The following is a schedule by years of minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 1978:

1979	$2,519,000
1980	2,032,000
1981	1,401,000
1982	1,012,000
1983	1,407,000
1984 and after	704,000
Total minimum lease payments	$9,075,000

Debts issued by municipal authorities and guaranteed by the Company are not considered lease agreements even though the legal form of the transaