mailing a copy of the redemption notice by registered or certified mail at least 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of Bonds. If all of the Bonds to be redeemed are at that time registered as to principal (except to bearer), notice by mailing given by registered or certified mail to the registered owner or owners thereof, at their addresses shown on the registration books, not less than thirty days prior to the date fixed for redemption shall be sufficient and published notice of the call for redemption need not be given. All Bonds so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time, and shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture. If, because of the temporary or permanent suspension of the publication or general circulation of any newspaper or financial journal or for any other reason, it is impossible or impractical to publish such notice of call for redemption in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of notice.

This Bond and such other Bonds of the series of which it forms a part are issued pursuant to and in full compliance with the Constitution and laws of the State of South Carolina, particularly Sections 63-195.51 to 63-195.65, inclusive, Code of Laws

of South Carolina, as supplemented and amended, and pursuant to proceedings adopted by the Board of County Directors of the Issuer which proceedings authorize the execution and delivery of the Indenture. This Bond and the series of which it forms a part and the interest coupons appertaining hereto are limited obligations of the Issuer and are payable solely from the revenues and receipts derived from the Loan Agreement and the Note and otherwise as provided in the Indenture and the Loan Agreement. The Bonds and the interest coupons appertaining thereto shall never constitute an indebtedness of the Issuer within the meaning of any State constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers. Pursuant to the provisions of the Loan Agreement and the Note, payments sufficient for the prompt payment when due of the principal of, premium, if any, and interest on the Bonds are to be paid by the Company to the Trustee for the account of the Issuer and deposited in a special account created by the Issuer and designated "Chester County Pollution Control Revenue Bond Fund - Virginia Chemicals Inc. Project", and such payments have been duly pledged for that purpose.

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

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

This Bond and the coupons appertaining hereto shall not be valid or become obligatory for any purpose or be entitled to

any security or benefit under the Indenture until the certificate of authentication hereon shall have been duly executed by the Trustee.

IN WITNESS WHEREOF, Chester County, acting through its Board of County Directors, has caused this Bond to be executed in its name by the manual signature of the Chairman of its Board of County Directors and attested by the facsimile signature of its _____, and its corporate seal to be hereunto affixed or imprinted hereon, and has caused the interest coupons attached hereto to be executed by the facsimile signature of said Chairman, all as of the first day of September, 1974.

CHESTER COUNTY

By

Chairman of the Board of
County Directors

(SEAL)

ATTEST:

(facsimile)

(Form of Trustee's Certificate of Authentication)

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

THE FIRST NATIONAL BANK OF CHICAGO,
as Trustee

By

Authorized Officer

(Form of Interest Coupon)

No. _____

\$ _____

On the first day of _____, 19____, Chester County (unless the Bond to which this coupon appertains shall have been duly called for previous redemption and payment of the redemption price shall have been made or provided for) will pay to bearer, subject to the provisions of the Indenture and upon presentation and surrender of this coupon at the principal office of The First National Bank of Chicago, in the City of Chicago, Illinois, or its successor in trust, the amount shown hereon, as provided in and being semiannual interest then due on its Pollution Control Revenue Bond, (Virginia Chemicals Inc. Project), dated November 1, 1974 and numbered _____.

(Facsimile)

Chairman, Board of County Directors

(Form of Registration)

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

(Form of Series 1974
Fully Registered Bond)

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
CHESTER COUNTY
Pollution Control Revenue Bond
(Virginia Chemicals Inc. Project)

TRANSFER RESTRICTED

THIS BOND AND OTHER DEBT SECURITIES ISSUED IN RELATED TRANSACTIONS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS BOND HAS BEEN ACQUIRED FOR INVESTMENT ONLY WITHOUT A VIEW TOWARD ITS DISTRIBUTION AND HAS BEEN ACQUIRED SUBJECT TO THE RESTRICTIONS SET FORTH BY LETTER DATED NOVEMBER 1, 1974, TO VIRGINIA CHEMICALS INC. IT MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT ON THE TERMS SET FORTH IN THE AFOREMENTIONED LETTER, A COPY OF WHICH IS ON FILE IN THE OFFICE OF THE TRUSTEE UNDER THE INDENTURE PURSUANT TO WHICH THIS BOND WAS ISSUED.

No. R

\$ 700,000

KNOW ALL MEN BY THESE PRESENTS that Chester County, a body politic and corporate and a political subdivision of the State of South Carolina, acting through its Board of County Directors (hereinafter called the "Issuer"), for value received, promises to pay from the source and as hereinafter provided, to _____, or registered assigns, on December 31, 199_, the principal sum of \$700,000 Dollars and in like manner to pay interest on said sum from the date hereof at the rate of eight and one-eighth per cent (8 1/8%) per annum semiannually on June 30 and December 31 of each year until said principal sum is paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may become applicable hereto, both principal of and interest on this Bond being payable in lawful money of the United States of America at the principal office of The First National Bank of Chicago, in the City of Chicago, Illinois, as Trustee, or its successor in trust.

This Bond is one of a series of Bonds issued under the hereinafter described indenture in the aggregate principal amount of \$ 700,000 (hereinafter referred to as the "Bonds") for the purpose of defraying, in whole or in part, the cost of acquiring facilities which are designed for the elimination or prevention of air and water pollution or contribute to such elimination (such facilities being hereinafter called the "Project") and paying

expenses incidental thereto, so as to promote the health and welfare of Chester County, South Carolina. The Project is owned by Virginia Chemicals, Inc., a Maine corporation (hereinafter called the "Company"), which has agreed pursuant to a Loan Agreement dated as of November 1, 1974 (which agreement, as from time to time supplemented and amended, is hereinafter referred to as the "Loan Agreement") and its unsecured promissory note dated November 1, 1974 in the principal amount of \$700,000 (hereinafter referred to as the "Note") to make payments equal to the payments of principal of, and premium, if any, and interest on, the Bonds as the same become due.

The Bonds are all issued under and equally and retably secured and entitled to the security of a Trust Indenture dated as of November 1, 1974 (hereinafter referred to as the "Indenture") duly executed and delivered by the Issuer to The First National Bank of Chicago, in the City of Chicago, Illinois, as Trustee (the term "Trustee" where used herein referring to said Trustee or its successors in said trust), which assigns to the Trustee as security for the Bonds, the Issuer's rights under the Loan Agreement and the Note, a copy of which Indenture is filed with the Trustee. Reference is made to the Indenture and to all indentures supplemental thereto for the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Issuer and the Trustee, the rights of the holders of the Bonds, the terms on which the Bonds are or may be issued and secured, and to all the provisions of which the holder hereof by the acceptance of this Bond assents.

This Bond is transferable by the registered holder hereof in person or by his attorney duly authorized in writing at the principal office of the Trustee in Chicago, Illinois, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new registered Bond or Bonds without coupons of the same series and the same maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

The Issuer and the Trustee may deem and treat the registered holder hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and premium, if any, hereon and interest due hereon and for all other purposes and neither the Board nor the Trustee nor any paying agent shall be affected by any notice to the contrary.

The Bonds are initially issuable as registered Bonds without coupons in denominations of \$5,000 and any authorized multiple thereof. After the receipt of the opinion referred to in Section 202 of the Indenture coupon Bonds, registrable as to principal only in the denomination of \$5,000 each may be issued and subject to the limitations and upon payment of the charges provided in the Indenture, registered Bonds without coupons may be exchanged for a like aggregate principal amount of coupon Bonds of the same series and the same maturity, bearing all unmatured coupons (and any matured coupons in default) or for a like aggregate principal amount of registered Bonds without coupons of the same series and the same maturity of other authorized denominations, and coupon Bonds bearing all unmatured coupons (and any matured coupons in default) may be exchanged for a like aggregate principal amount of registered Bonds without coupons of the same series and the same maturity of authorized denominations.

The Bonds are callable for redemption in the event (1) the Company shall exercise its option to prepay the Note as provided in subsection (a), (b) or (c) of Section 7.1 of the Loan Agreement or (2) a Determination of Taxability (as defined in the Loan Agreement) occurs pursuant to Section 7.3 of the Loan Agreement. If called for redemption as a result of the event referred to in (1) above, such Bonds shall be subject to redemption by the Issuer on any interest payment date, in whole, at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date. If called for redemption as a result of the event referred to in (2) above, such Bonds shall be subject to redemption by the Issuer at any time as a whole at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date plus a premium equal to 3% of the principal amount thereof for each six month period or part thereof elapsed between the date on which interest on the Bonds became subject to Federal income taxation and the redemption date all as provided in Section 7.3 of the Loan Agreement.

Any of the Bonds as may be outstanding are also subject to redemption by the Issuer prior to maturity on any interest payment date on or after December 31, 1984 in whole or in part in the inverse order of their maturity (less than all of such Bonds of a single maturity to be selected by lot in such manner as may be designated by the Trustee), at the redemption prices (expressed as percentages of principal amount) set forth in the table below plus accrued interest to the redemption date:

<u>Redemption Date</u>	<u>Redemption Price</u>
December 31, 1984 and June 30, 1985	105%
December 31, 1985 and June 30, 1986	104-1/2%
December 31, 1986 and June 30, 1987	104%
December 31, 1987 and June 30, 1988	103-1/2%
December 31, 1988 and June 30, 1989	103%
December 31, 1989 and June 30, 1990	102-1/2%
December 31, 1990 and June 30, 1991	102%
December 31, 1991 and June 30, 1992	101-1/2%
December 31, 1992 and June 30, 1993	101%
December 31, 1993 and June 30, 1994	100-1/2%

In the event any of the Bonds are called for redemption as aforesaid, notice thereof identifying the Bonds to be redeemed will be given by publication at least twice in a newspaper or financial journal of general circulation published in the City of New York, New York, the first of which shall be published not less than 30 days prior to the redemption date, and in the case of the redemption of Bonds at the time registered as to principal (except to bearer) or both principal and interest, upon mailing a copy of the redemption notice by registered or certified mail at least 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of Bonds. If all of the Bonds to be redeemed are at that time registered as to principal (except to bearer), notice by mailing given by registered or certified mail to the registered owner or owners thereof, at their addresses shown on the registration books, not less than 30 days prior to the date fixed for redemption shall be sufficient and published notice of the call for redemption need not be given. All Bonds so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time, and shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture. If, because of the temporary or permanent suspension of the publication or general circulation of any newspaper or financial journal or for any other reason, it is impossible or impractical to publish such notice of call for redemption in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of notice.

This Bond and such other Bonds of the series of which it forms a part are issued pursuant to and in full compliance with the Constitution and laws of the State of South Carolina, particularly Sections 63-195.51 to 63-195.65, inclusive, Code of Laws

of South Carolina, as supplemented and amended, and pursuant to proceedings adopted by the Board of County Directors of the Issuer, which proceedings authorize the execution and delivery of the Indenture. This Bond and the series of which it forms a part are limited obligations of the Issuer and are payable solely from the revenues and receipts derived from the Loan Agreement and the Note and otherwise as provided in the Indenture and the Loan Agreement. The Bonds and the interest coupons appertaining thereto shall never constitute an indebtedness of the Issuer within the meaning of any State constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers. Pursuant to the provisions of the Loan Agreement and the Note, payments sufficient for the prompt payment when due of the principal of, premium, if any, and interest on the Bonds are to be paid by the Company to the Trustee for the account of the Issuer and deposited in a special account created by the Issuer and designated "Chester County Pollution Control Revenue Bond Fund - Virginia Chemicals Inc. Project", and such payments have been duly pledged for that purpose.

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

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

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

IN WITNESS WHEREOF, Chester County, acting through its Board of County Directors, has caused this Bond to be executed in its name by the manual signature of the Chairman of its Board of County Directors and attested by the facsimile signature of its _____, and its corporate seal to be hereunto affixed or imprinted hereon, all as of the first day of November, 1974.

CHESTER COUNTY, SOUTH CAROLINA

By _____
Chairman of the Board
of County Directors

(SEAL)

ATTEST:

(facsimile)

(Form of Trustee's Certificate of Authentication)

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

THE FIRST NATIONAL BANK OF CHICAGO,
as Trustee

By _____
Authorized Officer

WHEREAS all things necessary to make the Bonds, when authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal obligations of the Issuer according to the import thereof, and to constitute this Indenture a valid assignment and pledge of the revenues and receipts derived from the Loan Agreement and the Note herein made to the payment of the principal of, premium, if any, and interest on the Bonds and a valid assignment and pledge of the rights of the Issuer under the Loan Agreement and the Note have been done and performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized.

GRANTING CLAUSES

NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH:

That the Issuer, acting through its Board of County Directors in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Bonds by the purchasers thereof, one dollar duly paid to the Issuer by the Trustee at or before the execution and delivery of these presents and of other good and valuable considerations, the receipt of which is hereby acknowledged, and in order to secure the payment of the principal of, premium, if any, interest and any other sums payable on the Bonds outstanding hereunder from time to time, according to their tenor and effect, and to secure the observance and performance by the Issuer of all the covenants expressed or implied herein and in the Bonds, does hereby assign and pledge unto, and grant a security interest to, the Trustee and unto its successors in trust, and to its assigns forever, all of the Issuer's estate, right, title and interest in, to and under any and all of the following described rights and interests (herein called the "Trust Estate" or "property herein conveyed"):

GRANTING CLAUSE FIRST

All right, title and interest of the Issuer in and to the Loan Agreement and the Note and all revenues and receipts derived by the Issuer therefrom.

GRANTING CLAUSE SECOND

All moneys and securities from time to time held by the Trustee under the terms of this Indenture and any and all other property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, pledged, assigned or transferred, as and for additional security hereunder by the Issuer or by anyone in its behalf, or with its written consent to the Trustee which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in said Trust and assigns forever;

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

THIS TRUST INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said rights and interests, including, without limitation, the revenues and receipts, hereby assigned or pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective holders and owners, from time to time, of the said Bonds or coupons, or any part thereof, as follows (subject, however, to the provisions of Section 203 hereof):

ARTICLE I

Definitions; Provisions of General Application

Section 101. Definitions in Loan Agreement Incorporated. All words and phrases defined in Article I of the Loan Agreement shall have the same meaning in this Indenture.

Section 102. Additional Definitions. In addition, the terms defined in this Article I shall have the following meanings for all purposes of this Indenture unless the context or use indicates another or different meaning or intent:

"Bondholder" or "holder" or "owner of the Bonds" means the bearer of any coupon Bond not registered as to principal or registered to bearer and the registered owner of any fully registered Bond or of any coupon Bond registered as to principal (except to bearer).

The term "coupon" means any of the coupons issued hereunder evidencing the semiannual installments of interest on the applicable coupon Bond or Bonds.

The term "default" means those defaults specified in and defined by Section 901 hereof.

"Extraordinary Services" and "Extraordinary Expenses" means all services rendered and all expenses incurred by the Trustee under the Indenture other than Ordinary Services and Ordinary Expenses.

"Government Securities" means direct obligations of the United States of America.

"Ordinary Services" and "Ordinary Expenses" means those services normally rendered and those expenses normally incurred by a trustee under instruments similar to this Indenture.

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

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

(b) Bonds for whose payment or redemption sufficient cash or Government Securities shall have been deposited with the Trustee; and

(c) Bonds in lieu of which others have been authenticated under Section 207.

If this Indenture shall have been discharged pursuant to the provisions of Article VIII hereof, no Bonds shall be deemed to be outstanding within the meaning of this provision.

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

The term "Trust Estate" or "property herein conveyed" means as set forth in the Granting Clauses hereof.

"Trustee" means The First National Bank of Chicago, Chicago, Illinois, the party of the second part hereto, and any successor trustee pursuant to Section 1005 or 1008 at the time serving as successor trustee hereunder.

Section 103. General Provisions. Wherever in this instrument it is provided or permitted that there be deposited with or held by the Trustee or other person cash or Government Securities sufficient to pay or redeem any Bonds or any other indebtedness, it is intended that such cash or Government Securities shall be so deposited or held irrevocably in trust for such purposes, subject, as to cash or Government Securities deposited with the Trustee hereunder, to Section 507. The amount of cash so to be deposited or held shall be the principal amount of such Bonds or other indebtedness and all unpaid interest thereon to maturity, unless said Bonds or other indebtedness are redeemable and are to be redeemed prior to maturity on the earliest redemption date and there shall be furnished to the Trustee

(1) proof satisfactory to the Trustee that notice of such redemption on a specified redemption date has been duly given, or

(2) a written instrument satisfactory to the Trustee, expressed to be irrevocable, authorizing the Trustee (or other person approved by the Trustee) to give such notice, or

(3) proof satisfactory to the Trustee that such notice has been waived in writing by the holders of all the Bonds or other indebtedness to be redeemed,

in which case the amount of cash so to be deposited or held shall be the principal amount of such Bonds or other indebtedness and all unpaid interest thereon to such redemption date together with the redemption premium, if any; provided, however, that in lieu of such cash or any part thereof, Government Securities, the principal of and interest on which will on such redemption date be at least equal to the amount of such required cash, may be deposited with or held by the Trustee. Cash or Government Securities deposited or held irrevocably in trust as aforesaid shall not be a part of the Trust Estate. If the Issuer shall, pursuant to Article VIII, request the satisfaction and discharge of this Indenture, prior to the satisfaction and discharge of the Indenture, the Issuer shall cause notice of such deposit, of the specified redemption date, of the satisfaction and discharge of the Indenture and of any paying agent appointed under the succeeding sentence hereof, to be published once, in a daily newspaper in each city where the principal of or interest on such Bonds is payable and to be mailed, first-class postage prepaid, to all registered owners of such Bonds, at their addresses as the same shall appear upon the Bond register. If the specified redemption date is more than 60 days from the effective date of such satisfaction and discharge and if the Trustee does not then have a reported capital, surplus and undivided profits of at least \$50,000,000, the cash or Government Securities so to be held by the Trustee shall, concurrently with the satisfaction and discharge of the Indenture, be deposited

with a paying agent which shall be a bank or trust company in good standing as a national banking association or under the laws of the State in which incorporated and having a reported capital, surplus and undivided profits of at least \$50,000,000, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms, and shall thereafter be held irrevocably in trust by such paying agent.

ARTICLE II

The Bonds

Section 201. Authorized Amount of Bonds. No Bonds may be issued under the provisions of this Mortgage except in accordance with this Article. The total principal amount of Bonds that may be issued is hereby expressly limited to \$ 700,000.

Section 202. Issuance of Bonds. The Bonds shall be designated "Pollution Control Revenue Bonds (Virginia Chemicals Inc. Project)". The Bonds shall bear interest from their respective dates and shall be issuable as fully registered Bonds without coupons in the denomination of \$5,000 and any authorized multiple thereof. Coupon Bonds, registrable as to principal only, in the denomination of \$5,000, may be issued only after the receipt by the Trustee of the opinion of counsel referred to in the last paragraph of this Section 202. Unless the Issuer shall otherwise direct the Bonds shall be lettered and numbered as follows: The coupon Bonds shall be numbered from 1 upward and the fully registered Bonds shall be lettered and numbered R1 and upward.

The coupon Bonds shall be dated November 1, 1974. Each fully registered Bond shall be dated as of the interest payment date to which interest has been paid as of the date on which it is authenticated or if it is authenticated prior to a date on which interest is paid, it shall be dated the date of such authentication. Interest on the Bonds shall be payable on June 30 and December 31 of each year commencing June 30, 1975 until the Bonds are paid.

The Bonds shall bear interest at the rate of 8-1/8% per annum and shall mature as follows:

<u>Maturity Date</u>	<u>Principal Amount</u>
December 31, 1990	\$ 140,000
December 31, 1991	140,000
December 31, 1992	140,000
December 31, 1993	140,000
December 31, 1994	140,000

The principal of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States

of America; which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, and such principal, premium, if any, and interest shall be payable at the principal office of the Trustee, in the City of Chicago, Illinois. Payment of the interest on the coupon Bonds shall be made only upon presentation and surrender of the coupons representing such interest as the same respectively falls due. Payment of the interest on any fully registered Bond on any interest payment date shall be made to the person appearing on the Bond registration books of the Issuer as the registered owner thereof and shall be paid by check or draft mailed to the registered owner at his address as it appears on such registration books or at such other address as is furnished the Trustee in writing by such holder.

No coupon Bonds shall be issued or authenticated until the Trustee shall have received an opinion of Independent Counsel acceptable to the Company and the Trustee to the effect that an offer, sale, transfer, pledge, hypothecation or other disposal of Bonds at such time will comply with the rules, regulations and interpretations of the Securities and Exchange Commission.

Section 203. Execution; Limited Obligation. The Bonds shall be executed on behalf of the Issuer with the official manual or facsimile signature of the Chairman of its Board of County Directors and attested with the official manual or facsimile signature of the _____ of its Board of County Directors, provided that Bonds shall bear at least one manual signature, and shall have impressed or printed thereon the corporate seal of the Issuer. The coupons attached to the Bonds, if any, shall be executed by the facsimile of the official signature of said Chairman. Such facsimiles shall have the same force and effect as if said Chairman and _____ had manually signed each of said Bonds and said _____ had manually signed said coupons. The Bonds, together with interest thereon, shall be limited obligations of the Issuer payable solely from the revenues and receipts derived from the Loan Agreement and the Note (except to the extent paid out of moneys attributable to the Bond proceeds or the income from the temporary investment thereof) and shall be a valid claim of the respective holders thereof only against the Bond Fund and other moneys held by the Trustee and the revenues and receipts derived from the Loan Agreement and the Note, which revenues and receipts are hereby assigned and pledged for the equal and ratable payment of the Bonds and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in this indenture. The Bonds shall be limited obligations of the Issuer, the principal of and interest on which shall be payable solely out of the revenues and receipts derived from the Loan Agreement and the Note. Bonds and interest coupons issued under the authority of the Act shall never constitute an indebtedness of the Issuer within the

meaning of any State constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers. The Issuer shall not have the power to pay out of its general funds, or otherwise contribute, any part of the cost of acquiring the Project. In case any officer whose signature or facsimile of whose signature shall appear on the Bonds or coupons shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery.

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

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

Section 206. Delivery of Bonds. Upon the execution and delivery of this Indenture, the Issuer shall execute and deliver to the Trustee and the Trustee shall authenticate the Bonds to be issued in the aggregate principal amount of \$ 700,000 and deliver them to the purchasers as may be directed by the Issuer as hereinafter in this Section 206 provided.

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

1. A copy, duly certified by the _____ or an Assistant _____ of the Board, of the resolution adopted and approved by said Board authorizing the execution and delivery of the Loan Agreement and this Indenture and the issuance of the Bonds.

2. An original executed counterpart of the Loan Agreement, the Indenture and Bond Purchase Agreement and the Guaranty.

3. A request and authorization to the Trustee on behalf of the Issuer and signed by the Chairman or Vice Chairman and _____ or Assistant _____ of the Board to authenticate and deliver the Bonds in the aggregate principal amount of \$700,000 to the purchasers therein identified upon payment to the Trustee but for account of the Issuer, of a sum specified in such request and authorization plus accrued interest, if any, thereon to the date of delivery. Such proceeds shall be paid over to the Trustee and deposited to the credit of the Bond Fund and Construction Fund as hereinafter provided under Article VI hereof.

4. A certificate by the Authorized Company Representative or an officer of the Company showing the Project cost.

5. An opinion of Independent Counsel to the effect that all appropriate filings and other steps then necessary to perfection of the security interests as may be created by this Indenture in and to the Loan Agreement and the Note and the revenues and receipts derived therefrom as against third party creditors of and purchasers for value in good faith from the Issuer have been taken. The Issuer and the Trustee agree to join in the execution of all instruments deemed appropriate in the opinion of such counsel to perfection of such security interests.

Section 207. Mutilated, Lost, Stolen or Destroyed Bonds or Coupons. In the event any Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and the Trustee may authenticate a new Bond of like date, maturity and denomination as that mutilated, lost, stolen or destroyed (which new Bond shall have attached thereto coupons corresponding in all respects to those, if any, on the Bond mutilated, lost, stolen or destroyed), and in the event any coupon is mutilated, lost, stolen or destroyed, the Issuer may execute a new coupon corresponding in all respects to that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated coupon or Bond, such mutilated coupon or Bond together with all

coupons (if any) appertaining thereto shall first be surrendered to the Board, and in the case of any lost, stolen or destroyed coupon or Bond, there shall be first furnished to the Issuer, ~~and the Company~~ ^{the Company} evidence of such loss, theft or destruction satisfactory to the Issuer and the Trustee, together with indemnity satisfactory to them which shall be in the form of a bond naming the Trustee and the Company as insureds; provided, however, in the case of the initial purchaser (of the Bonds an agreement of indemnification from such purchaser (without a bond) shall be sufficient. In the event any such Bond or coupon shall have matured, instead of issuing a duplicate Bond or coupon the Issuer may pay the same without surrender thereof. The Issuer and the Trustee may charge each holder or owner, other than the initial purchaser of the Bonds, of such Bond or coupon with their reasonable fees and expenses in this connection.

Section 208. Registration of Bonds; Persons Treated as Owners. Title to any coupon Bond, unless such Bond is registered in the manner hereinafter provided, and to any interest coupon shall pass by delivery in the same manner as a negotiable instrument payable to bearer. The Issuer shall cause books for the registration and for the transfer of the Bonds as provided in this Indenture to be kept by the Trustee which is hereby constituted and appointed the Registrar of the Issuer. At the option of the bearer, any coupon Bond may be registered as to principal alone on such books upon presentation thereof to the Trustee which shall make notation of such registration thereon. Any coupon Bond registered as to principal alone may thereafter be transferred only upon an assignment duly executed by the registered owner or his attorney in such form as shall be satisfactory to the Trustee, such transfer to be made on such books and endorsed on the Bond by the Trustee. Such transfer may be to bearer and thereby transferability by delivery shall be restored, subject, however, to successive registrations and transfers as before. The principal of any Bond registered as to principal alone, unless registered to bearer, shall be payable only to or upon the order of the registered owner or his legal representative, but the coupons appertaining to any coupon Bond registered as to principal alone shall remain payable to bearer notwithstanding such registration. Upon surrender for transfer of any fully registered Bond at the principal office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by the registered owner or his attorney duly authorized in writing, the Board shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of the same series and the same maturity for a like aggregate principal amount. Fully registered Bonds may be exchanged at said office of the Trustee for a like aggregate principal amount of coupon

Bonds (or for a like aggregate amount of fully registered Bonds of other authorized denominations) of the same series and the same maturity, and coupon Bonds may be exchanged at said office of the Trustee for a like aggregate principal amount of fully registered Bonds of authorized denominations of the same series and the same maturity. All coupon Bonds surrendered for exchange and delivered in exchange shall have attached thereto all unmatured coupons appertaining thereto (together with any matured coupons in default appertaining thereto). The Issuer shall execute and the Trustee shall authenticate and deliver coupon Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding. The execution by the Issuer of any fully registered Bond without coupons of any denomination shall constitute full and due authorization of such denomination and the Trustee shall thereby be authorized to authenticate and deliver such registered Bond. The Trustee shall not be required to transfer or exchange any fully registered Bond during the period of 15 days next preceding any interest payment date of such Bond, nor to transfer or exchange any Bond after the publication of notice calling such Bond for redemption has been made, nor during a period of 15 days next preceding publication of a notice of redemption of any Bonds.

As to any Bond registered as to principal alone or as to any fully registered Bond without coupons the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such coupon Bond registered as to principal alone, or payment of either principal or interest on any fully registered Bond without coupons, shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. The Issuer and the Trustee or any other paying agent may deem and treat the bearer of any coupon Bond which shall not at the time be registered as to principal, and the bearer of any coupon appertaining to any Bond whether such Bond shall be registered as to principal or not, as the absolute owner of such Bond or coupon, as the case may be, whether such Bond or coupon shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and neither the Issuer nor the Trustee nor any other paying agent shall be affected by any notice to the contrary.

The Issuer may charge a sum not exceeding \$2.00 plus the cost of printing such Bond, if any, for each new Bond issued upon any exchange or transfer except in the case of (a) the issuance of

Bonds for the unredeemed portion of a fully registered Bond called for redemption in part or (b) the first exchange or transfer of any Bond or Bonds issued at the time of the original issuance of Bonds hereunder. In each case any such first purchaser shall certify such fact to the Trustee at the time of exchange or transfer and the Trustee shall be entitled to conclusively rely upon any such certificate. Any such certificate need not be acknowledged. In each case the Trustee shall require the payment by the Bondholder requesting exchange or transfer, of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

ARTICLE III

Redemption of Bonds Before Maturity

Section 301. Redemption Dates and Prices. The Bonds are callable for redemption in the event (i) the Company shall exercise its option to purchase the Project as provided in (a), (b) or (c) of Section 7.1 of the Loan Agreement or (ii) a Determination of Taxability (as defined in the Loan Agreement) occurs pursuant to Section 7.3 of the Loan Agreement. If called for redemption in the event referred to in (i) above, such Bonds shall be subject to redemption by the Issuer on any interest payment date, in whole, at 100% of the principal amount thereof plus accrued interest to the redemption date. If called for redemption in the event referred to in (ii) above, such Bonds shall be subject to redemption at any time, in whole and not in part, at 100% of the principal amount thereof plus accrued interest to the redemption date plus a premium equal to 3% thereof for each six month period or part thereof elapsed between the date on which interest on the Bonds became subject to Federal income taxation and the redemption date all as provided in Section 7.3 of the Loan Agreement.

Any of the Bonds as may be outstanding are also subject to redemption by the Issuer prior to maturity on any interest payment date on or after December 31, 1984, in whole or in part in the inverse order of their maturity (less than all of such Bonds of a single maturity to be selected by lot in such manner as may be designated by the Trustee), at the redemption prices (expressed as percentages of principal amount) set forth in the table below plus accrued interest to the redemption date:

<u>Redemption Date</u>	<u>Redemption Price</u>
December 31, 1984 and June 30, 1985	105%
December 31, 1985 and June 30, 1986	104-1/2%
December 31, 1986 and June 30, 1987	104%
December 31, 1987 and June 30, 1988	103-1/2%
December 31, 1988 and June 30, 1989	103%
December 31, 1989 and June 30, 1990	102-1/2%
December 31, 1990 and June 30, 1991	102%
December 31, 1991 and June 30, 1992	101-1/2%
December 31, 1992 and June 30, 1993	101%
December 31, 1993 and June 30, 1994	100-1/2%

Bonds shall be redeemed only in the principal amount of \$5,000 each (or any integral multiple thereof with respect to fully registered Bonds of denomination larger than \$5,000).

No redemption of less than all of the Bonds at the time outstanding shall be made pursuant hereto unless the total amount of funds available and to be used for such partial redemption is equal to or more than \$25,000.

Bonds shall be called for redemption by the Trustee as herein provided upon receipt by the Trustee at least 45 days prior to the redemption date of a resolution of the Issuer providing for such redemption. Such resolution shall specify the principal amount of the Bonds so to be called for redemption, the applicable redemption price or prices and the provision or provisions above specified pursuant to which such Bonds are to be called for redemption.

Section 302. Notice of Redemption. Notice of the call for any such redemption identifying the Bonds, or portions of fully registered Bonds, to be redeemed shall be given by publication at least twice in a newspaper or financial journal of general circulation published in the City of New York, New York, the first of which shall be published not less than 30 days prior to the redemption date, and in the case of the redemption of Bonds at the time registered as to principal (except to bearer) or both principal and interest, upon mailing a copy of the redemption notice by registered or certified mail at least 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books, provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of Bonds. If all of said Bonds to be redeemed are at that time registered as to principal (except to bearer), notice by mailing given by registered or certified mail to the registered owner or owners thereof, at their addresses shown on the registration books,

not less than 30 days prior to the date fixed for redemption shall be sufficient and published notice of the call for redemption need not be given; provided, however, that failure to give such notice by mailing or any defect therein, shall not affect the validity of any proceedings for the redemption of Bonds. In the discretion of the Trustee, published notice of redemption required by this Section 302 will not be required if the holders of all Bonds so called for redemption have filed with the Trustee a written waiver of published notice at least 45 days prior to the redemption date.

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

Prior to the date that the redemption notice is first published or mailed as aforesaid, funds shall be placed with the Trustee to pay such Bonds and accrued interest thereon to the redemption date and the premium, if any. Upon the happening of the above conditions, the Bonds, or portions thereof, thus called shall not thereafter bear interest, shall no longer be protected by this Mortgage and shall not be deemed to be outstanding under the provisions of this Indenture. The Trustee shall redeem, in the manner provided in this Section 302, such an aggregate principal amount of such Bonds at the principal amount thereof plus the applicable premium, if any, and accrued interest to the redemption date as will exhaust as nearly as practicable such funds. Such redemption shall be by lot in such manner as may be designated by the Trustee.

Section 303. Cancellation. All Bonds which have been redeemed shall be cancelled and cremated or otherwise destroyed by the Trustee together with any unmatured coupons appertaining thereto and shall not be reissued and a counterpart of the certificate of cremation or other destruction evidencing such cremation or other destruction shall be furnished by the Trustee to the Issuer and the Company, provided, however, that one or more new fully registered Bonds shall be issued for the unredeemed portion of any fully registered Bond without charge to the holder thereof.

Section 304. Unpaid Coupons. All unpaid interest coupons which appertain to Bonds so called for redemption and which shall have become payable on or prior to the date fixed for redemption shall continue to be payable to the bearers thereof severally and respectively upon the presentation and surrender of such coupons as provided in Section 202.

Section 305. Partial Redemption of Fully Registered Bonds. Upon surrender of any fully registered Bond for redemption in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the holder thereof, at the expense of the Issuer a new Bond or Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond surrendered, which new Bond or Bonds shall, at the option of the holder, either be a coupon Bond or Bonds with all unmatured coupons appertaining thereto or a fully registered Bond or Bonds without coupons.

ARTICLE IV

General Covenants

Section 401. Payment of Principal and Interest. The Issuer covenants that it will promptly pay the principal of, premium, if any, and interest on every Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in said Bonds and in the coupons appertaining thereto according to the true intent and meaning thereof. The principal, interest and premium, if any, are payable solely from revenues and receipts derived from the Loan Agreement and the Note, which revenues and receipts are hereby specifically pledged to the payment thereof in the manner and to the extent herein specified, and nothing in the Bonds or coupons or in this Indenture should be considered as pledging any other funds or assets of the Issuer.

Section 402. Performance of Covenants; Authority. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all proceedings of its Board of County Directors pertaining thereto. The Issuer covenants that it is duly authorized under the Constitution and laws of the State of South Carolina to issue the Bonds authorized hereby and to execute this Indenture, and to assign the Loan Agreement and the Note, and pledge the revenues and receipts hereby pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken, and that the Bonds in the hands of the holders and owners thereof and the coupons appertaining thereto in the hands of the bearers thereof are and will be valid and enforceable obligations of the Issuer according to the import thereof.

Section 403. Instruments of Further Assurance. The Issuer covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee all and singular the rights assigned hereby and the revenues and receipts pledged hereby to the payment of the principal of, premium, if any and interest on the Bonds. The Issuer covenants and agrees that, except as herein provided, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the revenues and receipts therefrom or of its rights under the Loan Agreement and the Note.

Section 404. Inspection of Books. The Issuer covenants and agrees that all books and documents in its possession relating to the Loan Agreement and the revenues and receipts therefrom shall at all times be open to inspection by such accountants or other agencies as the Trustee may from time to time designate.

Section 405. List of Bondholders. To the extent that such information shall be made known to the Issuer under the terms of this Section 405, it will keep on file at the principal office of the Trustee a list of names and addresses of the last known holders of all Bonds payable to bearer and believed to be held by each of such last known holders. To said list the Trustee shall add the names and addresses of the holders of all Bonds which may from time to time be registered as to principal on the registration books in the hands of the Trustee as Bond Registrar. Whenever any coupon Bond registered as to principal shall become registered payable to bearer, the Trustee may but need not remove the name of the previous registered owner from said list. Any Bondholder may request that his name and address be placed on said list by filing a written request with the Issuer or with the Trustee, which request shall include a statement of the principal amount of Bonds held by such holder and the numbers of such Bonds. The Trustee shall be under no responsibility with regard to the accuracy of said list. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied by the Company or by holders and/or owners (or a designated representative thereof) of 25% or more in principal amount of Bonds then outstanding, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

Section 406. Rights Under Loan Agreement. The Loan Agreement, duly executed counterparts of which have been filed with the Trustee, set forth the covenants and obligations of the Issuer and the Company, including provisions that subsequent to the initial issuance of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions hereof, the Loan Agreement may not be effectively amended, changed, modified, altered or terminated (other than as provided therein) without the concurring written consent of the Trustee and the requisite consent of the holders of the Bonds as provided herein, and reference is hereby made to the same for a detailed statement of

said covenants and obligations of the Company under the Loan Agreement, and the Issuer agrees that the Trustee in its name or in the name of the Issuer may enforce all rights of the Issuer and all obligations of the Company, under and pursuant to the Loan Agreement and the Note for and on behalf of the Bondholders, whether or not the Issuer is in default hereunder.

Section 407. Designation of Additional Paying Agents. The Issuer hereby covenants and agrees to cause the necessary arrangements to be made through the Trustee and to be thereafter continued for the designation of alternate paying agents, if any, and for the making available of funds hereunder for the payment of such of the Bonds and coupons appertaining thereto as shall be presented when due at the principal office of the Trustee, or its successor in trust hereunder, or at the principal office of said alternate paying agents.

ARTICLE V

Revenues and Funds

Section 501. Source of Payment of Bonds. The Bonds herein authorized and all payments by the Issuer hereunder are not general obligations of the Issuer but are limited obligations payable solely from revenues and receipts derived from the Loan Agreement and the Note and as authorized by the Act and provided herein. The Bonds are secured as provided herein.

Section 502. Creation of the Bond Fund. There is hereby created by the Issuer and ordered established with the Trustee a trust fund to be designated "Chester County Pollution Control Revenue Bond Fund - Virginia Chemicals Inc. Project", which shall be used to pay the principal of, premium, if any, and the interest on the Bonds.

Section 503. Payments into the Bond Fund. There shall be deposited into the Bond Fund the amounts required by Section 601 hereof. In addition, there shall be deposited into the Bond Fund, as and when received, (a) any amount remaining in the Construction Fund to the extent provided in Section 3.6(h) of the Loan Agreement; (b) all payments specified in Section 4.1 of the Loan Agreement and in the Note; (c) all prepayments of the Note specified in Article VII of the Loan Agreement; and (d) all other moneys received by the Trustee under and pursuant to any of the provisions of the Loan Agreement and the Note when accompanied by directions that such moneys are to be paid into the Bond Fund. The Issuer hereby covenants and agrees that so long as any of the Bonds issued hereunder are outstanding it will deposit, or cause to be deposited,

in the Bond Fund for its account sufficient sums from revenues and receipts and other amounts derived from the Loan Agreement and the Note promptly to meet and pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable and to this end the Issuer covenants and agrees that, so long as any Bonds issued hereunder are outstanding, should there be a default under the Loan Agreement or the Note, the Issuer shall fully cooperate with the Trustee and with the Bondholders to the end of fully protecting the rights and security of the Bondholders and the bearers of the coupons appertaining to the Bonds. Nothing herein shall be construed as requiring the Issuer to use any funds or revenues from any source other than funds and revenues derived from the Loan Agreement or the Note.

Section 504. Payment of Interest due June 30, 1975. The payments specified in Section 4.1 of the Loan Agreement and in the Note are to commence on June 30, 1975. The first payment shall be sufficient when added to the amount then on deposit in the Bond Fund and available for such payments to pay all interest, principal (if any) and premium (if any) becoming due on such June 30, 1975.

Section 505. Use of Moneys in the Bond Fund. Except as provided in Section 511 hereof, moneys in the Bond Fund shall be used solely for the payment of the principal of, premium, if any, and interest on the Bonds and for the redemption of the Bonds, prior to maturity. Whenever the amount in the Bond Fund from any source whatsoever is sufficient to redeem all of the Bonds outstanding hereunder and to pay premium (if any) and interest to accrue thereon prior to such redemption, the Issuer may take and cause to be taken the necessary steps to redeem all of the Bonds on the next succeeding redemption date for which the required redemption notice may be given; and provided further that any moneys in the Bond Fund may be used to redeem a part of the Bonds outstanding so long as the Company is not in default with respect to any payments under the Loan Agreement and the Note and to the extent said moneys are in excess of the amount required for payment of Bonds theretofore matured or called for redemption and past due interest in all cases when such Bonds or coupons have not been presented for payment.

Section 506. Custody of the Bond Fund. The Bond Fund shall be in the custody of the Trustee but in the name of the Issuer and the Issuer hereby authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable and to make said funds so withdrawn available to the

Trustee and to any alternate paying agent, for the purpose of paying said principal, premium and interest, which authorization and direction the Trustee hereby accepts. Funds received by any alternate paying agent shall be held in trust for the benefit of the bondholders.

Section 507. Non-Presentment of Bonds or Coupons. In the event (a) any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, or (b) any coupon shall not be presented for payment at the due date thereof, and if funds sufficient to pay such Bonds or coupons shall have been made available to the Trustee or any paying agent, all liability of the Issuer for the payment of such Bonds or coupons, as the case may be, shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee or such paying agent to hold such fund or funds, without liability for interest thereon, for the benefit of the holder of such Bonds, or the bearer of such coupons, as the case may be, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on their part under this Indenture or on, or with respect to, said Bonds or coupons. Any moneys so deposited with and held by the Trustee or such paying agent not so applied to the payment of Bonds and coupons, if any, within five years after the date on which the same shall have become due shall be repaid by the Trustee or such paying agent to the Company and thereafter Bondholders shall be entitled to look only to the Company for payment, and then only to the extent of the amount so repaid, and the Company shall not be liable for any interest thereon and shall not be regarded as a trustee of such money; provided, however, that the Trustee or such paying agent, if any coupon bonds not registered as to principal are at the time outstanding, before being required to make any such repayment may, at the expense of the Company, give notice by publication at least once in each of two successive calendar weeks, on any day of each such weeks, in a newspaper of general circulation in and around the City of New York, New York, printed in the English language, stating that such moneys have not been so applied and that after a date specified therein any unclaimed balance of said moneys then remaining will be repaid to the Company.

Section 508. Trustee's and Paying Agents' Fees, Charges and Expenses. Pursuant to the provisions of the Loan Agreement the Company has agreed to pay to the Trustee, commencing with the Final Construction Disbursement Date (as defined in the Loan Agreement) and continuing until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the provisions of this Indenture: (i) an amount equal to the annual fee of the Trustee for the Ordinary Services of the Trustee, as Trustee, rendered and its Ordinary Expenses incurred under this Indenture, as and when the same becomes due, (ii) the reasonable fees, charges and expenses

of the Trustee, as Bond Registrar and paying agent, and any paying agents for acting as paying agent as herein provided, as and when the same become due, and (iii) the reasonable fees, charges and expenses of the Trustee for the necessary Extraordinary Services and Extraordinary Expenses of the Trustee under this Indenture, as and when the same become due.

Section 509. Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee for account of the Bond Fund or the Construction Fund under any provision of this Indenture shall be held by the Trustee in trust, and except for moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien hereof.

Section 510. Repayment to the Company from the Bond Fund. Any amounts remaining in the Bond Fund after payment in full of the principal of, premium, if any, and interest on the Bonds (or provision for payment thereof as provided in this Indenture), the fees, charges and expenses of the Trustee and the alternate paying agents shall be paid to the Company upon the expiration or sooner termination of the term of the Loan Agreement as provided in Section 8.1 thereof.

ARTICLE VI

Custody and Application of Proceeds of Bonds

Section 601. Deposits in the Bond Fund. From the proceeds of the sale of the Bonds, there shall be deposited in the Bond Fund a sum equal to the accrued interest, if any, paid by the purchasers of such Bonds.

Section 602. Construction Fund; Disbursements. There is hereby created and established with the Trustee a trust fund in the name of the Issuer to be designated "Chester County Pollution Control Construction Fund - Virginia Chemicals Inc. Project". The balance of the proceeds of each issuance and delivery of Bonds remaining after the deduction provided by Section 601 hereof has been made shall be deposited in the Construction Fund. Moneys in the Construction Fund shall be expended in accordance with the provisions of the Loan Agreement, and particularly Section 3.6 thereof.

The Trustee shall keep and maintain adequate records pertaining to the Construction Fund and all disbursements therefrom, and after the Project has been completed and a certificate of payment of all costs filed as provided in Section 603, the Trustee shall file an accounting thereof with the Issuer and with the Company.

Section 603. Final Disbursement. The Final Disbursement Date and payment of all costs and expenses incident to the Project shall be evidenced as set forth in Section 3.9 of the Loan Agreement. As soon as practicable and in any event within 60 days from the date of the certificate referred to in Section 3.9 of the Loan Agreement any balance remaining in the Construction Fund shall without further authorization be deposited in the Bond Fund by the Trustee with advice to the Issuer, and the Company.

ARTICLE VII

Investments

Section 701. Investment of Construction Fund Moneys. Any moneys held as part of the Construction Fund shall, at the written request of the Company, be invested or reinvested by the Trustee in accordance with the provisions of Section 3.7 of the Loan Agreement. The said written request shall specify the issuer or obligor, the principal amount, maturity date and interest rate of such investment and the subdivision of Section 3.7 of the Loan Agreement which permits such investment. Any such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the Construction Fund and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investments shall be charged to such fund. The Trustee is directed to sell and reduce to cash funds a sufficient amount of such investments whenever the cash balance in the Construction Fund is insufficient to pay a requisition when presented.

Section 702. Investments Through Trustee's Bond Department; Arbitrage. The Trustee may make any and all investments permitted by the provisions of Section 701 through its own bond department. The Issuer and the Trustee jointly and severally covenant that none of the moneys held under this Indenture will be used in any manner which would result in the Bonds being classified as Arbitrage Bonds within the meaning of Section 103(d)(2) of the Code.

ARTICLE VIII

Discharge of Lien

If (1) the Issuer shall pay or cause to be paid the principal, premium, if any, and interest to become due on the Bonds at the times and in the manner stipulated therein and herein or shall deposit or cause to be deposited with the Trustee, in trust, at or before maturity, cash or Government Securities sufficient to pay or redeem the Bonds hereby secured, (2) all fees and expenses of the

Trustee and alternate paying agents shall have been paid, and (3) the Issuer shall keep, perform and observe all and singular the covenants and promises in the Bonds and in this Indenture expressed as to be kept, performed and observed by it or on its part, then upon written request of the Issuer and the Company and an opinion of counsel (who may be counsel to the Issuer or to the Company) stating that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, (including, without limitation, the conditions precedent set forth in Section 103 hereof), this Indenture and the lien, rights and interests hereby granted shall cease, determine and be void, and thereupon the Trustee shall cancel and discharge the lien of this Indenture, and execute and deliver to the Issuer such instruments in writing as shall be requisite to satisfy the lien hereof, and reconvey to the Issuer the estate hereby conveyed, and assign and deliver to the Issuer any property at the time subject to the lien of this Indenture which may then be in its possession, except amounts in the Bond Fund required to be paid to the Company under Section 510 hereof and except cash held by the Trustee for the payment of interest on and retirement of the Bonds.

ARTICLE IX

Default Provisions and Remedies of Trustee and Bondholders

Section 901. Defaults; Events of Default. If any of the following events occur it is hereby defined as and declared to be and to constitute an "event of default":

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

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

(c) An Event of Default under the Loan Agreement;

(d) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer in this Indenture or in the Bonds contained and the continuance thereof for a period of 30 days after written notice to the Issuer given by the Trustee or to the Trustee and the Issuer by the holders of not less than 25% of aggregate principal amount of Bonds then outstanding; or

The term "default" shall mean default by the Issuer in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, exclusive of any period of grace required to constitute a default an "event of default" as hereinabove provided.

All remedies provided for herein shall be available only to the extent they are not prohibited by the Act, other South Carolina laws or South Carolina court decisions.

Section 902. Acceleration. Upon the occurrence of an event of default the Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of Bonds then outstanding shall, by notice in writing delivered to the Issuer, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Upon any declaration of acceleration hereunder the Issuer and the Trustee shall immediately declare the unpaid principal of and interest on the Note to be immediately due and payable in accordance with Section 6.2 of the Loan Agreement.

Section 903. Remedies; Rights of Bondholders. Upon the occurrence of an event of default the Trustee may pursue any available remedy by suit at law or equity to enforce the payment of the principal of, premium, if any, and interest on the Bonds and the Note then outstanding, including, without limitation, foreclosure and mandamus.

While any Bonds outstanding, the Issuer shall not, subject to Section 902, exercise any of the remedies on default specified in Section 6.2 of the Loan Agreement without the prior written consent of the Trustee.

If an event of default shall have occurred, and if requested so to do by the holders of 25% in aggregate principal amount of Bonds then outstanding and indemnified as provided in Section 1101 hereof, the Trustee shall be obliged to exercise such one or more of the rights and powers conferred by this Section as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondholders.

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

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

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

Section 904. Right of Bondholders to Direct Proceedings. Anything in this Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of Bonds then outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

Section 905. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys in the Bond Fund shall be applied as follows:

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

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

Second--To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other

than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Mortgage), in the order of their due dates, with interest on such Bonds from the respective dates upon which they become due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of Subsection (b) of this Section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of Subsection (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the bearer of any unpaid coupon or the holder of any Bond until such coupon or such Bond and all unmatured coupons, if any, appertaining to such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal of, premium, if any, and interest on all Bonds have been paid under the provisions of this Section 905 and all expenses and charges of the Trustee have been paid, any balance remaining in the Bond Fund shall be paid to the Company as provided in Section 510 hereof.

Section 906. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds or coupons may be enforced by the Trustee without the possession of any of the Bonds or coupons or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any holders of the Bonds or bearers of coupons, and any recovery of judgment shall be for the equal benefit of the holders of the outstanding Bonds and the bearers of the outstanding coupons.

Section 907. Rights and Remedies of Bondholders. No holder or bearer of any Bond or coupon shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy hereunder, unless a default has occurred of which the Trustee has been notified as provided in subsection (g) of Section 1101, or of which by said subsection it is deemed to have notice, nor unless also such default shall have become an event of default and the holders of 25% in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in Section 1101 nor unless the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its, his or their own name or names; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more holders or bearers of the Bonds or coupons shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the holders of all Bonds then outstanding.

Nothing in this Indenture contained shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on any Bond at and after maturity thereof, or the obligation of the Board to pay the principal of and interest on each of the Bonds issued hereunder to the respective holders thereof at the time, place, from the source and in the manner in said Bonds and the appurtenant coupons expressed.

Section 908. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer, the Company and the Trustee shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 909. Waivers of Events of Default. The Trustee may in its discretion waive any event of default hereunder and its consequences and rescind any declaration of maturity of principal of and interest on the Bonds, and shall do so upon the written request of the holders of (1) one-half in aggregate principal amount of all the Bonds then outstanding in respect of which default in the payment of principal and/or premium, if any, and/or interest exists, or (2) one-half in aggregate principal amount of all Bonds then outstanding in the case of any other default; provided, however, that there shall not be waived (a) any event of default in the payment of the principal of any outstanding Bonds at the date of maturity specified therein or (b) any default in the payment when due of the interest on any such Bonds unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such default shall have occurred on overdue installments of interest or all arrears of payments of principal and premium, if any, when due, as the case may be, and all expenses of the Trustee, in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, Trustee and the Bondholders shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

ARTICLE X

The Trustee

Section 1001. Acceptance of the Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and

agrees to perform said trusts as a corporate trustee ordinarily would perform said trusts under a corporate mortgage, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Indenture against the Trustee:

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

(b) The Trustee shall not be responsible for any recital herein, or in the Bonds (except in respect to the certificate of the Trustee endorsed on the Bonds), or for the recording or re-recording, filing or re-filing of this Indenture, or for the validity of the execution by the Issuer of this Indenture or of any supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer or on the part of the Company under the Loan Agreement, except as hereinafter set forth; but the Trustee may require of the Issuer or the Company full information and advice as to the performance of the covenants, conditions and agreements aforesaid.

(c) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the owner of Bonds and coupons secured hereby with the same rights which it would have if not Trustee.

(d) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the

proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bond, shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

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

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

(g) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except failure by the Issuer to cause to be made any of the payments to the Trustee required to be made by Article V unless the Trustee shall be specifically notified in writing of such default by the Issuer or by the holders of at least 25% in aggregate principal amount of all Bonds then outstanding and all notices or other instruments required by this Mortgage to be delivered to the Trustee, must, in order to be effective, be delivered at the principal corporate trust office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as aforesaid.

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

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

(j) Before taking any action under this Section 1101 the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from the negligence or willful default in connection with any action so taken.

(k) All moneys received by the Trustee or any paying agent shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. Neither the Trustee nor any paying agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(l) If any event of default under this Indenture shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and shall use the same degree of care as a prudent man would exercise or use in the circumstances in the conduct of his own affairs.

Section 1002. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for its Ordinary Services rendered hereunder and all advances, counsel fees and other Ordinary Expenses reasonably and necessarily made or incurred by the Trustee in connection with such Ordinary Services, and in the event that it should become necessary that the Trustee perform Extraordinary Services, it shall be entitled to reasonable extra compensation therefor, and to reimbursement for reasonable and necessary Extraordinary Expenses in connection

therewith; provided, that if such Extraordinary Services or Extraordinary Expenses are occasioned by the neglect or misconduct of the Trustee, it shall not be entitled to compensation or reimbursement therefor. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as paying agent and Bond Registrar for the Bonds and coupons as hereinabove provided. Upon an event of default, but only upon an event of default, the Trustee shall have a first lien with right of payment prior to payment on account of interest or principal of, or premium, if any, on any Bond upon the Trust Estate for the foregoing advances, fees, costs and expenses incurred.

Section 1003. Notice to Bondholders if Default Occurs. If a default occurs of which the Trustee is by subsection (g) of Section 1101 hereof required to take notice or if notice of default be given as in said subsection (g) provided, then the Trustee shall give written notice thereof by mail to the last known owners of all Bonds then outstanding shown by the list of bondholders required by the terms of Section 406 hereof to be kept at the office of the Trustee.

Section 1004. Intervention by Trustee. In any judicial proceeding to which the Board is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of owners of the Bonds, the Trustee may intervene on behalf of Bondholders and, subject to the provisions of Section 1101(j), shall do so if requested in writing by the owners of at least 25% in aggregate principal amount of all Bonds then outstanding. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

Section 1005. Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 1006. Resignation by the Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving 30 days' written notice to the Issuer and the

Company and by registered or certified mail to each registered owner of Bonds then outstanding and to each holder of Bonds as shown by the list of Bondholders required by Section 406 hereof to be kept at the office of the Trustee, and such resignation shall take effect at the end of such 30 days, or upon the earlier appointment of a successor Trustee by the Bondholders or by the Issuer. Such notice to the Issuer and the Lessee may be served personally or sent by registered mail.

Section 1007. Removal of the Trustee. The Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee and to the Issuer, and signed by the owners of a majority in aggregate principal amount of Bonds then outstanding.

Section 1008. Appointment of Successor Trustee by the Bondholders; Temporary Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the owners of a majority in aggregate principal amount of Bonds then outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their attorneys in fact, duly authorized; provided, nevertheless, that in case of such vacancy the Board by an instrument executed and signed by the Chairman and attested by the Secretary of its Board of County Directors under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Bondholders in the manner above provided; and any such temporary Trustee so appointed by the Issuer shall immediately and without further act be superseded by the Trustee so appointed by such Bondholders. Every such Trustee appointed pursuant to the provisions of this Section shall be a trust company or bank in good standing, within or outside the State of South Carolina, having a reported capital, surplus and undivided profits of not less than \$50,000,000, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Section 1009. Concerning Any Successor Trustees. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Board, or of its successor, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor

Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article shall be filed and/or recorded by the successor Trustee in each recording office where the Indenture shall have been filed and/or recorded.

Section 1010. Successor Trustee as Trustee of Bond Fund and Construction Fund, Paying Agent and Bond Registrar. In the event of a change in the office of Trustee the predecessor Trustee which has resigned or been removed shall cease to be trustee of the Bond Fund and Construction Fund and Bond Registrar and paying agent for principal of, premium, if any, and interest on the Bonds, and the successor Trustee shall become such trustee, Bond Registrar and paying agent.

ARTICLE XI

Supplemental Indentures

Section 1101. Supplemental Indentures Not Requiring Consent of Bondholders. The Issuer and the Trustee may without the consent of, or notice to, any of the Bondholders, enter into an indenture or indentures supplemental to this Indenture as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

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

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

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

Section 1102. Supplemental Indentures Requiring Consent of Bondholders. Exclusive of supplemental indentures covered by Section 1201 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the holders of not less than two-thirds in aggregate principal amount of the Bonds

then outstanding shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or extending, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this section shall permit, or be construed to permit, (a) an extension of the stated maturity or redemption of the principal amount of, or reduction in the rate or extension of the time of payment of interest on, or reduction of any amount payable on the redemption of, any Bond, without the consent of the holder of such Bond, or (b) the creation of any lien prior in priority on a parity with the lien of this Indenture, without the consent of the holders of all the Bonds at the time outstanding, or (c) a reduction in the aforesaid aggregate principal amount of Bonds the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all the Bonds at the time outstanding which would be affected by the action to be taken, (d) modify the rights, duties or immunities of the Trustee, without the written consent of the Trustee or (e) a privilege or priority of any Bond or Bonds over other Bond or Bonds.

If at any time the Issuer shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be published as shall be requested by the Issuer and in any event one time in a newspaper or financial journal of general circulation among dealers in municipal securities published in the City of New York, New York. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state the copies thereof are on file at the principal office of the Trustee for inspection by all Bondholders. If, within 60 days or such longer period as shall be prescribed by the Issuer following the final publication of such notice, the holders of not less than two-thirds in aggregate principal amount of the Bonds outstanding at the time of execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no holder of any Bond and no bearer of any coupon shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof.

Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith. The Trustee may receive an opinion of counsel (who may be counsel for the Issuer, the Company or both) that any such supplemental indenture entered into by the Issuer and the Trustee complies with the provisions of this Article XI and the Trustee may rely upon such opinion.

Anything herein to the contrary notwithstanding, a supplemental indenture under this Article XI which affects any rights of the Company shall not become effective unless and until the Company shall have consented to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture together with a copy of the proposed supplemental indenture to be mailed by certified or registered mail to the Company at least 15 days prior to the proposed date of execution and delivery of any such supplemental indenture. The Company shall be deemed to have consented to the execution and delivery of any such supplemental indenture if the Trustee does not receive a letter of protest or objection thereto signed by or on behalf of the Company on or before 4:30 o'clock P.M., Chicago, Illinois time, of the fifteenth day after the mailing of said notice and a copy of the proposed supplemental indenture.

ARTICLE XII

Amendment of Loan Agreement

Section 1201. Amendments, etc., to Loan Agreement not requiring Consent of Bondholders. The Issuer and the Trustee shall without the consent of or notice to the Bondholders consent to any amendment, change or modification of the Loan Agreement as may be required (i) by the provisions of the Loan Agreement and this Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission or (iii) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the holders of the Bonds.

Section 1202. Amendments, etc., to Loan Agreement Requiring Consent of Bondholders. Except for the amendments, changes or modifications as provided in Section 1201 hereof, neither the Issuer nor the Trustee shall consent to any other amendment, change or modification of the Loan Agreement without publication of notice and the written approval or consent of the holders of not less than two-thirds in aggregate principal amount of the Bonds at the time outstanding given and procured as in Section 1102 provided. If at any time the Issuer and the Company shall request the consent of the Trustee to any such proposed amendment, change or modification

of the Loan Agreement, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be published in the same manner as provided by Section 1102 hereof with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by all Bondholders.

ARTICLE XIII

Miscellaneous

Section 1301. Consents, etc., of Bondholders. Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution.

(b) The fact of the holding by any person of Bonds and/or coupons transferable by delivery and the amounts and numbers of such Bonds, and the date of the holding of the same, may be proved by a certificate executed by any trust company, bank or bankers, wherever situated, stating that at the date thereof the party named therein did exhibit to an officer of such trust company or bank or to such banker, as the property of such party, the Bonds and/or coupons therein mentioned if such certificate shall be deemed by the Trustee to be satisfactory. The Trustee may, in its discretion, require evidence that such Bonds have been deposited with a bank, bankers or trust company, before taking any action based on such ownership. In lieu of the foregoing the Trustee may accept other proofs of the foregoing as it shall deem appropriate.

For all purposes of this Indenture and of the proceedings for the enforcement hereof, such person shall be deemed to continue to be the holder of such Bond until the Trustee shall have received notice in writing to the contrary.

Section 1302. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture, or the Bonds is intended or shall be construed to give to any person or company other than the parties hereto, and the holders of the Bonds and the bearers of coupons appertaining thereto, any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained, this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the holders of the Bonds and the bearers of such coupons as herein provided.

Section 1303. Severability. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

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

Section 1304. Notices. It shall be sufficient service of any notice, request, complaint, demand or other paper on the Issuer if the same shall be delivered or shall be duly mailed to the Issuer by first class registered or certified mail, postage prepaid, addressed to it at _____, South Carolina, or to such address as the Issuer may from time to time file with the Trustee and Company. It shall be sufficient service of any notice or other paper on Company if the same shall be delivered or shall be duly mailed to it by first class registered or certified mail, postage prepaid, and addressed to it at 3340 West Norfolk Road, Portsmouth, Virginia 23703, Attention: Treasurer, or to such other address as Company may from time to time file with the Issuer and the Trustee. It shall be sufficient service of any notice or other paper on the Trustee if the same shall be delivered or shall be duly mailed to the Trustee by first class registered or certified mail, postage prepaid, and addressed to it at One First National Plaza, P.O. Box A, Chicago Illinois 60690, Attention: Corporate Trust Administrator.

Section 1305. Trustee as Paying Agent and Registrar. The Trustee is hereby designated and agrees to act as principal paying agent and Bond Registrar for and in respect to the Bonds.

Section 1306. Payments Due on Sundays and Holidays. In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be in Chicago, Illinois on either a Sunday or a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date in such city but may be made on the next succeeding business day not a Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Section 1307. Suspension of Newspaper Publication. If, because of the temporary or permanent suspension of the publication or general circulation of any newspaper or financial journal or for any other reason, it is impossible or impractical to publish any notice in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of notice.

Section 1308. Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Chester County, acting through its Board of County Directors, has caused these presents to be signed in its name and behalf by the Chairman of its Board of County Directors and attested by the Secretary of its Board of County Directors, and to evidence its acceptance of the trusts hereby created, The First National Bank of Chicago has caused these presents to be signed in its name and behalf by one of its _____,

its official seal to be herunto affixed, and the same to be
attested by one of its _____, all as of the first
day of September, 1974.

CHESTER COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman of the Board of County
Directors

ATTEST:

Witness

Witness

THE FIRST NATIONAL BANK OF CHICAGO,
as Trustee

(SEAL)

By _____
Its _____

ATTEST:

Witness

Witness

Its _____

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

Personally appeared before me _____, who,
being duly sworn, says that he saw the corporate seal of The
First National Bank of Chicago affixed to the foregoing instru-
ment and that he also saw _____ and
_____, _____ of The First National Bank of Chicago
sign and attest the same, and that he with _____
witnessed the execution and delivery thereof as the act and deed
of The First National Bank of Chicago.

Sworn to before me this _____ day of _____, 1974.

Notary Public

(SEAL)

My commission expires _____.

STATE OF _____)
) SS
COUNTY OF _____)

Personally appeared before me _____, who,
being duly sworn, says that he saw the corporate seal of
Chester County affixed to the foregoing instrument and that
he also saw _____, Chairman and _____,
_____ of Chester County, Board of County Directors sign
and attest the same, and that he with _____
witnessed the execution and delivery thereof as the act and deed
of said Chester County.

Sworn to before me this _____ day of _____, 1974.

Notary Public

(SEAL)

My commission expires _____.

LOAN AGREEMENT

between

CHESTER COUNTY, SOUTH CAROLINA

and

VIRGINIA CHEMICALS INC.

Dated as of November 1, 1974

NOTE: THIS LOAN AGREEMENT HAS BEEN ASSIGNED TO AND IS SUBJECT TO A SECURITY INTEREST IN FAVOR OF THE FIRST NATIONAL BANK OF CHICAGO AS TRUSTEE UNDER AN INDENTURE OF TRUST DATED AS OF November 1, 1974, BETWEEN CHESTER COUNTY, SOUTH CAROLINA AND SUCH TRUSTEE, AS AMENDED OR SUPPLEMENTED FROM TIME TO TIME. INFORMATION CONCERNING SUCH SECURITY INTEREST MAY BE OBTAINED FROM THE TRUSTEE AT THE FIRST NATIONAL BANK OF CHICAGO.

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THIS LOAN AGREEMENT made as of the 1st day of November, 1974 by and between CHESTER COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina (the Issuer), and VIRGINIA CHEMICALS INC., a Maine corporation (the Company);

WITNESSETH:

WHEREAS, the Pollution Control Facilities Act, contained in Sections 63-195.51 to 63-195.65, inclusive, of the Code of Laws of South Carolina, as amended (the Act), empowers the governing boards of the several counties and incorporated municipalities in South Carolina to enter into agreements with any industry to construct and thereafter operate, maintain and improve facilities designed for the elimination, mitigation or prevention of air or water pollution, to enter into loan agreements with such industry, prescribing the terms and conditions of the payments to be made by the industry to meet the payments that should become due on bonds and to issue bonds for the purpose of defraying the cost of acquiring by construction and purchase pollution control facilities; and

WHEREAS, subject to obtaining approval from the State Budget and Control Board of South Carolina as required by the Act, the Issuer proposes to issue and sell its bonds under the Indenture (hereinafter defined) and to loan the proceeds received from the sale of such bonds to the Company for the purpose of financing the cost of acquiring by construction and purchase the Project (hereinafter defined) to be used for the elimination, mitigation or prevention of air and water pollution;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto covenant and agree as follows:

ARTICLE I

Definitions and Rules of Construction

Section 1.1. Definitions. The following words and terms as used in this Agreement and the Note shall have the following meanings unless a different meaning clearly appears from the context:

"Act" shall mean Sections 63-195.51 to 63-195.65, inclusive, of the Code of Laws of South Carolina, as amended.

"Agreement" shall mean this Loan Agreement and shall include any amendment hereto.

"Authorized Issuer Representative" shall mean such person or persons at the time designated to act on behalf of the Issuer by certificate filed with the Company and the Trustee containing the specimen signature of each such person and signed by the Chairman or Vice Chairman of the Issuer. Any such person shall be satisfactory to the Company and shall be replaced promptly by the Issuer upon the written request of the Company.

"Authorized Company Representative" shall mean such person or persons at the time designated to act on behalf of the Company by certificate filed with the Issuer and the Trustee containing the specimen signature of each such person and signed by the President or a Vice President of the Company.

"Board" means the County Board of Directors of the Issuer.

"Bonds" shall mean the $8\frac{1}{8}\%$ \$700,000 of Pollution Control Revenue Bonds (Virginia Chemicals Inc. Project) Series of 1974, of the Issuer issued pursuant to the Indenture.

"Bond Fund" shall mean the Bond Fund created in Section 502 of the Indenture.

"Code" shall mean the Internal Revenue Code of 1954, as amended.

"Company" shall mean Virginia Chemicals Inc., a Maine corporation, its successors and any surviving, resulting or transferee corporation as permitted under the terms of Section 5.5 hereof.

"Construction Fund" shall mean the Construction Fund created in Section 501 of the Indenture.

"Event of Default" shall mean any of the events described under the heading "Events of Default" in Section 6.1 hereof.

"Final Construction Disbursement Date" shall mean the date certified as provided in Section 3.9 hereof.

"Indenture" shall mean the Trust Indenture, including any indentures supplemental thereto as therein permitted, between the Issuer and The First National Bank of Chicago, Chicago, Illinois, as Trustee, dated as of the date hereof, pursuant to which the Bonds are authorized to be issued.

"Issuer" shall mean the County of Chester, State of South Carolina.

"Note" or "Pollution Control Note" shall mean the promissory note of the Company, a copy of which is attached hereto as Exhibit A and is made a part hereof, issued by the Company to the Issuer to evidence the loan made under this Agreement, and any amendments and supplements thereto.

"Payment of the Bonds" shall mean payment in full of all of the Bonds or provision for such payment as provided in the Indenture.

"Plans and Specifications" shall mean those plans and specifications for the Project, identified as follows:

as amended from time to time in accordance with the terms of this Agreement.

"Plant" shall mean all facilities located on the premises of Company in Chester County, South Carolina, and used by Company, its subsidiaries or affiliates in production of organic and inorganic chemicals and other products, as such facilities may at any time exist.

"Project" shall mean, collectively, the air and water pollution control facilities, including structures, machinery, fixtures, improvements and equipment to be located at Company's Plant, all as described in the Plans and Specifications.

"Trustee" shall mean The First National Bank of Chicago, Chicago, Illinois, or its successors serving as such under the Indenture.

Section 1.2. Rules of Construction. Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement and the Note:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) All references herein to particular articles or sections are references to articles or sections of this Agreement.

(c) The headings in this Agreement are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

ARTICLE II

Representations

Section 2.1. Representations by Issuer. The Issuer makes the following representations as the basis for its undertakings hereunder:

(a) The Issuer is duly organized under the Act, has the power to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder and by proper corporate action has been duly authorized to execute and deliver this Agreement. The Project constitutes and will constitute "pollution control facilities" within the meaning of the Act.

(b) The Issuer is concurrently entering into a Bond Purchase Agreement dated as of September 1, 1974 (the Bond Purchase Agreement) with The Lincoln National Life Insurance Company (Lincoln) providing, among other things, for the issuance and sale by the Issuer to Lincoln of the Issuer's \$700,000 8 1/8% Pollution Control Revenue Bonds (Virginia Chemicals Inc. Project Series of 1974 (the Bonds). The proceeds of such issue and sale will be loaned by the Issuer to the Company under this Agreement by deposit of such proceeds into the Bond Fund and the Construction Fund as contemplated by the Indenture.

(c) The Bonds are to be issued under and secured by the Indenture pursuant to which the Authority's interest in this Agreement and the Note, including the payments to be received on the Note, will be assigned and pledged to the Trustee as security for the payment of the principal of, premium, if any, and interest on the Bonds.

(d) The Project is designed for the elimination, mitigation or prevention of air or water pollution and will promote the maintenance of reasonable standards of purity of the air and water resources of the State of South Carolina.

(e) On the basis of the knowledge of the Board of the Issuer and the representations of the Company contained herein relating to the construction of the Project:

(1) All of the original proceeds (as defined in Proposed Regulations published on p. 10944 of the Federal Register for May 3, 1973 relating to arbitrage bonds) of the Bonds are needed for the purpose of paying the costs of the Project, including expenses incidental to the issuance of the Bonds.

(2) At least 85% of the spendable proceeds of the Bonds has been expended for the Project cost.

(3) Work on the Project has proceeded to substantial completion.

(4) The Project has not been and is not expected to be sold or otherwise disposed of, in whole or in part, prior to the last maturity of the Bonds (other than as provided in the Indenture).

(5) Accrued interest, if any, received upon the sale of the Bonds is to be applied to the first interest due thereon.

On the basis of the foregoing, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" under Section 103(d) of the Internal Revenue Code of 1954, as amended, and the regulations promulgated under that Section. To the best knowledge and belief of the Board, there are no other facts, estimates or circumstances that would materially change the foregoing conclusion. The Issuer has not been notified of any listing or proposed listing of it by the Internal Revenue Services as a bond issuer whose arbitrage certificates may not be relied upon.

(f) Notwithstanding anything herein or in the Note to the contrary, any obligation the Issuer may hereby incur for the payment of money shall not be deemed to constitute a debt or general obligation of the Issuer, but shall be payable solely from the proceeds derived from this Agreement and the Note, the sale of the Bonds and any other revenues arising out of or in connection with the sale of the Project as herein provided.

Section 2.2. Representations by Company. The Company makes the following representations as the basis for its undertakings hereunder:

(a) The Company is a corporation duly organized and in good standing under the laws of Maine, is duly qualified to do business as a foreign corporation and is in good standing in South Carolina, has the power to enter into this Agreement and the Note and by proper corporate action has been duly authorized to execute and deliver this Agreement and the Note.

(b) The Project is designed to meet applicable Federal, State and local requirements for the control of air and water pollution now in effect; is designed for the elimination, mitigation or prevention of air or water pollution emanating from the Company's plant and will promote the maintenance of reasonable standards of purity of the air and water

resources of the State of South Carolina; is designated for no significant purpose other than pollution control and will not result in any increase in production or capacity, or in a material extension of the useful life, of a manufacturing or production facility or any part thereof that is owned by the Company.

(c) The Company presently intends to operate the Project, or cause it to be operated, for the purpose of eliminating, mitigating and preventing air or water pollution in connection with the Plant.

(d) The execution and delivery of this Agreement and the Note and the consummation of the transactions contemplated herein and therein will not conflict with or constitute a breach of or default under the Company's articles of incorporation or by-laws or any bond, debenture, note or other evidence of indebtedness or any contract, agreement or lease to which the Company is a party or by which it is bound.

(e) The property comprising the Project constitutes and will constitute either land or property of a character subject to the allowance for depreciation under Section 167 of the Code and all expenditures for and costs of the Project will be charged to capital account for Federal income tax purposes. The estimated cost of the Project and the related costs of financing contemplated hereunder is \$700,000 and all of the proceeds of the loan made hereunder will be used only to provide pollution control facilities. In estimating costs of the Project no amount has been included which, under the Federal income tax laws, will be deducted by the Company in the year in which paid or incurred except through an allowance for depreciation.

(f) The resolution authorizing the Inducement Contract dated as of August 10, 1973 was duly adopted by the Board of the Issuer prior to the commencement of the construction, reconstruction or acquisition of the Project, and the Bonds to be issued pursuant to the Bond Purchase Agreement will be issued within one year after the Project was first placed in service or acquired.

6. The statements made to Messrs. Chapman and Cutler in connection with the Project, including, without limitation, the material furnished with the letter of the Company are true and correct and do not admit any material fact necessary to make such statements not misleading and the estimates contained therein are reasonably accurate in all material respects.

ARTICLE III

Completion of Project: Issuance of Bonds

Section 3.1. Completion of the Project. The Company agrees that the acquisition, construction and installation of the Project has been substantially completed in accordance with the plans and specifications, as amended, and that the Project is being and will be operated for the purpose of eliminating, mitigating or preventing air and water pollution.

Section 3.2. Issuance of Bonds: Closing of Loan Hereunder. The Company agrees to borrow from the Issuer and, subject to the terms and conditions hereof and in reliance on the representations and warranties of the Company contained herein, the Issuer agrees to lend to the Company the amount of \$700,000 to be evidenced by a Note in the principal amount of \$700,000.

Section 3.3. Closing. The closing of the loan hereunder shall occur immediately after the closing of the issuance and sale by the Issuer of the Bonds.

Section 3.4. Deposit of Loan Proceeds. The proceeds of the issue and sale of the Bonds will be loaned by the Issuer to the Company under this Agreement by deposit of such proceeds into the Bond Fund and Construction Fund.

Section 3.5. The Indenture. The Issuer is delivering herewith to the Company a copy of the Indenture in the form in which it is simultaneously being executed. The Issuer covenants that it will consent to no amendment to the Indenture without the prior written approval of the Company and that funds will be disbursed only in accordance with the terms of the Indenture. The Company will deliver to the Issuer on the closing a single definitive Note, registered in the name of the Issuer, at the

principal office of the Trustee in Chicago, Illinois. Pursuant to the Indenture, the Note will be pledged with the Trustee thereunder and assigned to the Trustee.

Notwithstanding any provision to the contrary contained herein or in the Note, the Company will pay and bear all expenses in connection with the preparation, issuance and delivery to the Issuer of the Note, including the expenses of all stamp and other taxes.

Section 3.6. Disbursements from the Construction Fund. In the Indenture the Issuer is authorizing and directing the Trustee to use the moneys in the Construction Fund only for the following purposes in connection with the acquisition, construction and installation of the Project:

(a) Payment to the Company or the Issuer, as the case may be, of such amounts, if any, as shall be necessary to reimburse the Company and the Issuer in full for all advances and payments made by them or either of them or for their accounts at any time prior to or after the delivery of the Bonds for expenditures in connection with the acquisition of any property required for the Project, the preparation of Plans and Specifications for the Project (including any preliminary study or planning of the Project or any aspect thereof), the acquisition, construction and installation of the Project and all real or personal property deemed necessary in connection with the Project, or any one or more of such expenditures (including architectural, engineering and supervisory services with respect to any of the foregoing), provided that such reimbursement to the Company shall not be made with respect to pollution control facilities that are not a part of the Project.

(b) Payment of financing costs, including but not limited to the initial or acceptance fee of the Trustee and fees and expenses of its counsel, legal, accounting and financial advisory fees and expenses, filing fees and printing and engraving costs incurred in connection with the authorization, sale and issuance of the Bonds, the execution and filing of the Indenture, this Agreement, the Note, and any financing statements and all other documents in connection therewith, and the payment of all fees, costs and expenses for the preparation of this Agreement, the Note, the Indenture and the Bonds.

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

(d) Payment of the fees, if any, for architectural, engineering and supervisory services with respect to the Project.

(e) Payment of the fees and expenses of the Trustee, Bond Registrar and paying agents properly incurred under the Indenture that may become due until the Final Construction Disbursement Date.

(f) Payment of the premiums on any insurance taken out and maintained by the Company on the Project until the Final Construction Disbursement Date.

(g) Payment of any other costs and expenses relating to the acquisition, construction and installation of the Project or the authorization, issuance and sale of the Bonds.

(h) All monies remaining in the Construction Fund at the Final Construction Disbursement Date after payment or provision for payment of all of the items provided for in the preceding subsections of this Section, shall, at the direction of the Company, be paid into the Bond Fund.

Before any payment shall be made from the Construction Fund, there shall be filed with the Trustee:

(1) A requisition, signed by the Authorized Company Representative and approved by the Authorized Issuer Representative, stating:

(i) the name of the person, firm or corporation to whom the payment is due;

(ii) the amount to be paid; and

(iii) the purpose in reasonable detail for which the obligation to be paid was incurred;

(2) A certificate attached to the requisition, signed by the Authorized Company Representative and approved by the Authorized Issuer Representative, stating that:

(i) the obligation stated on the requisition has been incurred by the Company in or about the acquisition, construction or installation of the Project and that each item is a proper charge against the Construction Fund;

(ii) the Company has not received a written notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition to any of the persons, firms or corporations named therein, or if any notice of any such lien, attachment or claim has been received, that such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of the requisition; and

(iii) such requisition contains no items representing payment on account of any retained percentages which the Company is entitled to retain at the date of the certificate; and

(3) If any requisition includes an item for payment for labor or to contractors, builders or materialmen, a certificate signed by the Authorized Company Representative stating that obligations as stated on the requisition have been properly incurred and such work was actually furnished or installed in or about the acquisition, construction or installation of the Project and are not subject to any lien or security interest.

Upon receipt of each such requisition and accompanying certificate or certificates the Trustee shall make payment from the Construction Fund in accordance with such requisition. If a requisition is for reimbursement to the Issuer for any part of the cost of the Project paid by it, whether prior to or after the delivery of the Bonds, the certificate required by subsection (2) shall be signed by the Authorized Issuer Representative and approved by the Authorized Company Representative.

In the event that, after reasonable request

made to the Authorized Issuer Representative, the Authorized Issuer Representative fails or refuses to execute or approve a requisition or certificate required by this Section, the Authorized Company Representative may sign and submit to the Trustee such requisition or certificate without obtaining the execution or approval of the Authorized Issuer Representative, provided that (i) such requisition or certificate states that the Purchaser has made reasonable request for such execution or approval from the Authorized Issuer Representative and the Authorized Issuer Representative has failed or refused to comply without justification, (ii) the Company furnishes to the Trustee indemnity satisfactory to it in an amount not less than the amount of the requested payment and (iii) the Trustee reasonably believes that the reason for the failure or refusal of the Authorized Issuer Representative to comply is without justification.

Section 3.7. Investment of Construction Fund Moneys.

At the request of and as directed by the Company in writing, the Issuer will cause the Trustee to invest and reinvest any moneys held in the Construction Fund in the following:

(1) obligations of the United States and agencies thereof;

(2) general obligations of the State of South Carolina or any of its political units;

(3) savings and loan associations to the extent that the same are secured by the Federal Deposit Insurance Corporation;

(4) certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; and

(5) bonds or debentures issued by any Federal Home Loan Bank or in the consolidated bonds or debentures issued by the Federal Home Loan Bank Board.

All such investments shall have maturities consistent with the time or times when the invested moneys will be needed in cash. The foregoing provisions shall not impair the power of the Lender to hold funds in deposit accounts with banking institutions as authorized by law. All such investments shall at all times be a part of the Construction Fund and all income and profits on such investments shall be credited to, and all losses thereon shall be charged against, the Construction Fund.

Section 3.8. Obligation of the Parties to Cooperate in Furnishing Documents to Trustee. The Company agrees to cooperate with the Issuer in furnishing to the Trustee the documents referred to in Section 3.6 that are required to effect payments out of the Construction Fund, and the Issuer agrees to cause such orders to be directed by the Authorized Issuer Representative to the Trustee as may be necessary to effect payments out of the Construction Fund in accordance with Section 3.6. Such obligation of the Issuer is subject to any provisions of the Indenture requiring additional documentation with respect to payment and shall not extend beyond the moneys in the Construction Fund available for payment under the terms of the Indenture.

Section 3.9. Establishment of Final Construction Disbursement Date. The Final Construction Disbursement Date shall be evidenced to the Trustee by a certificate signed by the Authorized Company Representative stating that, except for amounts retained by the Trustee for the cost of the Project as provided in Section 3.6(h) hereof, all costs and expenses incurred in connection with the Project and the financing contemplated hereby have been paid. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being.

Section 3.10. Cost of Completion of Project if Construction Fund Insufficient. The Issuer does not make any warranty, either express or implied, that the moneys which will be paid into the Construction Fund and which, under the provisions of this Agreement, will be available for payment of the cost of the Project will be sufficient to pay all such cost. The Company agrees that if, after exhaustion of the moneys in the Construction Fund, the Company should pay any portion of the cost of completing the Project, it shall not be entitled to any reimbursement therefor from the Issuer or the Trustee nor shall it be entitled to any abatement, diminution or postponement of the payments required to be made by the Company under the Note.

ARTICLE IV

Provisions for Payment

Section 4.1. Amounts Payable. The Company agrees to make prompt payment of the amounts payable on the Note as the same become due, which shall be an amount equal to the principal of and interest and premium, if any, on the Bonds.

ARTICLE V

Special Covenants

Section 5.1. Disclaimer of Representations and Warranties. THE ISSUER MAKES NO REPRESENTATION OR WARRANTY THAT THE COMPANY SHALL HAVE QUIET AND PEACEFUL POSSESSION OF THE PROJECT, except that the Project is free from encumbrances done, made or suffered by the Issuer or anyone claiming by, through or under it. The

Company recognizes that since the Project has been and is being acquired, constructed and installed by contractors and suppliers selected by it in accordance with plans and specifications prepared by architects or engineers selected by it, THE ISSUER MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE CONDITION OR WORKMANSHIP OF ANY PART OF THE PROJECT OR ITS SUITABILITY FOR THE COMPANY'S PURPOSES or the extent to which proceeds derived from the sale of the Bonds will pay the cost to be incurred in connection therewith.

Section 5.2. Release and Indemnification. The Company shall at all times protect and hold the Issuer harmless against any claims or liability resulting from any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project or the use thereof other than loss, damage or injury occasioned by the Issuer's own acts or negligence.

Section 5.3. Financial Records and Statements. The Company will maintain proper books of record and account, in which full and correct entries will be made in accordance with generally accepted accounting principles of all its business and affairs. The Company will have an annual audit made by independent certified public accountants and, within 120 days after the end of each fiscal year, will furnish the Issuer, the Trustee and each holder of 10% or more in principal amount of the Bonds a balance sheet and statement of income and surplus showing the financial condition of the Company and its consolidated subsidiaries, if any, at the close of each fiscal year and the results of operations of the Company and its consolidated subsidiaries, if any, for each fiscal year, accompanied by a certificate or opinion of such accountants. In addition, the Company will furnish to the Issuer, the Trustee and each such holder promptly upon their becoming available, copies of each financial statement, report, notice or proxy statement sent by the Company to its stockholders generally, and of each regular or periodic report and any registration statement or prospectus (other than those relating to employee benefit plans) filed with any securities exchange or with the Securities Exchange Commission or any successor agency.

Section 5.4. Limitation on Use of Bond Proceeds. The Bonds are industrial development bonds under Section 103(c) (2)

of the Code and are being issued pursuant to Section 103(c)(4)(F) of the Code which generally allows the exclusion from gross income of interest on obligations issued by a political subdivision such as the Issuer to provide air or water pollution control facilities. The Company and the Issuer intend that interest on the Bonds shall continue to be exempt from federal income taxation. The Company covenants with the Issuer and the holders of the Bonds and interest coupons appertaining thereto that substantially all of the Bond proceeds will be used for the purposes set out in Section 103(c)(4)(F) of the Code.

Section 5.5. Maintenance of Corporate Existence.

The Company agrees that while any sum remains unpaid on this Note, it will maintain its corporate existence under the laws of the State of Maine and qualification to do business as a foreign corporation in South Carolina, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; provided, that the Company may, without violating the agreements contained in this Section, consolidate with or merge into another domestic corporation (i.e., a corporation incorporated and existing under the laws of one of the States of the United States of America or under the laws of the United States of America), or permit one or more domestic corporations to consolidate with or merge into it, or sell or otherwise transfer to another domestic corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided, in the event the Company is not the surviving, resulting or transferee corporation, as the case may be, the surviving, resulting or transferee corporation, as the case may be, assumes in writing delivered to the Trustee all of the obligations of the Company in this Agreement and the Note and is a South Carolina corporation or is qualified to do business in South Carolina as a foreign corporation.

Section 5.6. Fees and Expenses. The Company agrees to pay the fees and expenses of the Trustee.

Section 5.7. Ownership of Project. The Project will be owned by the Company upon the acquisition and construction thereof and the Issuer shall have no interest therein except under and by virtue of the this Loan Agreement and the Note.

Section 5.8. Maintenance. The Company agrees to pay the cost of maintaining the Project in good repair and the cost of keeping it properly insured.

ARTICLE VI

Events of Default and Remedies

Section 6.1. Events of Default. Each of the following events is hereby declared an Event of Default:

- (a) The Company's failure to make any payment of principal of or interest or premium on the Note when the same becomes due and payable;
- (b) The Company's failure to observe and perform any of its other covenants, conditions or agreements contained herein or in the Note for a period of 30 days after notice (unless the Trustee shall agree in writing to an extension of such time prior to its expiration) specifying such failure and requesting that it be remedied, given by the Issuer or the Trustee to the Company, or in the case of any such default which can be cured with due diligence but not within such 30-day period, the Company's failure to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence.
- (c) The Company's making a general assignment for the benefit of creditors, or admitting in writing its inability to pay its debts as they become due, or filing a petition in bankruptcy, or being adjudicated a bankrupt or insolvent, or filing a petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, or filing an answer admitting or not contesting the material allegations of the petition against it in any such proceeding, or seeking or consenting to or acquiescing in the appointment of any trustee, receiver, liquidator of the Company or any material part of its properties.
- (d) The Company's failure, within 60 days after the commencement of any proceeding against the Company seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, to have such proceeding dismissed, or, within 60 days after the appointment without the consent or acquiescence of the Company,

of any trustee, receiver or liquidator of the Company or of any material part of its properties, to have such appointment vacated.

(e) The Company's failure to perform and observe any provision contained in the Note Purchase Agreement pursuant to which the Company's \$10,000,000 of 10 1/8% Senior Notes due 1979-1990 are issued, if such failure causes or permits such Noteholders to accelerate the repayment of such Notes.

Section 6.2. Remedies on Default. Whenever an Event of Default shall have happened and be continuing, the Issuer or the Trustee shall have the following rights and remedies:

(a) The Issuer or the Trustee may declare the unpaid principal of the Note and premium, if any, and interest accrued thereon, to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The Issuer or the Trustee may have access to and inspect, examine and make copies of, the books, records and accounts of the Purchaser pertaining to the Project.

(c) The Issuer or the Trustee may take whatever action at law or in equity may appear necessary or desirable to collect any sums then due and thereafter to become due hereunder or to enforce observance or performance of any covenant, condition or agreement of the Company under the Agreement and the Note.

Any amounts remaining in the Bond Fund upon expiration or sooner termination of Company's obligations under the Note, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the fees, charges and expenses of the Trustee and paying agents in accordance with the Indenture shall belong to and be paid to the Company by the Trustee.

Section 6.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer is intended to be exclusive of any other remedy, and every remedy shall be cumulative and in addition to every other remedy herein or now or

hereafter existing at law, in equity or by statute. No delay or omission to exercise any right or power accruing upon an Event of Default shall impair any such right or power or shall be construed to be a waiver thereof (unless expressly waived by the Issuer and the Trustee), but any such right or power may be exercised from time to time and as often as may be deemed expedient. Such rights and remedies as are given to the Issuer hereunder shall also extend to the Trustee, and the Trustee and the holders of the Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 6.4. Attorneys' Fees and Expenses. Should an Event of Default occur and the Issuer employ attorneys or incur other expenses for the collection of sums due hereunder or the enforcement of performance of any other obligation of the Company under the Agreement or the Note, the Company shall on demand pay to the Issuer the reasonable fees of such attorneys and such other reasonable expenses so incurred.

Section 6.5. Waiver of Events of Default. The Trustee pursuant to the Indenture may waive any Event of Default and the consequences thereof, but no such waiver shall be effective unless in writing delivered to Company, and any such notice shall be limited to the particular Event of Default so waived and shall be deemed not to waive any other Event of Default.

ARTICLE VII

Prepayment of Note

Section 7.1. Option to Prepay Note in Certain Events. The Company shall have the option to prepay the Note and terminate the Agreement if one of the following shall have occurred:

- (a) The Plant shall have been damaged or destroyed by fire or other casualty to such extent that in the opinions of the Company's Board of Directors expressed in a resolution and of an architect or engineer acceptable to the Issuer and the Trustee expressed in a certificate, in each case filed with the Issuer and the Trustee, (1)

the Plant cannot be reasonably repaired, rebuilt or restored within a period of six months to its condition immediately preceding such damage or destruction, or (2) the Company is thereby prevented from carrying on its normal operations for a period of six months.

(b) Title to or the temporary use of a substantial part of the Plant shall have been taken under the exercise of the power of eminent domain which results or is likely to result in the Company being thereby prevented from carrying on its normal operations therein for a period of six months, as evidenced by the opinions of the Company's Board of Directors expressed in a resolution and of an architect or engineer acceptable to the Issuer and the Trustee expressed in a certificate, in each case filed with the Issuer and the Trustee.

(c) As a result of changes in the Constitution of South Carolina or the Constitution of the United States of America or of legislative or administrative action (whether local, state or federal) or by final decree, judgment or order of any court or administrative body (whether local, state or federal) after the contest thereof by the Company in good faith, the Agreement or the Note shall become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed therein or unreasonable burdens or excessive liabilities are imposed upon the Issuer or the Company, including without limitation, federal, state or other ad valorem property, income or other taxes not being imposed on the date of the Agreement.

To exercise such option the Company shall within 60 days after the event authorizing its exercise given notice to the Issuer and the Trustee and shall specify a date not more than 90 days thereafter for prepayment. The Company shall make arrangements satisfactory to the Trustee for giving the required notice of redemption of Bonds. The Note shall be prepaid pursuant to this Section 7.1 for a sum which when added to the amount then on deposit in the Bond Fund will be sufficient to redeem all Bonds then outstanding at the principal amount thereof and interest to the redemption date (but without premium) and to pay all fees and expenses of the Trustee and the paying agents accrued and to accrue through final redemption of the Bonds.

Section 7.2. Other Options to Prepay Note. On or after December 31, 1984, the Purchaser shall have the option at any time to prepay the Note, in whole or in part, at a price equal to the redemption price then in effect for the Bonds, plus premium, if any, plus interest to the redemption date and all fees and expenses of the Trustee and the paying agents accrued and to accrue through final prepayment of the Bonds.

7.3. Mandatory Prepayment of Note. If the Company receives a notice from any holder of a Bond or the Trustee of a "Determination of Taxability" (as such term is hereinafter defined), the Company shall within 60 days after receipt of such notice, give notice to the Issuer and the Trustee which notice shall specify a date not more than 90 days thereafter for prepayment of the Note in full. The Company and the Issuer shall make arrangements satisfactory to the Trustee for giving the required notice of redemption of the Bonds. The Note shall be prepaid pursuant to this Section 7.3 in an amount equal to the principal amount of all Bonds then outstanding, plus accrued interest to the date of redemption, plus a premium equal to 3% of such outstanding Bonds, for each 6-months period or part thereof elapsed between the date on which interest on the Bonds became subject to Federal income taxation and the date of redemption.

A "Determination of Taxability" shall mean the issuance of a statutory notice of deficiency by the Internal Revenue Service which holds in effect that the interest payable on the Bonds is includable in the gross income of a holder of Bonds (other than a holder who is a "substantial user" or "related person" as such terms are defined in the Internal Revenue Code of 1954, as amended).

ARTICLE VII

Miscellaneous.

Section 8.1. Term of Agreement. This Agreement shall terminate upon the payment in full of the Note and the termination of all other obligations of Company pursuant to this Agreement.

Section 8.2. Notices. All notices, approvals, consents, requests and other communications hereunder shall be in writing and shall be deemed to have been given when delivered or mailed by first class registered or certified mail, postage prepaid, addressed (a) if to the Company, at 3340 West Norfolk Road, Portsmouth, Virginia 23703, Attention: _____, or (b) if to the Issuer, at _____,

or (c) if to the Trustee, at One First National Plaza, P. O. Box A, Chicago, Illinois 60690, Attention: Corporate Trust Administration. A duplicate copy of each notice, approval, consent, request or other communication given hereunder by either the Issuer or the Company to the other shall also be given to the Trustee. The Issuer, the Purchaser and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, approvals, consents, requests or other communications shall be sent or persons to whose attention the same shall be directed.

Section 8.3. Amendments. This Agreement shall not be amended subsequent to the issuance of the Bonds and before payment of the Bonds without the consent of the Trustee and the requisite consent of the holders of the Bonds, given in accordance with the Indenture.

Section 8.4. Successors and Assigns. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 8.5. Severability. If any provision of this Agreement shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof.

Section 8.6. Applicable Law; Entire Understanding. This Agreement shall be governed by the laws of South Carolina. This Agreement and the Note express the entire understanding and all agreements between the parties. Neither party has made or shall be bound by any agreement or representation to the other party which is not expressly set forth herein or in the Note.

Section 8.7. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Issuer and the Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be

hereunto affixed and attested by their duly authorized officers,
all as of the date first above written.

CHESTER COUNTY, SOUTH CAROLINA

By _____
Chairman of the County Board of Director

(SEAL)

Attest:

Secretary

VIRGINIA CHEMICALS INC.

By _____
President

(SEAL)

Attest:

Secretary

Exhibit A to Loan Agreement between Chester County, South Carolina
and Virginia Chemicals Inc.

Pollution Control Note

VIRGINIA CHEMICALS INC.

\$700,000

November 1, 1974

Virginia Chemicals Inc., a Maine corporation (the Company), for value received, hereby promises to pay to the County of Chester, State of South Carolina, (the Issuer), in installments as set forth below the principal sum of Seven Hundred Thousand Dollars (\$700,000) with interest on the unpaid principal sum from _____, 1974 at the rate of eight and one-eighth per cent (8-1/8%) per annum payable on June 30, 1975 and on each December 31 and June 30 of each year thereafter until said principal sum shall become due and payable. Payments of principal shall be made in installments on December 31 in the years and amounts, as follows:

<u>Year</u>	<u>Amount</u>
1990	\$140,000
1991	140,000
1992	140,000
1993	140,000
1994	140,000

Payments shall be made in lawful money of the United States of America at the principal office of the Trustee, hereinafter mentioned, in Chicago, Illinois, or at such other place as the Trustee may direct in writing.

If the Company shall fail to make any payments required by this Note, such payments in default shall continue as obligations of the Company until paid in full and the Company shall pay the same with interest at the rate of 8-1/8% per year until paid.

This Note is issued pursuant to the Loan Agreement dated as of November 1, 1974 (the Loan Agreement) between the Issuer and the Company to evidence the loan made by the Issuer to the Company thereunder, and is entitled to the benefits and subject to the conditions thereof. All the terms, conditions and provisions of the Loan Agreement are, by this reference thereto, incorporated herein as a part of this Note.

Anything herein to the contrary notwithstanding, any amount at any time held by the Trustee in the Bond Fund referred to in the hereinafter mentioned Indenture shall be credited against the next succeeding payment hereunder and shall reduce the payment to be made by the Company to the extent such amount is in excess of the amount required for payment of Bonds theretofore matured or called for redemption and past due interest in all cases where such Bonds have not been presented for payment; and further, if the amount held by the Trustee in the Bond Fund should be sufficient to pay at the times required the principal of, premium (if any) and interest on the Bonds then remaining unpaid and to pay all fees and expenses of the Trustee and the paying agents accrued and to accrue through final payment of the Bonds and if the Indenture has been cancelled and discharged in accordance with Article VIII thereof, the Company shall not be obligated to make any further payments hereunder.

The obligations of the Company to make the payments on this Note and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional and shall not be subject to diminution by set-off, counterclaim, abatement or otherwise and until such time as the principal of and interest and premium, if any, on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with Article VIII of the Indenture, the Company (i) will not suspend or discontinue any payments on this Note, (ii) will perform and observe all its other agreements contained in the Agreement and (iii) except as provided in this Note, will not terminate its obligations under this Note for any cause including, without limiting the generality of the foregoing, failure of the Issuer to complete the Project, failure of the Issuer's title to the Project or any part thereof, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of South Carolina or any political subdivision of either thereof or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Agreement. Nothing contained in this paragraph shall be construed to release the Issuer from the performance of any of the agreements on its part contained in the Agreement but, so long as this Note or any of the Bonds remain outstanding and until this Note and the Bonds have been fully paid or provision for the payment thereof shall have been made in accordance with Article VIII of the Indenture, the Company shall not institute any action against the Issuer. No breach by the Issuer of any of the agreements on its part contained in the Agreement shall impose any pecuniary liability upon the Issuer or any charge upon its general credit or against its taxing power.

The Issuer, by the execution of the Indenture hereinafter mentioned and the assignment form at the foot of this Note, is assigning this Note and the payments thereon to The First National Bank of Chicago (the Trustee), acting pursuant to an Indenture of

Trust dated as of November 1, 1974 (the Indenture), between the Issuer and the Trustee as security for the Issuer's \$700,000 Pollution Control Revenue Bonds (Virginia Chemicals Inc. Project) Series of 1974 (the Bonds), issued pursuant to the Indenture. Payments of principal of and interest on this Note shall be made directly to the Trustee for the account of the Issuer pursuant to such assignment, and applied only to the principal of and interest on the Bonds. All obligations of the Company hereunder shall terminate when all sums due and to become due pursuant to the Indenture and the Bonds have been paid or provided for in full.

In addition to the payments of principal and interest specified in the first paragraph hereof, the Company shall also pay such additional amounts, if any, which, together with other moneys available therefor pursuant to the Indenture, may be necessary to provide for payment when due of principal (whether at maturity or by acceleration or otherwise) of, premium, if any, and interest on the Bonds.

The Company shall have the option to prepay this Note in whole or in part and is required to prepay this Note in whole in certain circumstances, all upon the terms and conditions and in the manner specified in the Loan Agreement.

In case an "Event of Default", as defined in the Loan Agreement, shall occur and be continuing, the principal of and interest on this Note may be declared immediately due and payable as provided in the Loan Agreement.

IN WITNESS WHEREOF, the Company has caused this Note to be executed in its corporate name and its seal to be hereunto affixed and attested by its duly authorized officers, all as of the date first above written.

VIRGINIA CHEMICALS INC.

By: _____
President

(SEAL)

Attest:

Secretary

ASSIGNMENT

The County of Chester, State of South Carolina (the Issuer) hereby irrevocably assigns the foregoing Note to The First National Bank of Chicago, Trustee under an Indenture of Trust dated as of November 1, 1974 (the Indenture), between the Issuer and the Trustee

and hereby directs Virginia Chemicals Inc. as the maker of the Note to make all payments of principal of and interest thereon directly to the Trustee as its principal office in Chicago, Illinois, or at such other place as the Trustee may direct in writing. Such assignment is made as security for the payment of the Issuer's \$700,000 Pollution Control Revenue Bonds (Virginia Chemicals Inc. Project) Series of 1974, issued pursuant to the Indenture.

CHESTER COUNTY, SOUTH CAROLINA

By

Chairman of the County Board of
Directors.

SUBJECT: Pollution Control Facilities
at Leeds, South Carolina

I Water Pollution Control		
A.	Water drainage from the area surrounding the sodium bisulfite plant	\$ 26 466
B.	Water drainage from the area surrounding the sodium hydrosulfite plant.	7 653
C.	Water drainage from the area surrounding the caustic concentrator.	25 421
D.	Water drainage from the area surrounding the sodium hydrosulfite tank farm.	149 135
E.	Water drainage from the area surrounding the formate manufacturing process.	19 059
F.	Water drainage from the area surrounding the liquid sodium hydrosulfite facilities.	9 393
G.	Sanitary collection. Amount represents cost in excess of conventional sewage collection system.	7 029
H.	Piping to conduct water periodically purged (blow-down) from the cooling water system to the waste treatment facility.	1 359
I.	The activated sludge waste treatment system into which these seven water collection systems flow prior to the treated water entering the Broad River.	\$326 300
	(a) Plastic Liner	12 500
	(b) Engineering design of the activated sludge treatment system by I.E. Sirrine Company.	+ 31 531
		370 331
J.	The system which collects a co-product from the bottom of a column including storage and shipping facilities. Amount represents cost of storing and loading vs. draining to river.	\$ 87 474
	(a) Plastic Liner	+ 12 500
		99 974
II Air Pollution Control		
A.	Dust collection system. Amount represents difference between blowing out of room and collecting, dissolving in water, and conducting to the waste treatment system.	21 032
III General		
A.	VCI Engineering	5 000
E.	Legal fees, closing costs, financial advisor, trustee fees, and related costs and disbursements	36 437
IV Sale of Recovered Material		
	Present value of the co-product recovered (See Item I - J)	- 78 286
		<u>\$ 700 000</u>
		<u>542</u>

CHESTER COUNTY, SOUTH CAROLINA

and

VIRGINIA CHEMICALS INC.

BOND PURCHASE AGREEMENT

Dated as of November 1, 1974

Re:

\$700,000 Pollution Control Revenue Bonds
(Virginia Chemicals Inc. Project) Series of 1974

EXHIBIT 4
(P. C.)

543

CHESTER COUNTY, SOUTH CAROLINA

VIRGINIA CHEMICALS INC.

BOND PURCHASE AGREEMENT

Re:

\$700,000 Pollution Control Revenue Bonds
(Virginia Chemicals Inc. Project) Series of 1974

Dated as of
November 1, 1974

The Lincoln National Life
Insurance Company
1301 South Harrison Street
Fort Wayne, Indiana 46801

Attention: Securities Investment Department

Gentlemen:

CHESTER COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina (the "Issuer") and VIRGINIA CHEMICALS INC., a Maine corporation (the "Company") confirm their separate and several agreements with you as follows:

SECTION 1. PURCHASE AND SALE OF BONDS.

The Issuer will authorize the issuance and sale of \$700,000 aggregate principal amount of its pollution control revenue bonds (the "Bonds") to be dated November 1, 1974, to bear interest at the rate of 8 1/8% per annum, to mature in the principal amount of \$140,000 on December 31 in each of the years 1990 to 1994, both inclusive, and to be substantially in the form provided for in the Indenture referred to in Section 1.2 hereof. The terms which are capitalized herein shall have the respective meanings set forth in Section 6 hereof, unless the context shall otherwise require.

1.2. Security for the Bonds.

The Bonds will be issued under and secured by a Trust Indenture (the "Indenture") between the Issuer and The First National Bank of Chicago, as Trustee (the "Trustee"), substantially in the form of the draft thereof dated November 1, 1974 previously

furnished to you with such changes therein as shall be approved by you, the Issuer and the Company creating a valid and perfected first lien on and security interest in the Issuer's right, title and interest in and to the Loan Agreement dated as of November 1, 1974 (the "Loan Agreement") between the Issuer and the Company, the Note (the "Note") issued pursuant thereto and the revenues and other receipts due and to become due thereunder. The Loan Agreement and the Note shall be substantially in the forms of the drafts thereof dated November 1, 1974 previously furnished to you with such changes therein as shall be approved by you, the Issuer and the Company.

1.3. The Closing.

Subject to the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth, the Issuer hereby agrees to issue and sell, and you hereby agree to purchase from the Issuer, Bonds in an aggregate principal amount of \$700,000 plus accrued interest, if any, from and including , 1974, to but not including the date of purchase. Delivery of the Bonds will be made at the principal office of the Trustee, One First National Plaza, Chicago, Illinois at 10 o'clock A.M. local time, on such date not earlier than November 1, 1974 and not later than December 31, 1974, as the Issuer shall designate by not less than five business days prior written notice (the "Closing Date") against payment therefor by a certified or official bank check in immediately available funds. The Bonds will be printed and will be delivered to you as a single Bond for each maturity in fully registered form, registered in your name or in the name of such nominee as you may specify at least three days prior to the Closing Date.

1.4. Purchase for Investment.

You represent to the Company that you are purchasing the Bonds for your own account for investment and not with a view to distribution; provided that the disposition of your property shall at all times be and remain within your control.

You have been advised that the Bonds have not been registered under the Securities Act of 1933, as amended; that the Issuer and the Company do not contemplate filing, and are not legally required to file, any such registration; that the Bonds must be held indefinitely unless they are subsequently registered under said Securities Act or are sold or otherwise transferred under circumstances not constituting the transferor an "Underwriter" within the meaning of said Securities Act; that resales of securities acquired directly or indirectly from an issuer in a transaction not involving any public offering made in reliance on Rule 144 under

said Securities Act can be made only in limited amounts in unsolicited brokers' transactions, subject to certain terms and conditions, including a two-year holding period, and that such unsolicited brokers' transactions are not presently generally available for securities such as the Bonds.

It is understood that, in making the representations set out in Section 2.13 hereof, the Company is relying, to the extent applicable, upon your representation as aforesaid.

Your purchase of the Bonds on the Closing Date shall constitute a reaffirmation by you of the foregoing representations as of the Closing Date.

1.5. Failure to Deliver.

If at the closing the Issuer fails to tender to you the Bonds to be purchased by you or if the conditions specified in Section 3 have not been fulfilled, you may thereupon elect to be relieved of all further obligations under this Agreement. Nothing in this Section shall operate to relieve the Company from any of its obligations hereunder or to waive any of your rights against the Company.

1.6. Expenses.

Whether or not the Bonds are sold, the Company will pay all expenses relating to this Agreement, including but not limited to:

(a) the cost of reproducing this Agreement and the other documents referred to herein;

(b) the reasonable fees and disbursements of your special counsel;

(c) your reasonable out-of-pocket expenses;

(d) the cost of delivering to your home office, insured to your satisfaction, the Bonds purchased by you at the closing; and

(e) all recording and filing fees and stamp taxes in connection with the recordation or filing of the Indenture and all expenses relating to any amendments, waivers or consents pursuant to the provisions hereof or of the Indenture.

SECTION 2. WARRANTIES AND REPRESENTATIONS OF THE COMPANY.

The Company warrants and represents to you that:

2.1. Subsidiaries.

Exhibit A to this Agreement states the name of each of the Company's Subsidiaries (indicating which Subsidiaries are Wholly-Owned Subsidiaries), jurisdiction of incorporation and the percentage of its Voting Stock owned by the Company and/or its Subsidiaries. The Company and each Subsidiary has good and marketable title to all of the shares it purports to own of the stock of each Subsidiary, free and clear in each case of any Lien. All such shares have been duly issued and are fully paid. All such shares of stock of Subsidiaries incorporated within the United States are non-assessable.

2.2. Corporate Organization and Authority.

The Company, and each Subsidiary,

(a) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation;

(b) has all requisite power and authority and all necessary licenses and permits to own and operate its Properties and to carry on its business as now conducted and as presently proposed to be conducted; and

(c) has duly qualified and is authorized to do business and is in good standing as a foreign corporation in each jurisdiction where the character of its Properties or the current nature of its activities makes such qualification necessary to avoid a material and adverse affect on the financial condition of the Company or any such Subsidiary as a result of the failure to qualify in any jurisdiction.

2.3. Business and Property.

The Placement Memorandum dated April 4, 1974 heretofore furnished you in connection with this transaction correctly describes the general nature of the business and principal Properties of the Company and its Subsidiaries.

2.4. Financial Statements.

(a) The consolidated balance sheets of the Company and Subsidiaries as of December 31 in the years 1969 to 1973, both inclusive, and the related income and earned surplus statements for the fiscal years ended on such dates, all accompanied by reports thereon containing opinions without qualification, independent certified public accountants, copies of which have been delivered to you, have been prepared in accordance with generally accepted accounting principles consistently applied, and present fairly the financial position of the Company and Subsidiaries as of such dates and the results of their operations for such periods. These consolidated financial statements include the accounts of all Subsidiaries of the Company for the respective periods during which a subsidiary relationship has existed.

(b) Since December 31, 1973, there has been no change in the condition, financial or otherwise, of the Company and its Subsidiaries as shown on the consolidated balance sheet as of such date except changes in the ordinary course of business, none of which individually or in the aggregate has been materially adverse.

2.5. Full Disclosure.

The financial statements referred to in Section 2.4 do not, nor does this Agreement, the Placement Memorandum referred to in Section 2.3 hereof nor any written statement furnished by the Company to you in connection with the negotiation of the sale of the Bonds, contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein not misleading. There is no fact which the Company has not disclosed to you in writing which materially affects adversely nor, so far as the Company can now foresee, will materially affect adversely the Properties, business, prospects, profits or condition (financial or otherwise) of the Company and its Subsidiaries or the ability of the Company to perform this Agreement or the Loan Agreement or the Note.

2.6. Pending Litigation.

There are no proceedings pending, or to the knowledge of the Company threatened, against or affecting the Company or any Subsidiary in any court or before any governmental authority or arbitration board or tribunal which involve the possibility of materially and adversely affecting the Properties, business, prospects, profits or condition (financial or otherwise) of the Company

and its Subsidiaries, or the ability of the Company to perform this Agreement or the Loan Agreement or the Note. Neither the Company nor any Subsidiary is in default with respect to any order of any court, governmental authority or arbitration board or tribunal.

2.7. Title to Properties.

The Company, and each Subsidiary, has good title to all the Property it purports to own, including that reflected in the most recent balance sheet referred to in Section 2.4 hereof (except as sold or otherwise disposed of in the ordinary course of business).

2.8. Patents and Trademarks.

The Company, and each Subsidiary, owns or possesses all the patents, trademarks, service marks, trade names, copyrights, licenses and rights with respect to the foregoing necessary for the present and planned future conduct of its business, without any known conflict with the rights of others that would, either individually or in the aggregate, materially and adversely affect the business, prospects, profits or condition (financial or otherwise) of the Company or its Subsidiaries.

2.9. Agreements are Legal and Authorized.

The execution and delivery by the Company of the Loan Agreement and the Note and compliance by the Company with all of the provisions of this Agreement, the Loan Agreement and the Note:

(a) are within the corporate powers of the Company; and

(b) are legal and will not conflict with nor result in any breach in any of the provisions of, or constitute a default under, or result in the creation of any lien upon any Property of the Company or any Subsidiary under the provisions of any agreement, charter instrument, by-law or other instrument to which the Company or any Subsidiary is a party or by which any of them may be bound.

2.10. No Defaults.

No event has occurred and no condition exists which, upon the issue of the Bonds, would constitute a Default or an Event of Default. Neither the Company nor any Subsidiary is in violation in any material respect of any term of any agreement, charter instrument, by-law or other instrument to which it is a party or by which it may be bound.

2.11. Governmental Consent.

Neither the nature of the Company or of any Subsidiary, or of any of their respective businesses or Properties, nor any relationship between the Company or any Subsidiary and any other Person, nor any circumstance in connection with the offer, issue, sale or delivery of the Bonds is such as to require a consent, approval or authorization of, or filing, registration or qualification with, any governmental authority on the part of the Company in connection with the execution and delivery of this Agreement, the Loan Agreement or the Note, or the offer, issue, sale or delivery of the Bonds by the Issuer.

2.12. Taxes.

(a) All tax returns required to be filed by the Company or any Subsidiary in any jurisdiction have in fact been filed, and all taxes, assessments, fees and other governmental charges upon the Company or any Subsidiary, or upon any of their respective Properties, income or franchises, which are due and payable have been paid. Neither the Company nor any Subsidiary knows of any proposed material additional tax assessment against it by the United States government, any State government or the District of Columbia. Neither the Company nor any Subsidiary knows of any proposed additional tax assessment against it by any foreign government which would materially and adversely affect the business, prospects, profits or condition (financial or otherwise) of the Company and its Subsidiaries or the ability of the Company to perform this Agreement, the Loan Agreement or the Note.

(b) The provisions for taxes on the books of the Company and each Subsidiary are adequate for all open years, and for its current fiscal period. The amount of the reserve for United States income taxes reflected in the consolidated balance sheets of the Company and its Subsidiaries as of December 31, 1973 is an adequate provision for such United States income taxes, if any, as may be payable by the Company and its Subsidiaries for the fiscal years 1970 through 1973.

2.13. Private Offering.

Neither the Company, directly or indirectly, nor anyone acting on its behalf has offered any of the Bonds or any similar Security for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with, any prospective purchaser, other than you and any other institutional investors, each of whom was offered a portion of the Bonds at private sale for investment. The Company agrees that neither the Company nor anyone acting on its behalf will offer the Bonds or any part thereof or any similar Securities for issue or sale to, or solicit any offer to acquire any of the same from, anyone so as to bring the issuance and sale of the Bonds within the provisions of Section 5 of the Securities Act of 1933, as amended.

2.14. Compliance with Law.

Neither the Company nor any Subsidiary:

(a) is in violation of any laws, ordinances, governmental rules and regulations to which it is subject;

(b) has failed to obtain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of its Property or to the conduct of its business,

which violation or failure to obtain might materially adversely affect the business, prospects, profits, Properties or condition (financial or otherwise) of the Company or any Subsidiary.

2.15. Restrictions on Company and Subsidiaries.

Neither the Company nor any Subsidiary is a party to any contract or agreement, or subject to any charter or other corporate restriction, which materially and adversely affects its business. Neither the Company nor any Subsidiary is a party to any contract or agreement which restricts the right or ability of such corporation to incur Funded Indebtedness, other than:

(1) this Agreement and the other documents contemplated hereby;

SECTION 3. WARRANTIES AND REPRESENTATIONS OF THE ISSUER.

The Issuer warrants and represents to you that:

3.1. Corporate Action by Issuer.

Prior to the date that any of the Bonds are issued, the Issuer will have authorized by all necessary action (i) the issuance and sale of the Bonds upon the terms herein set forth, and (ii) the execution and delivery of the Indenture and the Loan Agreement. The Loan Agreement and the Note shall be in substantially the forms of drafts thereof dated November 1, 1974 previously furnished to you, with such changes as may be approved by you, the Issuer and the Company.

3.2. Bond Proceeds.

The Issuer will apply the proceeds from the sale of the Bonds to the borrowing by the Company to finance the cost of the acquisition of the Project.

3.3. Governmental Approval.

Except for the approvals from the State Budget and Control Board of South Carolina and the South Carolina Department of Health and Environmental Control, no approval, consent or withholding of objection on the part of any regulatory body, Federal, State or local is required in connection with (i) the issuance and sale of the Bonds in the manner herein provided for, (ii) the execution and delivery of or compliance by the Issuer with the terms and provisions of the Indenture and the Loan Agreement, or (iii) the pledging of the Loan Agreement, the Note and the revenues and other receipts due and to become due thereunder in the manner and to the extent provided for in the Indenture; and the consummation of the transactions set forth in the foregoing clauses (i) to (iii), inclusive, in the manner and under the terms and provisions as herein and in the Indenture and the Loan Agreement provided, will comply with the provisions of any and all applicable State, local or Federal laws and any rules and regulations promulgated thereunder by any regulatory authority or agency.

3.4. Compliance with Laws.

The execution and delivery of this Agreement, the Bonds, the Indenture, the Loan Agreement and the Note under the circumstances contemplated, and compliance with the provisions thereof, will not conflict with or constitute on the part of the Issuer a breach of or a default under any existing law, administrative regulation, decree or any agreement or other instrument to which the Issuer is subject or by which it is or may be bound.

3.5. Issuer Certificates.

Any certificate signed by any officer of the Issuer and delivered to you shall be deemed a representation and warranty by the Issuer to you as to the statements made therein.

3.6. No Prior Pledge.

Neither the Loan Agreement, the Note nor the revenues and other receipts due and to become due thereunder are pledged in any manner or for any purpose other than for the proposed Bonds.

3.7. No Litigation.

There is no litigation of any nature now pending, or to our knowledge, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, the collection of the proceeds thereof pledged for the payment of the Bonds, the performance of any of the covenants contained in the resolution authorizing the Bonds, the Indenture, the Loan Agreement and the Note. No litigation of any nature is now pending or, to the knowledge of the Issuer, threatened, questioning or in any manner relating to or affecting the right or authority of the Issuer to pay the Bonds or to assign and pledge the revenues and other receipts due and to become due under the Loan Agreement and the Note as security for the Bonds or to carry out the terms and provisions of the Indenture or the resolution authorizing the Bonds, the authority or proceedings pursuant to which the Bonds are being issued, the validity of the Bonds or any provision made for the payment thereof; that neither the corporate existence nor the titles of the officials of the Issuer to their respective offices are being contested, and that no authority or proceedings for the issuance of the Bonds has been repealed, revoked or rescinded; and that there are no actions at law or in equity pending, nor to the knowledge of the Issuer threatened, against the Issuer or affecting the Project, and there are no proceedings of any kind or nature pending, nor to the knowledge of the Issuer threatened, against the Issuer or affecting the Project by or before any Federal, State or local government or administrative authority or agency.

3.8. Private Offering.

Relying on the representation of the Company set forth in Section 2.13 hereof, neither the Issuer, directly or indirectly, nor anyone acting on its behalf has offered any of the Bonds for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with, any prospective purchaser other than you and any other institutional investors, each of whom was offered a portion of the Bonds at private sale for investment. The Issuer agrees that neither the Issuer nor the Company nor any person acting on its behalf will offer the Bonds or any part thereof for issue or sale to, or solicit any offer to acquire any of the same from, anyone so as to bring the issuance and sale of the Bonds within the provisions of Section 5 of the Securities Act of 1933, as amended.

SECTION 4. CLOSING CONDITIONS.

Your obligation to purchase and pay for the Bonds to be delivered to you at the closing shall be subject to the following conditions precedent:

4.1. Opinions of Counsel.

You shall have received from Messrs. Hunton, Williams, Gay & Gibson, counsel for the Company, Messrs. Chapman and Cutler, your special counsel, and Paul Hemphill, Jr., Esq., counsel to the Issuer, the closing opinions substantially in the forms described in Exhibits B, C and D hereto.

4.2. Warranties and Representations True as of Closing.

The warranties and representations contained in Sections 2 and 3 shall be true in all material respects on the Closing Date with the same effect as though made on and as of that date.

4.3. Compliance with this Agreement.

The Company and the Issuer shall have performed and complied with all agreements and conditions contained herein which are required to be performed or complied with by the Company and the Issuer before or at the closing.

4.4. Closing Certificates.

You shall have received (i) a certificate dated the Closing Date and signed by the President or a Vice President and the Treasurer or an Assistant Treasurer of the Company, certifying that the conditions specified in Sections 4.2 and 4.3 hereof relating to the Company have been fulfilled, and (ii) a certificate dated the Closing Date and signed by the Chairman of the County Council and the Secretary of the Issuer certifying that the conditions specified in Sections 4.2 and 4.3 hereof relating to the Issuer have been fulfilled.

4.5. Execution of the Indenture, the Loan Agreement and the Note.

Prior to or concurrently with the issuance and sale of the Bonds (i) the Issuer shall have entered into, executed and delivered to the Trustee the Indenture substantially in the form

set forth in Section 1.2 hereof, (ii) the Loan Agreement and the Note shall have been duly executed and delivered by the parties thereto substantially in the form set forth in Section 1.2 hereof, and shall be in full force and effect, and (iii) the Indenture and all Uniform Commercial Code financing statements related thereto shall have been recorded or filed for record in such public office as may be deemed necessary or appropriate by you or your special counsel in order to perfect the lien and security interest provided for thereby as against creditors of and purchasers from the Issuer.

4.6. Proceedings Satisfactory.

All proceedings taken in connection with the sale of the Bonds, the Indenture, the Loan Agreement and the Note and all documents and papers relating thereto shall be satisfactory to you, your bond counsel and your special counsel, and you, your bond counsel and your special counsel shall have received copies of such documents and papers as you or they may reasonably request in connection therewith or as a basis for such counsels' closing opinions, all in form and substance satisfactory to you and such counsel.

SECTION 5. PURCHASER'S SPECIAL RIGHTS.

5.1. Direct Payment.

As more fully provided in Section ____ of the Indenture, the Trustee under the Indenture will pay all amounts payable to you with respect to any Bonds held by you or your nominee (without any presentment thereof and without any notation of such payment being made thereon) by crediting by bank wire transfer in immediately available Federal Reserve funds your bank account as shown in Section 7.1 hereof, marked for attention as there indicated, or in such other manner or to such other address in the United States as may be designated by you in writing; and the Trustee will transmit any such wire transfer from its offices not later than 10:00 A.M., local time, on each date a payment or prepayment is due. You agree that if you sell or transfer any Bond, you will notify the Trustee and the Company of the name and address of the transferee, and you will, prior to the delivery of such Bond, make a notation on such Bond of the amount of any prepayments made on account of the principal thereof.

5.2. Issue Taxes.

The Company will pay all taxes in connection with the issuance and sale of the Bonds and in connection with any modification of the Bonds and will save you harmless without limitation as to time against any and all liabilities with respect to all such taxes. The obligations of the Company under this paragraph shall

survive the payment or prepayment of the Bonds, the termination of this Agreement and the cancellation and satisfaction of the Indenture.

5.3. Delivery Expenses.

If you surrender any Bond to the Trustee pursuant to the Indenture, the Company will pay the cost of delivering to or from your home office from or to the Trustee, insured to your satisfaction, the surrendered Bond and any Bond issued in substitution or replacement for the surrendered Bond.

SECTION 6. DEFINITIONS.

As used herein, the terms hereinafter set forth shall have the following meanings:

(a) "Company" shall mean Virginia Chemicals Inc., and its successors and assigns.

(b) "Default" shall mean an event of default, the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default under the Indenture.

(c) "Event of Default" shall mean any event specified as such in Section ____ of the Indenture continued for a period of time, if any, therein designated.

(d) "Person" shall mean an individual, corporation, partnership, trust, estate or unincorporated organization, and a government or agency or political subdivision thereof.

(e) "Project" shall mean the land, buildings, machinery, equipment and other facilities described in the Loan Agreement.

(f) "Property" shall mean any interest in any kind of property or asset, whether real, personal or mixed or tangible or intangible.

(g) "Security" shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

(h) "Subsidiary" shall mean any corporation of which 50% or more of the Voting Stock is owned or controlled, directly or indirectly, by the Company and/or by one or more Subsidiaries of the Company.

(i) "Wholly-Owned Subsidiary" shall mean a Subsidiary of which 100% of the Voting Stock is owned or controlled, directly or indirectly, by the Company and/or by one or more Subsidiaries.

(j) "Voting Stock" shall mean Securities of any class or classes of a corporation, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors, or Persons performing similar functions.

SECTION 7. MISCELLANEOUS.

7.1. Notices and Payments.

(a) All communications under this Agreement or under the Bonds shall be in writing and shall be mailed by first class mail, postage prepaid.

(1) if to you, at your address shown at the beginning of this Agreement, marked for attention as there indicated, or at such other address as you may have furnished the Company, and the Issuer in writing, or

(2) if to the Company, at 3340 West Norfolk Road, Portsmouth, Virginia 23703 Attention: Treasurer, or at such other address as it may have furnished in writing to the Issuer and to you, and

(3) if to the Issuer at _____, Attention: _____, or at such other address as it may have furnished in writing to the Company, to you and to the Trustee under the Indenture.

(b) Any notice so addressed and mailed by registered or certified mail shall be deemed to be given when so mailed.

(c) All payments with respect to the Bonds held by you shall be made to you as follows:

The Lincoln National Life
Insurance Company
Account No. _____
Morgan Guaranty Trust Company of New York
23 Wall Street
New York, New York

Attention: [Money Transfer Department]

7.2. Survival.

All warranties, representations and covenants made by the Issuer or the Company herein or on any certificate or other instrument delivered by it or on its behalf under this Agreement shall be

considered to have been relied upon by you and shall survive the delivery to you of the Bonds regardless of any investigation made by you or on your behalf. All statements in any such certificate or other instrument shall constitute warranties and representations by the Company or, as the case may be, the Issuer hereunder.

7.3. Successors and Assigns.

This Agreement shall inure to the benefit and be binding upon the successors and assigns of each of the parties. The provisions of this Agreement are intended to be for the benefit of all holders, from time to time, of the Bonds, and shall be enforceable by any such holder, whether or not an express assignment to such holder of rights under this Agreement has been made by you or your successor or assign.

7.4. Amendment and Waiver.

This Agreement may be amended, and the observance of any term of this Agreement may be waived, with (and only with) the written consent of the Company and the holders of at least 66 2/3% in principal amount of the Bonds at the time outstanding (exclusive of the Bonds then owned by the Company or any Subsidiaries); provided, however, that no such amendment or waiver of any of the provisions of Sections 1 through 5 hereof shall be effective as to you unless consented to by you in writing; and provided further, that no such amendment or waiver shall, without the written consent of the holders of all the Bonds at the time outstanding, amend this Section 7.4.

7.5. Duplicate Originals.

Two or more duplicate originals of this Agreement may be signed by the parties, each of which shall be an original but all of which together shall constitute one and the same instrument.

If this Agreement is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Agreement and return such counterpart to the Company and the Issuer, whereupon this Agreement will become binding among us in accordance with its terms.

Very truly yours,

VIRGINIA CHEMICALS INC.

By _____
President

CHESTER COUNTY, SOUTH CAROLINA

By _____
Chairman of the County Council

ACCEPTED AND AGREED TO:

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

By _____
Its _____

If this Agreement is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Agreement and return such counterpart to the Company and the Issuer, whereupon this Agreement will become binding among us in accordance with its terms.

Very truly yours,

VIRGINIA CHEMICALS INC.

By _____
President

CHESTER COUNTY, SOUTH CAROLINA

By _____
Chairman of the County Council

ACCEPTED AND AGREED TO:

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

By _____
Its _____

The closing opinion of Messrs. Hunton, Williams, Gay & Gibson, which is called for by Section 4.1 of the Bond Purchase Agreement, shall be satisfactory in form and substance to you, and shall be dated the Closing Date and shall be to the effect that:

(i) The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Maine and is in good standing as a foreign corporation in all jurisdictions in which the conduct of its business requires such qualification to avoid a material and adverse effect on the financial conditions of the Company as a result of the failure to qualify in any jurisdiction, and has all necessary power and authority to conduct the business now being conducted by it and to enter into and perform the obligations of the Company under the Loan Agreement and the Note;

(ii) The Bond Purchase Agreement has been duly authorized by all of the necessary corporate action on the part of the Company (no action by the stockholders of the Company being required by law, by the Certificate of Incorporation or By-Laws of the Company or otherwise), has been duly executed and delivered by the Company; and the Bond Purchase Agreement constitutes the legal, valid and binding contract and agreement of the Company;

(iii) The Loan Agreement and the Note have each been duly authorized by all necessary corporate action on the part of the Company (no action by the stockholder of the Company being required by law, by the Certificate of Incorporation or By-Laws of the Company or otherwise), have been duly executed and delivered by the Company; the Note provides for the unconditional obligation of the Company to pay amounts to the Trustee sufficient to pay principal, premium, if any, and interest on the Bonds as and when the same become due; and the Loan Agreement and the Note constitute the legal, valid and binding contracts and agreements of the Company, enforceable in accordance with their respective terms except as such terms may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally;

(iv) The execution and delivery of the Loan Agreement and the Note by the Company will not violate any provision of Maine law or of any ordinance or regulation of any public or governmental agency or authority of the State of Maine and will not conflict with, or result in any breach of any of the provisions of, or constitute a default under, or result in the creation or imposition of, any lien or encumbrance upon any of the property of the Company pursuant to the provisions of the Certificate of Incorporation or By-Laws of the Company, or any indenture,

mortgage, deed of trust or other agreement or instrument to which it is a party or by which it or its properties is bound;

(v) There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any judicial or administrative court or agency, pending or threatened, against or affecting either the Company, wherein an unfavorable decision, ruling or finding would materially and adversely affect the validity or enforceability in accordance with its terms of the Bond Purchase Agreement, the Loan Agreement, the Note or the issuance and sale of the Bonds;

(vi) To the best knowledge of counsel, the information with respect to the Company furnished to The Lincoln National Life Insurance Company under the Bond Purchase Agreement and to the Issuer does not contain any untrue statement of a material fact or omit to state any material fact with respect to the Company necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(vii) The execution and delivery of the Loan Agreement and the Note under the circumstances contemplated by the Bond Purchase Agreement do not, under existing law and related rulings and regulations, require registration of the Loan Agreement or the Note under the Securities Act of 1933, as amended, nor compliance with any requirement of the Trust Indenture Act of 1939 as amended;

and shall cover such other matters incident to the transactions contemplated by the Bond Purchase Agreement as you may reasonably request.

It is understood that counsel may rely upon certificates of appropriate public officials as to the qualification and good standing of the Company to do business in any State, and, as to factual matters involved in the opinions which are not independently established by counsel, counsel may rely upon certificates of officers of the Company.

The terms used in this Exhibit B which are defined in the Bond Purchase Agreement shall have herein the meanings assigned to them in the Bond Purchase Agreement unless otherwise specified or the context otherwise requires.

The closing opinion of Messrs. Chapman and Cutler which is called for by Section 4.1 herein shall be dated the Closing Date and shall be to the effect that:

(i) The Company is a duly organized and validly existing corporation in good standing under the laws of the State of Maine and has all requisite power and authority to enter into, execute and deliver the Loan Agreement and the Note and to carry on its business and its own property;

(ii) The Loan Agreement and the Note have been duly authorized by all necessary corporate action on the part of the Issuer and the Company (no action by the stockholders of the Company being required by law, by the Certificate of Incorporation or By-Laws of the Company or otherwise), have been duly executed and delivered by the Issuer and the Company and constitute legal, valid and binding contracts and agreements, enforceable in accordance with their respective terms, except to the extent limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditor's rights generally;

(iii) The Bond Purchase Agreement has been duly authorized by all necessary corporate action on the part of the Issuer and of the Company (no action by the stockholders of the Company being required by law, by the Certificate of Incorporation or By-Laws of the Company or otherwise), has been duly executed and delivered by the Issuer and the Company; and the Bond Purchase Agreement constitutes a legal, valid and binding contract and agreement;

(iv) The Indenture has been duly executed and delivered by the Issuer and constitutes the valid, binding and enforceable obligation of the Issuer according to its terms, except to the extent that enforceability may hereafter be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally, and subject to the further qualification that certain remedies provided in the Indenture may be limited by the laws of the State of South Carolina (but such laws do not, in the opinion of Paul Hemphill, Jr., Esq., make the remedies afforded by the Indenture inadequate for the practical realization of the benefits and security afforded thereby);

(v) The execution and delivery of the Loan Agreement and the Note will not conflict with, or result in any breach of any of the provisions of, or constitute a default

The closing opinion of Paul Hemphill, Jr., Esq., which is called for by Section 4.1 of the Bond Purchase Agreement, shall be dated the Closing Date, shall be satisfactory in form and substance to you, and shall be to the effect that:

(i) The Issuer is duly organized and existing as a body corporate and politic in the State of South Carolina with the powers and authority, among others, set forth in Section 14-1950 of the Code of Laws of South Carolina, 1962, as amended (the "Charter") and Sections 63-195.51 through 63-195.65, inclusive, of the Code of Laws of South Carolina, 1962, as amended (the "Act"). The Issuer has full power and authority under the Act to issue the Bonds, to finance the Project (as defined in the Loan Agreement) and to execute and deliver, and to carry out and perform its obligations under, the Loan Agreement, the Indenture and the Bond Purchase Agreement;

(ii) The South Carolina Department of Health and Environmental Control has duly made the findings required by the Act and the State Budget and Control Board of South Carolina has duly approved the issuance by the Issuer of the Bonds. No additional or further approval, consent or authorization of any governmental or public agency or authority is required by the Issuer in connection with (a) the issuance and sale of the Bonds, or (b) entering into and performing its obligations under the Bonds, the Indenture, the Loan Agreement, or under the Bond Purchase Agreement;

(iii) The Issuer has taken all corporate action legally necessary in connection with the authorization of the Bonds, the Bond Resolution, the Indenture, the Loan Agreement and the Bond Purchase Agreement;

(iv) The Loan Agreement and the Bond Purchase Agreement have each been duly executed and delivered by the Issuer and, assuming the due authorization, execution and delivery thereof by the other parties thereto, constitute the valid, binding and enforceable obligation of the Issuer according to their respective terms, except to the extent that their enforceability may hereafter be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally;

EXHIBIT D
(P.C.)

under, or result in the creation or imposition of, any lien or encumbrance upon any of the property of the Company pursuant to the provisions of the Certificate of Incorporation or By-Laws of the Company;

(vi) All consents, approvals or authorizations, if any, of any governmental authority required on the part of the Company, and the Issuer in connection with the execution and delivery of the Loan Agreement, the Note, the Indenture and the Bonds have been duly obtained;

(vii) The issuance, sale and delivery of the Bonds and the execution and delivery of the Loan Agreement and the Note under the circumstances contemplated by the Bond Purchase Agreement do not, under existing law and related rulings and regulations, require registration of the Bonds, the Loan Agreement or the Note under the Securities Act of 1933, as amended, or compliance with any requirement of the Trust Indenture Act of 1939;

(viii) The Bonds have been lawfully authorized and issued under the laws of the State of South Carolina; that the Bonds are the lawful and enforceable obligations of the Issuer in accordance with their terms and the terms of the Indenture, except to the extent set forth above in paragraph (iv); that the Bonds are payable solely from the amounts payable by the Company under the Loan Agreement and the Note; and that executed Bond No. R-1 of said issue is in proper form;

(ix) The interest on the Bonds will not be includible in federal gross income under the laws existing on the date of this opinion and consequently will be exempt from present federal income taxes under the Internal Revenue Code of 1954, as amended (the "Code") except with respect to interest on any Bond for any period during which such Bond is held by a person who is a substantial user of the Project or any person considered to be related to such person [within the meaning of Section 103(c)(6)(C) of the Code];

and shall cover such other matters incident to the transaction contemplated by the Bond Purchase Agreement as you may reasonably request.

It is understood that counsel may rely upon certificates of appropriate public officials and as to factual matters involved in the opinions, where such facts are not independently established

by counsel, counsel may rely upon certificates of officers of the Company, the Trustee and of the officials of the Issuer. It is further understood that counsel may rely upon the opinion of Messrs. Hunton, Williams, Gay & Gibson as to all matters relating to the organization and corporate action taken by the Company (except for matters disclosed respectively by the Certificates of Incorporation, By-Laws and certified resolutions of the Board of Directors of the Company).

The terms used in this Exhibit C which are defined in the Bond Purchase Agreement shall have herein the meanings assigned to them in the Bond Purchase Agreement unless otherwise specified or the context otherwise requires.

(v) The Indenture has been duly executed and delivered by the Issuer and constitutes the valid, binding and enforceable obligation of the Issuer according to its terms, except to the extent that enforceability may hereafter be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and subject to the further qualification that certain remedies provided in the Indenture may be limited by the laws of the State of South Carolina, but such laws do not make the remedies afforded by the Indenture inadequate for the practical realization of the benefits and security afforded thereby;

(vi) The amounts provided to be paid by the Company under the terms of the Loan Agreement and the Note and the interest of the Issuer therein have been validly assigned to the Trustee under the Indenture. All appropriate filings and other steps necessary to perfection of the security interest created by the Trust Indenture in and to the rights of the Issuer in the Loan Agreement and the Note as against third party creditors of and purchasers for value in good faith from the Issuer have been taken. No further or subsequent recording or filing or re-recording or refiling of the Loan Agreement or any other instrument is necessary in order to preserve or maintain the interest of the Issuer in the Loan Agreement and the Note or to perfect and preserve the assignment contained in the Indenture, except that continuation statements in regard to the financing statements should be filed in the manner and at the times specified by the South Carolina Uniform Commercial Code. All State of South Carolina and local filing and recording taxes, stamp taxes and other governmental fees and charges required to be paid in the State of South Carolina in connection with the execution, delivery, filing for record or recording of the Indenture, and the Loan Agreement, the Note and related financing statements or in connection with the execution and delivery of the Bonds, have been paid;

(vii) The Bonds have been duly authorized, executed and delivered by the Issuer and constitute the valid and legally binding obligations of the Issuer in accordance with their terms and entitled to the benefits and security afforded by the Indenture;

(viii) The execution, delivery and performance by the Issuer of the Indenture, the Bond Purchase Agreement and the Loan Agreement and the Note will not violate any provision of South Carolina law or any applicable judgment, order or regulation of any court or of any public or governmental agency or authority of the State of South Carolina and will not conflict with or result in any breach of any of the provisions of, or constitute a default under, any agreement or instrument to which the Issuer is a party or by which it is bound;

(ix) There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any judicial or administrative court or agency, public board or body, pending or threatened, against or affecting the Issuer, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Loan Agreement or the Bond Purchase Agreement;

(x) Neither the existence of the Issuer nor the title of any of the officials or members of the County Council of the Issuer to their offices is being contested and none of the proceedings heretofore taken to authorize the issuance of the Bonds and to provide the security therefor have been repealed, revoked or rescinded;

(xi) Pursuant to an investigation of all public or private acts affecting the Issuer passed by the South Carolina State Legislature at its most recent session, we have determined and are of the opinion that no public or private act has been passed at said session which will in any way affect the validity of the proposed Bonds or the enforceability of the Bonds in accordance with their terms;

(xii) Based upon my examination of law and review of the certifications appearing in the Certificate and Request of the Issuer dated the date hereof and in the resolution authorizing the Bonds and in the Loan Agreement, as to the application of bond proceeds, the facts, estimates and circumstances are in my opinion sufficiently set forth in said certifications to satisfy the criteria which are necessary under Section 103(d) of the Internal Revenue Code, and Sections 1.103-13 and 1.103-14 of the regulations thereunder, to support the conclusion that the Bonds as described are not arbitrage bonds. No matters have come to my attention which in my opinion make unreasonable or incorrect the representations made in said certifications;

and shall cover such other matters incident to the transactions contemplated by the Bond Purchase Agreement as you may reasonably request.

It is understood that counsel may rely upon certificates of appropriate public officials and, as to factual matters involved in the opinions which are not independently established by counsel, counsel may rely upon certificates of the officials of the Issuer and of officers of the Company.

The terms used in this Exhibit D which are defined in the Bond Purchase Agreement shall have herein the meanings assigned to them in the Bond Purchase Agreement unless otherwise specified or the context otherwise requires.

EXHIBIT III
NOV. 14, 1974

A RESOLUTION

MAKING PROVISION FOR THE ISSUANCE OF THIRTY MILLION DOLLARS
(\$30,000,000) STATE HIGHWAY BONDS OF THE STATE OF SOUTH CAROLINA.

BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD
OF SOUTH CAROLINA:

SECTION 1.

As an incident to the adoption of this Resolution the
State Budget and Control Board of South Carolina (herein the
State Board) has made the findings set forth in the remaining
paragraphs of this Section.

(a) Certain terms used herein are defined terms in Act
1575 of the Acts of the General Assembly of the State of South
Carolina for the year 1972, as amended (the Highway Bond Act).
When used in this Resolution such terms are written with
initial capitals and shall have the meanings given to them by
the Highway Bond Act.

(b) The State Board did heretofore receive as of
February 21, 1974 a request from the Highway Commission made
pursuant to Section 15.3 of the Highway Bond Act, setting forth
the information required by Section 15.3, seeking the issuance
of \$30 Million of State Highway Bonds to provide funds for
Highway Construction Purposes. The State Board determined to
approve the Request, but in view of unsettled conditions prevailing
in the bond market determined that Bond Anticipation Notes should
be issued. Accordingly, as of June 19, 1974, it made provision
for the issuance of \$30,000,000 State of South Carolina Bond
Anticipation Notes, dated June 19, 1974 and maturing December 16,
1974. It is now necessary to raise, through the sale of the bonds

herein authorized, the sum of \$30 Million to meet the payment of such Notes.

SECTION 2.

Pursuant to the requirements of Section 15.9 of the Highway Bond Act the State Board finds that the actual receipts from the Sources of Revenue for the Fiscal Year ended June 30, 1974 exceeded 150% of the maximum annual debt service requirements of all State Highway Bonds now outstanding and all State Highway Bonds to be outstanding following the issuance of the bonds authorized by this Resolution, and that the estimate made by the Highway Commission and approved by the State Board indicates that collections from the Sources of Revenue in the current Fiscal Year and in succeeding fiscal years during which State Highway Bonds shall be outstanding will not be less than one hundred fifty per cent of maximum annual interest and principal requirements of all State Highway Bonds now outstanding and all State Highway Bonds hereafter to be outstanding.

SECTION 3.

The Governor of South Carolina and the State Treasurer of South Carolina be and they are hereby requested to immediately effect the issuance of \$30,000,000 of State Highway Bonds in accordance with the provisions of this Resolution.

SECTION 4.

The said bonds shall be in the aggregate principal amount of \$30,000,000, shall be designated "State Highway Bonds, Series K," shall be in the denomination of \$5,000 each, and shall be numbered from K-1 to K-6000, inclusive.

SECTION 5.

Said bonds shall be dated December 1, 1974 and shall mature in annual series or installments, in numerical order, as follows:

\$2,000,000 on December 1 in each of the years
1975 to 1989, inclusive.

The bonds maturing on and after December 1, 1985, being bonds numbered K-4501 to K-6000, inclusive, shall be subject to redemption, at the option of the State, on December 1, 1984, and all subsequent interest payment dates, at par, plus accrued interest to the date of redemption, plus a redemption premium of two per centum (2%) of the principal amount of each bond to be redeemed.

SECTION 6.

The bonds shall bear such rate or rates of interest, payable on June 1 and December 1 of each year, commencing June 1, 1975, as shall at the sale of such bonds reflect the lowest interest cost to the State of South Carolina, at a price of not less than par and accrued interest to the date of delivery, but

- (1) No rate of interest named shall exceed 6%;
- (2) All bonds of the same maturity shall bear the same rate of interest;
- (3) All interest payments shall be evidenced by single coupons;
- (4) No interest rate named shall be more than 1% higher than the lowest rate of interest named;
- (5) Each interest rate named shall be a multiple of 1/8th or 1/20th of one per centum (1%); and
- (6) Any sum named by way of premium shall be paid in cash as part of the purchase price.

For the purposes of this Section, interest cost shall mean the aggregate of interest on the bonds from December 1, 1974 until their respective maturities, less any sum named by way of premium.

SECTION 7.

Both the principal of and interest on the bonds shall be payable in any coin or currency of the United States of America which is, at the time of payment, legal tender for the payment of public and private debts. The bonds will be issued as coupon bonds payable to bearer, with the privilege of registration as to principal only, or as to both principal and interest, on registry books to be kept by the State Treasurer in the City of Columbia, State of South Carolina. If so registered in either manner, appropriate payments on account of principal, or principal and interest, will be made directly to the registered holder by the State Treasurer. Except as to bonds registered as to principal, or as to bonds registered as to both principal and interest, such payments will be made at not more than two banks or trust companies, whose names will be printed on the bonds and coupons, to be mutually agreed upon by the State Treasurer and the successful purchaser, provided that:

(a) One shall be a bank organized under the laws of the State of South Carolina, or of the United States, having an office in the City of Columbia, South Carolina; and

(b) The second shall be a bank or trust company organized under the laws of one of the States of the United States, or of the United States located in a City agreeable to the State Treasurer.

Should it happen that the State Treasurer and the successful bidder shall fail to agree upon the banks or trust companies at which the

bonds shall be payable, then, in such event, the bonds, both principal and interest, shall be payable at the principal office of a bank or trust company located in the City of New York, State of New York, or, at the option of the holder, at a bank or trust company having an office in the City of Columbia, State of South Carolina, both to be designated by the State Treasurer.

SECTION 8.

The bonds are issued to raise \$30 Million for the purpose of paying Bond Anticipation Notes whose proceeds were used to defray the cost of Highway Construction. The principal proceeds of the said Bonds shall be applied to the payment of the Bond Anticipation Notes.

SECTION 9.

The bonds shall be signed by the Governor and the State Treasurer. The Governor may sign such obligations by a facsimile of his signature. The Great Seal of the State shall be affixed to, impressed or reproduced upon each of them and each shall be attested by the Secretary of State. All coupons attached to the bonds shall be authenticated by the facsimile signature of the State Treasurer who is in office on the date which the bonds bear. The bonds so executed and authenticated shall be valid notwithstanding any change in officers or seal occurring after such execution or authentication.

SECTION 10.

For the prompt payment of the principal of and interest on the bonds, as they respectively mature, and for the creation of a

sinking fund to aid in the retirement and payment thereof, the full faith, credit and taxing power of the State of South Carolina are hereby irrevocably pledged, and, in addition thereto, but subject to the provisions of the Highway Bond Act, all moneys derived from the Sources of Revenue, and these moneys may be forthwith used by the State Treasurer, without further action of the Highway Commission, for the payment of the principal of and interest on the bonds, as the same respectively mature.

All revenue received from the Sources of Revenue during each Fiscal Year shall be discharged from the pledge made by this Section when payment, or provision for payment, has been made for all installments of principal or interest of all State Highway Bonds maturing in such Fiscal Year, and thereafter such moneys may be applied as provided by the Highway Bond Act.

SECTION 11.

The form of the bonds, with interest coupons attached thereto, and the registration certificate to be endorsed thereon shall be substantially as set forth in "EXHIBIT A" attached hereto and made a part hereof.

SECTION 12.

Both the principal of and interest on the bonds shall be exempt from all State, County, Municipal, School District, and all other taxes or assessments of the State of South Carolina, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate or transfer taxes.

SECTION 13.

In case any bond shall become mutilated in respect of the body of such bond or the coupons, if any, appertaining thereto, or shall be believed by the State of South Carolina to have been destroyed, stolen, or lost, upon proof of ownership, satisfactory to the Governor and the State Treasurer of South Carolina, and upon surrender of such mutilated bond, with its coupons, if any, to the State of South Carolina, or upon receipt of evidence satisfactory to the State of South Carolina of such destruction, theft, or loss, and upon receipt also of indemnity satisfactory to the State of South Carolina, and upon payment of all expenses incurred by the State of South Carolina for any investigation relating thereto, and all expenses incurred in connection with the issuance of any new bond under this Section, the Governor and State Treasurer and Secretary of State of South Carolina shall execute and deliver a new bond of the same maturity, and for the same aggregate principal amount, with the coupons, if any, appertaining thereto, of like tenor and date, bearing the same number, with such notations as the State of South Carolina shall determine, in exchange and substitution for, and upon the cancellation of, the mutilated bond, its coupons, if any, or in lieu of and in substitution of the bond and coupons, if any, so lost, stolen or destroyed.

SECTION 14.

The bonds shall be sold at public sale, at not less than par and accrued interest. The said bonds shall be advertised for

SECTION 13.

In case any bond shall become mutilated in respect of the body of such bond or the coupons, if any, appertaining thereto, or shall be believed by the State of South Carolina to have been destroyed, stolen, or lost, upon proof of ownership, satisfactory to the Governor and the State Treasurer of South Carolina, and upon surrender of such mutilated bond, with its coupons, if any, to the State of South Carolina, or upon receipt of evidence satisfactory to the State of South Carolina of such destruction, theft, or loss, and upon receipt also of indemnity satisfactory to the State of South Carolina, and upon payment of all expenses incurred by the State of South Carolina for any investigation relating thereto, and all expenses incurred in connection with the issuance of any new bond under this Section, the Governor and State Treasurer and Secretary of State of South Carolina shall execute and deliver a new bond of the same maturity, and for the same aggregate principal amount, with the coupons, if any, appertaining thereto, of like tenor and date, bearing the same number, with such notations as the State of South Carolina shall determine, in exchange and substitution for, and upon the cancellation of, the mutilated bond, its coupons, if any, or in lieu of and in substitution of the bond and coupons, if any, so lost, stolen or destroyed.

SECTION 14.

The bonds shall be sold at public sale, at not less than par and accrued interest. The said bonds shall be advertised for

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SECTION 14.

The bonds shall be sold at public sale, at not less than par and accrued interest. The said bonds shall be advertised for

sale in the following publications:

"THE BOND BUYER," a financial journal published
in the City of New York, State of New York; and

"THE STATE," a daily newspaper published in the
City of Columbia, State of South Carolina,

which notice of sale shall appear at least once, not less than
seven days prior to the date set for said sale. The form of
notice, time and conditions of sale shall be substantially as
set forth in "EXHIBIT B" attached hereto and made a part and
parcel hereof.

SECTION 15.

The proceeds derived from the sale of the bonds shall be
applied and disposed of as follows:

(1) The premium, if any, shall be applied to the payment
of the first installment of principal of said bonds; and

(2) \$30 Million of the principal proceeds shall be
applied to the repayment of the Bond Anticipation Notes maturing
December 16, 1974. The State Treasurer shall apply moneys on
hand to the payment of the interest falling due on the Bond
Anticipation Notes.

SECTION 16.

The bonds shall be printed and shall be forthwith executed
in the manner set forth in Section 9 hereof, in order to effect their
delivery on the occasion prescribed by the Notice of Sale.

SECTION 17.

If all of the bonds, and coupons, representing interest

thereon, issued pursuant to this Resolution, shall have been paid and discharged, then this Resolution and all rights granted hereby shall cease and determine. Bonds and coupons shall be deemed to have been paid and discharged within the meaning of this Section, if the Paying Agent shall hold, at their maturity in trust for and irrevocably appropriated thereto, sufficient moneys for the payment of the principal thereof and accrued interest to the date of maturity, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments. Any moneys which at any time shall be deposited with the Paying Agent, by or on behalf of the State of South Carolina, for the purpose of paying and discharging any of the bonds or coupons, shall be, and are hereby assigned, transferred and set over to the Paying Agent in trust for the respective holders of the bonds and coupons, and such moneys shall be and are hereby irrevocably appropriated to the payment and discharge thereof. But, if through lapse of time or otherwise, the holders of said bonds or coupons shall no longer be entitled to enforce payment of their obligations, then, in such event, it shall be the duty of the Paying Agent to forthwith return said funds to the State of South Carolina. All moneys deposited with the Paying Agent shall be deemed to be deposited in accordance with and subject to the provisions of this Section.

SECTION 18.

If bids are received in accordance with the terms and conditions of sale as herein provided, the Governor and the State

Treasurer shall, and they are hereby authorized and empowered to award the sale of the bonds to the bidder naming the lowest interest cost to the State, without further action on the part of this Board.

STATE OF SOUTH CAROLINA)
)
)

I, P. C. SMITH, Auditor of the State of South Carolina, Secretary to the State Budget and Control Board, and ex-officio Secretary to The State Education Assistance Authority, DO HEREBY CERTIFY:

That the said State Education Assistance Authority (the Authority) is composed of the following:

His Excellency, John C. West, Governor of South Carolina and Chairman of the Board;
The Honorable Grady L. Patterson, Jr., State Treasurer;
The Honorable John Henry Mills, Comptroller General of South Carolina;
The Honorable Rembert C. Dennis, Chairman of the Senate Finance Committee; and
The Honorable F. J. LeMond, Chairman of the House Ways and Means Committee.

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

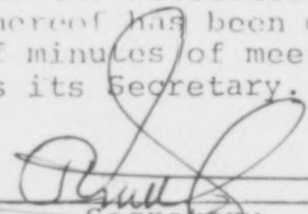
That at said meeting, a resolution, of which the attached is a true, correct and verbatim copy, was introduced by _____, who moved its adoption; said motion was seconded by _____, and upon the vote being taken and recorded it appeared that the following votes were cast:

FOR MOTION

AGAINST MOTION

The Chairman thereupon declared the Resolution unanimously adopted, and the original thereof has been duly entered in the permanent records of minutes of meetings of said Authority, in my custody as its Secretary.

_____, 1974.



Secretary

578

POST OFFICE BOX 340

SINKLER GIBBS SIMONS & GUÉRARD

PROFESSIONAL ASSOCIATION

ATTORNEYS & COUNSELLORS AT LAW

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

TELEPHONE 722-3366
AREA CODE 803

November 11, 1974

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

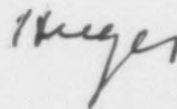
Dear Pat:

Re: \$64,200,000 General Obligation Bonds of
the State of South Carolina

The advertisements for the sale of the above bonds are scheduled to appear in THE STATE and the DAILY BOND BUYER on Monday, November 18, 1974. Hence, I would appreciate it very much if you would have the Budget and Control Board adopt the enclosed original and six Resolutions in connection with the issuance of \$30,000,000 State Highway Bonds, Series "K", of the State of South Carolina at a meeting of the State Budget and Control Board to be held during this week.

The original Resolution is marked "original" on the front and should be kept for the permanent records of the State Board. The other copies, duly certified, should be returned to me.

Sincerely,



HS:dn
Enclosures

cc: Grady L. Patterson, Jr., Esq.

William T. Putnam, Esq.

SINKLER GIBBS SIMONS & GUÉRARD

PROFESSIONAL ASSOCIATION

ATTORNEYS & COUNSELLORS AT LAW

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

November 11, 1974

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

Dear Pat:

Re: \$64,200,000 General Obligation Bonds of
the State of South Carolina

The advertisements for the sale of the above bonds are scheduled to appear in THE STATE and the DAILY BOND BUYER on Monday, November 18, 1974. Hence, I would appreciate it very much if you would have the Budget and Control Board adopt the enclosed original and six Resolutions in connection with the issuance of \$20,000,000 State Capital Improvement Bonds, Series "G", of the State of South Carolina at a meeting of the State Budget and Control Board to be held during this week. Attached to these Resolutions will be certain Exhibits which Bill Putnam will obtain for me. Basically, they are similar to the Exhibits which are attached to the Resolutions authorizing the preceding issue.

The original Resolution is marked "original" on the front and should be kept for the permanent records of the State Board. The other copies, duly certified, should be returned to me.

Sincerely,

Idinger

HS:dn
Enclosures

cc: Grady L. Patterson, Jr., Esq.

William T. Putnam, Esq.

580

SINKLER GIBBS SIMONS & GUÉRARD

PROFESSIONAL ASSOCIATION

ATTORNEYS & COUNSELLORS AT LAW

2 PRIOLEAU STREET

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Re: \$64,200,000 General Obligation Bonds of
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The advertisements for the sale of the above bonds are scheduled to appear in THE STATE and the DAILY BOND BUYER on Monday, November 18, 1974. Hence, I would appreciate it very much if you would have the Budget and Control Board adopt the enclosed original and six Resolutions in connection with the issuance of \$30,000,000 State Highway Bonds, Series "K", of the State of South Carolina at a meeting of the State Budget and Control Board to be held during this week.

The original Resolution is marked "original" on the front and should be kept for the permanent records of the State Board. The other copies, duly certified, should be returned to me.

Sincerely,

HS:dn
Enclosures

cc: Grady L. Patterson, Jr., Esq.

William T. Putnam, Esq. ✓

A RESOLUTION

MAKING PROVISION FOR THE ISSUANCE OF THIRTY MILLION DOLLARS
(\$30,000,000) STATE HIGHWAY BONDS OF THE STATE OF SOUTH CAROLINA.

BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD
OF SOUTH CAROLINA:

SECTION 1.

As an incident to the adoption of this Resolution the State Budget and Control Board of South Carolina (herein the State Board) has made the findings set forth in the remaining paragraphs of this Section.

(a) Certain terms used herein are defined terms in Act 1575 of the Acts of the General Assembly of the State of South Carolina for the year 1972, as amended (the Highway Bond Act). When used in this Resolution such terms are written with initial capitals and shall have the meanings given to them by the Highway Bond Act.

(b) The State Board did heretofore receive as of February 21, 1974 a request from the Highway Commission made pursuant to Section 15.3 of the Highway Bond Act, setting forth the information required by Section 15.3, seeking the issuance of \$30 Million of State Highway Bonds to provide funds for Highway Construction Purposes. The State Board determined to approve the Request, but in view of unsettled conditions prevailing in the bond market determined that Bond Anticipation Notes should be issued. Accordingly, as of June 19, 1974, it made provision for the issuance of \$30,000,000 State of South Carolina Bond Anticipation Notes, dated June 19, 1974 and maturing December 16, 1974. It is now necessary to raise, through the sale of the bonds

herein authorized, the sum of \$30 Million to meet the payment of such Notes.

SECTION 2.

Pursuant to the requirements of Section 15.9 of the Highway Bond Act the State Board finds that the actual receipts from the Sources of Revenue for the Fiscal Year ended June 30, 1974 exceeded 150% of the maximum annual debt service requirements of all State Highway Bonds now outstanding and all State Highway Bonds to be outstanding following the issuance of the bonds authorized by this Resolution, and that the estimate made by the Highway Commission and approved by the State Board indicates that collections from the Sources of Revenue in the current Fiscal Year and in succeeding fiscal years during which State Highway Bonds shall be outstanding will not be less than one hundred fifty per cent of maximum annual interest and principal requirements of all State Highway Bonds now outstanding and all State Highway Bonds hereafter to be outstanding.

SECTION 3.

The Governor of South Carolina and the State Treasurer of South Carolina be and they are hereby requested to immediately effect the issuance of \$30,000,000 of State Highway Bonds in accordance with the provisions of this Resolution.

SECTION 4.

The said bonds shall be in the aggregate principal amount of \$30,000,000, shall be designated "State Highway Bonds, Series K," shall be in the denomination of \$5,000 each, and shall be numbered from K-1 to K-6000, inclusive.

SECTION 5.

Said bonds shall be dated December 1, 1974 and shall mature in annual series or installments, in numerical order, as follows:

\$2,000,000 on December 1 in each of the years
1975 to 1989, inclusive.

The bonds maturing on and after December 1, 1985, being bonds numbered K-4501 to K-6000, inclusive, shall be subject to redemption, at the option of the State, on December 1, 1984, and all subsequent interest payment dates, at par, plus accrued interest to the date of redemption, plus a redemption premium of two per centum (2%) of the principal amount of each bond to be redeemed.

SECTION 6.

The bonds shall bear such rate or rates of interest, payable on June 1 and December 1 of each year, commencing June 1, 1975, as shall at the sale of such bonds reflect the lowest interest cost to the State of South Carolina, at a price of not less than par and accrued interest to the date of delivery, but

- (1) No rate of interest named shall exceed 6%;
- (2) All bonds of the same maturity shall bear the same rate of interest;
- (3) All interest payments shall be evidenced by single coupons;
- (4) No interest rate named shall be more than 1% higher than the lowest rate of interest named;
- (5) Each interest rate named shall be a multiple of 1/8th or 1/20th of one per centum (1%); and
- (6) Any sum named by way of premium shall be paid in cash as part of the purchase price.

For the purposes of this Section, interest cost shall mean the aggregate of interest on the bonds from December 1, 1974 until their respective maturities, less any sum named by way of premium.

SECTION 7.

Both the principal of and interest on the bonds shall be payable in any coin or currency of the United States of America which is, at the time of payment, legal tender for the payment of public and private debts. The bonds will be issued as coupon bonds payable to bearer, with the privilege of registration as to principal only, or as to both principal and interest, on registry books to be kept by the State Treasurer in the City of Columbia, State of South Carolina. If so registered in either manner, appropriate payments on account of principal, or principal and interest, will be made directly to the registered holder by the State Treasurer. Except as to bonds registered as to principal, or as to bonds registered as to both principal and interest, such payments will be made at not more than two banks or trust companies, whose names will be printed on the bonds and coupons, to be mutually agreed upon by the State Treasurer and the successful purchaser, provided that:

(a) One shall be a bank organized under the laws of the State of South Carolina, or of the United States, having an office in the City of Columbia, South Carolina; and

(b) The second shall be a bank or trust company organized under the laws of one of the States of the United States, or of the United States located in a City agreeable to the State Treasurer.

Should it happen that the State Treasurer and the successful bidder shall fail to agree upon the banks or trust companies at which the

bonds shall be payable, then, in such event, the bonds, both principal and interest, shall be payable at the principal office of a bank or trust company located in the City of New York, State of New York, or, at the option of the holder, at a bank or trust company having an office in the City of Columbia, State of South Carolina, both to be designated by the State Treasurer.

SECTION 8.

The bonds are issued to raise \$30 Million for the purpose of paying Bond Anticipation Notes whose proceeds were used to defray the cost of Highway Construction. The principal proceeds of the said Bonds shall be applied to the payment of the Bond Anticipation Notes.

SECTION 9.

The bonds shall be signed by the Governor and the State Treasurer. The Governor may sign such obligations by a facsimile of his signature. The Great Seal of the State shall be affixed to, impressed or reproduced upon each of them and each shall be attested by the Secretary of State. All coupons attached to the bonds shall be authenticated by the facsimile signature of the State Treasurer who is in office on the date which the bonds bear. The bonds so executed and authenticated shall be valid notwithstanding any change in officers or seal occurring after such execution or authentication.

SECTION 10.

For the prompt payment of the principal of and interest on the bonds, as they respectively mature, and for the creation of a

sinking fund to aid in the retirement and payment thereof, the full faith, credit and taxing power of the State of South Carolina are hereby irrevocably pledged, and, in addition thereto, but subject to the provisions of the Highway Bond Act, all moneys derived from the Sources of Revenue, and these moneys may be forthwith used by the State Treasurer, without further action of the Highway Commission, for the payment of the principal of and interest on the bonds, as the same respectively mature.

All revenue received from the Sources of Revenue during each Fiscal Year shall be discharged from the pledge made by this Section when payment, or provision for payment, has been made for all installments of principal or interest of all State Highway Bonds maturing in such Fiscal Year, and thereafter such moneys may be applied as provided by the Highway Bond Act.

SECTION 11.

The form of the bonds, with interest coupons attached thereto, and the registration certificate to be endorsed thereon shall be substantially as set forth in "EXHIBIT A" attached hereto and made a part hereof.

SECTION 12.

Both the principal of and interest on the bonds shall be exempt from all State, County, Municipal, School District, and all other taxes or assessments of the State of South Carolina, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate or transfer taxes.

SECTION 13.

In case any bond shall become mutilated in respect of the body of such bond or the coupons, if any, appertaining thereto, or shall be believed by the State of South Carolina to have been destroyed, stolen, or lost, upon proof of ownership, satisfactory to the Governor and the State Treasurer of South Carolina, and upon surrender of such mutilated bond, with its coupons, if any, to the State of South Carolina, or upon receipt of evidence satisfactory to the State of South Carolina of such destruction, theft, or loss, and upon receipt also of indemnity satisfactory to the State of South Carolina, and upon payment of all expenses incurred by the State of South Carolina for any investigation relating thereto, and all expenses incurred in connection with the issuance of any new bond under this Section, the Governor and State Treasurer and Secretary of State of South Carolina shall execute and deliver a new bond of the same maturity, and for the same aggregate principal amount, with the coupons, if any, appertaining thereto, of like tenor and date, bearing the same number, with such notations as the State of South Carolina shall determine, in exchange and substitution for, and upon the cancellation of, the mutilated bond, its coupons, if any, or in lieu of and in substitution of the bond and coupons, if any, so lost, stolen or destroyed.

SECTION 14.

The bonds shall be sold at public sale, at not less than par and accrued interest. The said bonds shall be advertised for

sale in the following publications:

"THE BOND BUYER," a financial journal published
in the City of New York, State of New York; and

"THE STATE," a daily newspaper published in the
City of Columbia, State of South Carolina,

which notice of sale shall appear at least once, not less than
seven days prior to the date set for said sale. The form of
notice, time and conditions of sale shall be substantially as
set forth in "EXHIBIT B" attached hereto and made a part and
parcel hereof.

SECTION 15.

The proceeds derived from the sale of the bonds shall be
applied and disposed of as follows:

(1) The premium, if any, shall be applied to the payment
of the first installment of principal of said bonds; and

(2) \$30 Million of the principal proceeds shall be
applied to the repayment of the Bond Anticipation Notes maturing
December 16, 1974. The State Treasurer shall apply moneys on
hand to the payment of the interest falling due on the Bond
Anticipation Notes.

SECTION 16.

The bonds shall be printed and shall be forthwith executed
in the manner set forth in Section 9 hereof, in order to effect their
delivery on the occasion prescribed by the Notice of Sale.

SECTION 17.

If all of the bonds, and coupons, representing interest

thereon, issued pursuant to this Resolution, shall have been paid and discharged, then this Resolution and all rights granted hereby shall cease and determine. Bonds and coupons shall be deemed to have been paid and discharged within the meaning of this Section, if the Paying Agent shall hold, at their maturity in trust for and irrevocably appropriated thereto, sufficient moneys for the payment of the principal thereof and accrued interest to the date of maturity, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments. Any moneys which at any time shall be deposited with the Paying Agent, by or on behalf of the State of South Carolina, for the purpose of paying and discharging any of the bonds or coupons, shall be, and are hereby assigned, transferred and set over to the Paying Agent in trust for the respective holders of the bonds and coupons, and such moneys shall be and are hereby irrevocably appropriated to the payment and discharge thereof. But, if through lapse of time or otherwise, the holders of said bonds or coupons shall no longer be entitled to enforce payment of their obligations, then, in such event, it shall be the duty of the Paying Agent to forthwith return said funds to the State of South Carolina. All moneys deposited with the Paying Agent shall be deemed to be deposited in accordance with and subject to the provisions of this Section.

SECTION 18.

If bids are received in accordance with the terms and conditions of sale as herein provided, the Governor and the State

Treasurer shall, and they are hereby authorized and empowered to award the sale of the bonds to the bidder naming the lowest interest cost to the State, without further action on the part of this Board.

STATE OF SOUTH CAROLINA)
)
)

I, P. C. SMITH, Auditor of the State of South Carolina,
Secretary to the State Budget and Control Board, and ex-
officio Secretary to The State Education Assistance Authority,
DO HEREBY CERTIFY:

That the said State Education Assistance Authority
(the Authority) is composed of the following:

His Excellency, John C. West, Governor of South
Carolina and Chairman of the Board;
The Honorable Grady L. Patterson, Jr., State
Treasurer;
The Honorable John Henry Mills, Comptroller
General of South Carolina;
The Honorable Rembert C. Dennis, Chairman of
the Senate Finance Committee; and
The Honorable F. J. LeaMond, Chairman of the
House Ways and Means Committee.

That due notice of a meeting of the Authority, called
to be held in Columbia, South Carolina at _____ A.M.,
_____, 1974, was given to all members
in writing, and at least four (4) days prior to said meet-
ing; that all members of said Board were present at said
meeting, with the exception of:

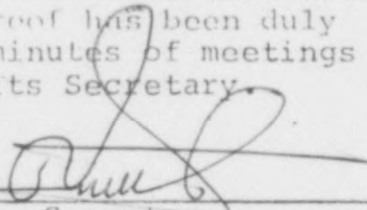
That at said meeting, a resolution, of which the attached
is a true, correct and verbatim copy, was introduced by
_____, who moved its adoption; said motion was
seconded by _____, and upon the vote being
taken and recorded it appeared that the following votes were
cast:

FOR MOTION

AGAINST MOTION

The Chairman thereupon declared the Resolution unani-
mously adopted, and the original thereof has been duly
entered in the permanent records of minutes of meetings
of said Authority, in my custody as its Secretary.

_____, 1974.



Secretary

EXHIBIT IV
NOV. 14, 1974

BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD
OF SOUTH CAROLINA:

SECTION 1.

As an incident to the adoption of this Resolution the State Budget and Control Board of South Carolina (the State Board) has made the following findings:

(1) The State Board is authorized by Act No. 1377 of the Acts of the General Assembly of the State of South Carolina for the year 1968, as amended (Act 1377) to make provision for the issuance of State Capital Improvement Bonds in order to raise funds for the expenditures authorized by Act 1377.

(2) Act 1377 was duly enacted by the General Assembly in the year 1968 and became effective upon its approval by the Governor on June 24, 1968. It has been amended by statutes enacted by the General Assembly during its 1969, 1970, 1971, 1972, 1973 and 1974 Sessions.

(3) Limitations now limit the aggregate amount of State Capital Improvement Bonds that may be issued to the sum of \$443,961,115 (exclusive of bonds issued on behalf of the Mental Health Commission as provided in Act No. 1276 of 1970 and Act No. 1272 of 1970, or bonds issued on behalf of the Commission on Mental Retardation as provided in Act No. 1087 of 1970).

CORRECTION

STATE OF SOUTH CAROLINA)
)
)

I, P. C. SMITH, Auditor of the State of South Carolina, Secretary to the State Budget and Control Board, and ex-officio Secretary to The State Education Assistance Authority, DO HEREBY CERTIFY:

That the said State Education Assistance Authority (the Authority) is composed of the following:

His Excellency, John C. West, Governor of South Carolina and Chairman of the Board;
The Honorable Grady L. Patterson, Jr., State Treasurer;
The Honorable John Henry Mills, Comptroller General of South Carolina;
The Honorable Rembert C. Dennis, Chairman of the Senate Finance Committee; and
The Honorable F. J. Leamond, Chairman of the House Ways and Means Committee.

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

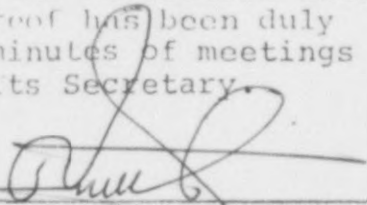
That at said meeting, a resolution, of which the attached is a true, correct and verbatim copy, was introduced by _____, who moved its adoption; said motion was seconded by _____, and upon the vote being taken and recorded it appeared that the following votes were cast:

FOR MOTION

AGAINST MOTION

The Chairman thereupon declared the Resolution unanimously adopted, and the original thereof has been duly entered in the permanent records of minutes of meetings of said Authority, in my custody as its Secretary.

_____, 1974.


Secretary

Item IV Sec. 9
1974-75 & the same provided
by Sec. 14. (left over)
last provision.

EXHIBIT IV
NOV. 14, 1974

BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD
OF SOUTH CAROLINA:

SECTION 1.

As an incident to the adoption of this Resolution the State Budget and Control Board of South Carolina (the State Board) has made the following findings:

(1) The State Board is authorized by Act No. 1377 of the Acts of the General Assembly of the State of South Carolina for the year 1968, as amended (Act 1377) to make provision for the issuance of State Capital Improvement Bonds in order to raise funds for the expenditures authorized by Act 1377.

(2) Act 1377 was duly enacted by the General Assembly in the year 1968 and became effective upon its approval by the Governor on June 24, 1968. It has been amended by statutes enacted by the General Assembly during its 1969, 1970, 1971, 1972, 1973 and 1974 Sessions.

(3) Limitations now limit the aggregate amount of State Capital Improvement Bonds that may be issued to the sum of \$443,961,115 (exclusive of bonds issued on behalf of the Mental Health Commission as provided in Act No. 1276 of 1970 and Act No. 1272 of 1970, or bonds issued on behalf of the Commission on Mental Retardation as provided in Act No. 1087 of 1970).

Act 1377 as now written limits the aggregate of State Capital Improvement Bonds that may be issued in the current fiscal year 1975 to \$65 million. No bonds have been issued during the current fiscal year.

(4) As of this date, seven series of State Capital Improvement Bonds have been issued in the aggregate principal amount of \$189,380,000. As of December 2, 1974, \$162,000,000 of State Capital Improvement Bonds will be outstanding. The issuance of \$20,000,000 State Capital Improvement Bonds authorized by this Resolution, together with all other State Capital Improvement Bonds heretofore issued, will not exceed the debt or other limitations imposed upon the issuance of State Capital Improvement Bonds.

(5) Exercising powers granted to the State Board by reason of the provisions of Act No. 116 of the Acts of the General Assembly of the State of South Carolina for the year 1965, as amended, \$20,000,000 of Bond Anticipation Notes of the State of South Carolina have been issued in anticipation of the issuance of State Capital Improvement Bonds, and are now outstanding, which

(3)

Notes must be paid with the proceeds of the bonds herein authorized and other funds on hand.

(6) Many undertakings and projects have been authorized by Act 1377. Set forth as Exhibit "A", hereto, is a table showing the total dollar authorizations for the several agencies and State institutions listed therein, the amounts previously made available to these agencies and institutions, and the balance authorized to these agencies and institutions as of the date shown on Exhibit "A". The undertakings and projects authorized by Act 1377 and for which contracts have been approved by this Board and which are now actually under construction exceed \$30,000,000.

(7) Accordingly, in order to provide \$20,000,000 for payment of the Bond Anticipation Notes, the State Board herewith provides for the issuance of \$20,000,000 of State Capital Improvement Bonds.

SECTION 2

Pursuant to the requirement of Section 6 of Act 1377, the State Board has found that the actual receipts for the preceding fiscal year, viz., that ended June 30, 1974, from the tax levied pursuant to Chapter 5, Title 65, Code of Laws of South Carolina, 1962, exceeded 150% of the maximum annual debt service requirements for all State Ports Bonds now outstanding, all State Capital Improvement Bonds now outstanding, and all State Capital Improvement Bonds to be outstanding following the issuance of the bonds authorized by this Resolution, and has further found that the estimate of collections from the aforesaid tax, for future fiscal years during which State Ports Bonds and State Capital Improvement Bonds are to be outstanding, will not be less than 150% of the maximum annual principal and interest requirements of all State Ports Bonds now outstanding and all State Capital Improvement Bonds to be outstanding following the issuance of the bonds authorized by this Resolution. Such estimate is based upon the written report of the State Auditor to the State Board herewith attached as a part of Schedule No. 4.

SECTION 3.

The Governor of South Carolina and the State Treasurer of South Carolina be and they are hereby requested to immediately effect the issuance of \$20,000,000 of State Capital Improvement Bonds in accordance with the provisions of this Resolution.

SECTION 4.

The said bonds shall be in the aggregate principal amount of \$20,000,000, shall be designated "State Capital Improvement Bonds, Series H", shall be in the denomination of \$5,000 each, and shall be numbered from H-1 to H-4000, inclusive.

SECTION 5.

Said bonds shall be dated December 1, 1974, and shall mature in annual series or installments, in numerical order, as follows:

\$ 1,000,000 on December 1 in each of the years
1975 to 1984, inclusive; and

\$ 2,000,000 on December 1 in each of the years
1985 to 1989, inclusive.

The bonds maturing on and after December 1, 1985, being bonds numbered H-2001 to H-4000, inclusive, shall be subject to redemption, at the option of the State on December 1, 1984, and all subsequent interest payment dates, at par, plus accrued interest to the date of redemption, plus a redemption premium of two per centum (2%) of the principal amount of each bond to be redeemed.

SECTION 6.

The bonds shall bear such rate or rates of interest, payable on June 1 and December 1 of each year, commencing June 1, 1975, as shall at the sale of such bonds reflect the lowest interest cost to the State of South Carolina, at a price of not less than par and accrued interest to the date of delivery, but:

- (1) No rate of interest named shall exceed 6%;
- (2) All bonds of the same maturity shall bear the same rate of interest;
- (3) All interest payments shall be evidenced by single coupons;
- (4) No interest rate named shall be more than 1% higher than the lowest rate of interest named;
- (5) Each interest rate named shall be a multiple of 1/8th or 1/20th of one per centum (1%); and
- (6) Any sum named by way of premium shall be paid in cash as part of the purchase price.

For the purposes of this Section, interest cost shall mean the aggregate of interest on the bonds from December 1, 1974, until their respective maturities, less any sum named by way of premium.

SECTION 7.

Both the principal of and interest on the bonds shall be payable in any coin or currency of the United States of America which is, at the time of payment, legal tender for the payment of public and private debts. The bonds will be issued as coupon bonds, payable to bearer, with the privilege of registration as to principal only, or as to both principal and interest, on registry books to be kept by the State Treasurer in the City of Columbia, State of South Carolina. If so registered in either manner, appropriate payments on account of principal, or principal and interest, will be made directly to the registered holder by the State Treasurer. Except as to bonds registered as to principal, or as to bonds registered as to both principal and interest, such payments will be made

at not more than two banks or trust companies, whose names will be printed on the bonds and coupons, to be mutually agreed upon by the State Treasurer and the successful purchaser, provided that:

(a) One shall be a bank organized under the laws of the State of South Carolina, or of the United States, having an office in the City of Columbia, South Carolina; and

(b) The second shall be a bank or trust company organized under the laws of one of the States of the United States, or of the United States located in a City agreeable to the State Treasurer.

Should it happen that the State Treasurer and the successful bidder shall fail to agree upon the banks or trust companies at which the bonds shall be payable, then, in such event, the bonds, both principal and interest, shall be payable at the principal office of a bank or trust company located in the City of New York, State of New York, or, at the option of the holder, at a bank or trust company having an office in the City of Columbia, State of South Carolina, both to be designated by the State Treasurer.

SECTION 8.

The bonds are issued:

To raise \$20,000,000 for the purpose set forth in Paragraph (7) of Section 1 hereof, and shall be expended by the State Treasurer for such purpose.

SECTION 9.

The bonds shall be signed by a facsimile signature of the Governor of South Carolina in office on the date of the adoption of this Resolution, and by the manual signature of the State Treasurer of South Carolina in office on the occasion of the execution of the bonds; the Great Seal of the State shall be reproduced thereon, attested by the manual signature of the Secretary of State of South Carolina in office on the occasion of the execution of the bonds, but the coupons attached to said bonds shall be authenticated by the facsimile signature of the State Treasurer in office on the date of the adoption of this Resolution. The execution of the coupons in such fashion shall be valid notwithstanding a subsequent change in the personnel of the office of State Treasurer.

SECTION 10.

For the prompt payment of the principal of and interest on the bonds, as they respectively mature, and for the creation of a sinking fund to aid in the retirement and payment thereof, the full faith, credit and taxing power of the State of South Carolina are hereby irrevocably pledged, and, in addition

thereto, but subject to the provisions of Act 1377, all of the revenues that the State shall from time to time realize from the tax imposed by Chapter 5, Title 65, Code of Laws of South Carolina, 1962, as now or hereafter amended (State Income Tax). The pledge of the revenues derived from the State Income Tax is subject to a prior pledge of such revenues heretofore made to secure the \$6,250,000 State Ports Bonds of the State of South Carolina which will be outstanding on the occasion of the delivery of the bonds authorized by this Resolution.

SECTION 11.

The form of the bonds, with interest coupons thereto attached, and the registration certificate to be endorsed thereon shall be substantially as set forth in Exhibit "B" attached hereto and made a part hereof.

SECTION 12.

Both the principal of and interest on the bonds shall be exempt from all State, County, Municipal, School District, and all other taxes or assessments of the State of South Carolina, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate or transfer taxes.

SECTION 13.

In case any bond shall become mutilated in respect to the body of such bond or the coupons, if any, appertaining thereto, or shall be believed by the State of South Carolina to have been destroyed, stolen, or lost, upon proof of ownership, satisfactory to the Governor and the State Treasurer of South Carolina, and upon surrender of such mutilated bond, with its coupons, if any, to the State of South Carolina, or upon receipt of evidence satisfactory to the State of South Carolina of such destruction, theft, or loss, and upon receipt also of indemnity satisfactory to the State of South Carolina, and upon payment of all expenses incurred by the State of South Carolina for any investigation relating thereto, and all expenses incurred in connection with the issuance of any new bond under this Section, the Governor, State Treasurer and Secretary of State of South Carolina shall execute and deliver a new bond of the same maturity, and for the same aggregate principal amount, with the coupons, if any, appertaining thereto, of like tenor and date, bearing the same number, with such notations as the State of South Carolina shall determine, in exchange and substitution for, and upon the cancellation of, the mutilated bond, its coupons, if any or in lieu of and in substitution of the bond and coupons, if any, so lost, stolen or destroyed.

SECTION 14.

The bonds shall be sold at public sale, at not less than par and accrued interest. The said bonds shall be advertised for sale in the following publications:

"THE BOND BUYER," a financial journal published in the City of New York, State of New York; and

"THE STATE," a daily newspaper published in the in the City of Columbia, State of South Carolina;

which notice of sale shall appear at least once, not less than ten days prior to the date set for said sale. The form of notice, time and conditions of sale shall be substantially as set forth in Exhibit "C" attached hereto and made a part and parcel hereof.

SECTION 15.

The proceeds derived from the sale of the bonds shall be applied and disposed of as follows:

(1) To meet the expenses in connection with the issuance of the bonds as authorized by Act 1377; and

(2) The remaining proceeds shall be used, with other funds on hand, to pay the principal and interest of \$20,000,000 Bond Anticipation Notes of the State of South Carolina, dated October 23, 1974, maturing December 16, 1974, and bearing interest at the rate of 5.40% per annum, which Notes were issued in anticipation of the issuance of the bonds herein authorized.

SECTION 16.

The bonds shall be printed and shall be forthwith executed in the manner set forth in Section 9 hereof, in order to effect their delivery on the occasion prescribed by the Notice of Sale.

SECTION 17.

If all of the Bonds, and coupons, representing interest thereon, issued pursuant to this Resolution, shall have been paid and discharged, then this Resolution and all rights granted hereby shall cease and determine. Bonds and coupons shall be deemed to have been paid and discharged within the meaning of this Section, if the Paying Agent shall hold, at their maturity in trust for and irrevocably appropriated thereto, sufficient moneys for the payment of the principal thereof and accrued interest to the date of maturity, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments. Any moneys which at any time shall be deposited with the Paying Agent, by or on behalf of the State of South Carolina, for the purpose of paying and discharging any of the bonds or coupons, shall be, and are hereby, assigned, transferred and set over to the Paying Agent in trust for the respective holders of the bonds and coupons, and such moneys shall be and are hereby irrevocably

appropriated to the payment and discharge thereof. But, if through lapse of time or otherwise, the holders of said bonds or coupons shall no longer be entitled to enforce payment of their obligations, then, in such event, it shall be the duty of the Paying Agent to forthwith return said funds to the State of South Carolina. All moneys deposited with the Paying Agent shall be deemed to be deposited in accordance with and subject to the provisions of this Section.

SECTION 18.

If bids are received in accordance with the terms and conditions of sale as herein provided, the Governor and the State Treasurer shall, and they are hereby authorized and empowered to award the sale of the bonds to the bidder naming the lowest interest cost to the State, without further action on the part of this Board.

EXHIBIT "A"

	<u>Authorized</u>	<u>Distributed To Departments</u>	<u>Balance Due Departments</u>
<u>Act 1377, Acts of 1968</u>			
Budget and Control Board	11 000 000 00	11 000 000 00	-0-
John de la Howe	700 000 00	700 000 00	-0-
Opportunity School	1 500 000 00	1 500 000 00	-0-
Parks, Recreation & Tourism	6 249 000 00	6 249 000 00	-0-
South Carolina State College	4 500 000 00	4 500 000 00	-0-
Tricentennial	6 600 000 00	6 600 000 00	-0-
Medical University	6 000 000 00	6 000 000 00	-0-
Mental Health	15 882 384 36	10 931 784 36	4 950 600 00
Mental Retardation	5 514 090 00	3 833 250 00	1 680 840 00
State Notes - Refunding	15 940 000 00	15 940 000 00	-0-
Total - Act 1377, Acts of 1968	73 885 474 36	67 254 034 36	6 631 440 00
<u>Act 349, Acts of 1969</u>			
Department of Education -			
Vocational Education	1 060 000 00	1 060 000 00	-0-
Technical Education - Denmark	300 000 00	300 000 00	-0-
Total - Act 349, Acts of 1969	1 360 000 00	1 360 000 00	-0-
<u>Act 452, Acts of 1969</u>			
Technical Education - Beaufort	500 000 00	500 000 00	-0-
<u>Act 456, Acts of 1970</u>			
Ports Authority	8 500 000 00	8 500 000 00	-0-
<u>Act 1272, Acts of 1970</u>			
Aeronautics Commission	408 500 00	333 500 00	75 000 00
Budget and Control Board	8 360 000 00	8 360 000 00	-0-
Clemson University	13 452 000 00	10 427 000 00	3 025 000 00
Department of Corrections	11 115 000 00	10 337 000 00	778 000 00
Deaf and Blind School	1 216 000 00	1 216 000 00	-0-
Department of Education -			
Vocational Education	1 282 500 00	1 282 500 00	-0-
Francis Marion College	4 645 500 00	4 645 500 00	-0-
Highway Department	95 000 00	95 000 00	-0-
Juvenile Corrections	1 173 250 00	1 115 037 35	58 212 65
Medical University	3 961 500 00	3 961 500 00	-0-
Mental Retardation	1 900 000 00	1 900 000 00	-0-
Parks, Recreation & Tourism	2 683 750 00	1 835 000 00	848 750 00
Ports Authority	31 350 000 00	19 530 000 00	11 820 000 00
SLED	1 140 000 00	1 140 000 00	-0-
South Carolina State College	3 800 000 00	3 600 841 39	199 158 61
Technical Education	3 154 000 00	2 904 000 00	250 000 00
University of South Carolina	20 947 500 00	19 147 500 00	1 800 000 00
Wildlife Resources	570 000 00	570 000 00	-0-
Winthrop College	712 500 00	712 500 00	-0-
Total - Act 1272, Acts of 1970	111 967 000 00	93 112 878 74	18 854 121 26

<u>Act 410, Acts of 1971</u>			
College of Charleston	5 785 000 00	5 785 000 00	-0-
Adjutant General	225 000 00	225 000 00	-0-
Francis Marion College	4 350 000 00	4 350 000 00	-0-
Budget and Control Board	300 000 00	300 000 00	-0-
York County TEC	80 500 00	80 500 00	-0-
Total - Act 410, Acts of 1971	10 740 500 00	10 740 500 00	-0-

<u>Act 1555, Acts of 1972</u>			
Department of Education -			
Vocational Education	3 300 000 00	3 300 000 00	-0-
Educational T V	3 600 000 00	527 000 00	3 073 000 00
Parks, Recreation & Tourism	196 000 00	-0-	196 000 00
Clemson University	2 675 000 00	-0-	2 675 000 00
University of South Carolina	2 800 000 00	-0-	2 800 000 00
College of Charleston	5 182 200 00	5 182 200 00	-0-
Francis Marion College	3 125 000 00	3 125 000 00	-0-
The Citadel	3 000 000 00	-0-	3 000 000 00
South Carolina State College	1 360 000 00	-0-	1 360 000 00
Medical University	500 000 00	-0-	500 000 00
John de la Howe	925 000 00	750 000 00	175 000 00
Youth Services	3 000 000 00	179 712 65	2 820 287 35
Highway Department	500 000 00	500 000 00	-0-
Commission For The Blind	35 000 00	35 000 00	-0-
Deaf and Blind School	1 100 000 00	59 279 62	1 040 720 38
Total - Act 1555, Acts of 1972	31 298 200 00	13 658 192 27	17 640 007 73

<u>Act 354, Acts of 1973</u>			
Aeronautics Commission	1 400 000 00	65 099 69	1 334 900 31
Department of Agriculture	300 000 00	6 300 00	293 700 00
Commission For The Blind	2 536 000 00	48 081 75	2 487 918 25
Budget and Control Board	11 300 000 00	-0-	11 300 000 00
College of Charleston	6 482 000 00	2 286 000 00	4 196 000 00
Department of Corrections	1 332 000 00	-0-	1 332 000 00
Department of Education -			
Vocational Education	11 814 000 00	1 975 000 00	9 839 000 00
Educational T V	6 574 000 00	-0-	6 574 000 00
Employment Security	4 000 000 00	160 000 00	3 840 000 00
Francis Marion College	3 105 000 00	-0-	3 105 000 00
Highway Department	500 000 00	500 000 00	-0-
Lander College	2 700 000 00	328 318 94	2 371 681 06
Medical University	13 441 000 00	743 500 00	12 697 500 00
Mental Health	400 000 00	365 000 00	35 000 00
Mental Retardation	6 420 000 00	330 000 00	6 090 000 00
Parks, Recreation & Tourism	2 500 000 00	-0-	2 500 000 00
Public Railway Commission	500 000 00	80 000 00	420 000 00
South Carolina State College	300 000 00	-0-	300 000 00
Technical Education	7 898 000 00	10 000 00	7 888 000 00
Wildlife Resources	4 010 000 00	-0-	4 010 000 00
Winthrop College	400 000 00	-0-	400 000 00
Youth Services	1 000 000 00	-0-	1 000 000 00
Total - Act 354, Acts of 1973	88 912 000 00	6 897 300 38	82 014 699 62

<u>R-1088, Acts of 1974</u>			
University of South Carolina	8 000 000 00	-0-	8 000 000 00

<u>R 1195, Acts of 1974</u>			
Highway Department	4 675 000 00	-0-	4 675 000 00

	<u>Authorized</u>	<u>Distributed To Departments</u>	<u>Balance De Department</u>
R 1487, Acts of 1974			
Adjutant General	205 000 00	-0-	205 000 00
Budget and Control Board	1 245 000 00	-0-	1 245 000 00
University of South Carolina	1 400 000 00	-0-	1 400 000 00
Clemson University	6 590 000 00	-0-	6 590 000 00
Medical University	5 000 000 00	-0-	5 000 000 00
Citadel	2 137 140 00	-0-	2 137 140 00
Winthrop College	640 000 00	-0-	640 000 00
South Carolina State College	1 100 000 00	-0-	1 100 000 00
U. S. C. - Coastal	2 250 000 00	-0-	2 250 000 00
U. S. C. - Spartanburg	2 000 000 00	-0-	2 000 000 00
U. S. C. - Aiken	1 900 000 00	-0-	1 900 000 00
Francis Marion	680 000 00	-0-	680 000 00
College of Charleston	5 635 000 00	-0-	5 635 000 00
Lander College	3 218 000 00	-0-	3 218 000 00
Department of Education -			
Vocational Education	7 724 000 00	-0-	7 724 000 00
Technical Education	750 000 00	-0-	750 000 00
Educational Television	2 200 000 00	-0-	2 200 000 00
Opportunity School	63 000 00	-0-	63 000 00
Archives and History	500 000 00	200 000 00	300 000 00
Youth Services	1 000 000 00	-0-	1 000 000 00
John de la Howe	200 000 00	-0-	200 000 00
Department of Corrections	7 500 000 00	-0-	7 500 000 00
Wildlife & Marine Resources	3 592 275 00	-0-	3 592 275 00
Forestry Commission	180 000 00	-0-	180 000 00
Parks, Recreation & Tourism	1 010 000 00	-0-	1 010 000 00
Highway Department	200 000 00	-0-	200 000 00
Ports Authority	68 000 000 00	-0-	68 000 000 00
Total - R 1487, Acts of 1974	126 919 415 00	200 000 00	126 719 415 00
Total	466 757 589 36	202 222 905 75	264 534 683 61

SINKLER GIBBS SIMONS & GUÉRARD

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November 11, 1974

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

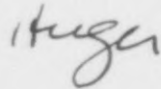
Dear Pat:

Re: \$64,200,000 General Obligation Bonds of
the State of South Carolina

The advertisements for the sale of the above bonds are scheduled to appear in THE STATE and the DAILY BOND BUYER on Monday, November 18, 1974. Hence, I would appreciate it very much if you would have the Budget and Control Board adopt the enclosed original and six Resolutions in connection with the issuance of \$20,000,000 State Capital Improvement Bonds, Series "G", of the State of South Carolina at a meeting of the State Budget and Control Board to be held during this week. Attached to these Resolutions will be certain Exhibits which Bill Putnam will obtain for me. Basically, they are similar to the Exhibits which are attached to the Resolutions authorizing the preceding issue.


The original Resolution is marked "original" on the front and should be kept for the permanent records of the State Board. The other copies, duly certified, should be returned to me.

Sincerely,



HS:dn
Enclosures

cc: Grady L. Patterson, Jr., Esq.

 William T. Putnam, Esq. ✓

The Exhibits will be similar to those which you sent me last week but dated as of the close of October. In connection with Schedule 2, I do not seem to be able to find authorizations aggregating \$885,000 for the John de la Howe School. According to Schedule 1, John de la How School has balances due to it of \$325,000 from Act 1555 of 1972 and an authorization of \$200,000 from Act 1487 of 1974. However, a total of \$885,000 shows up under the column of now "under construction".
Would you investigate?

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E N D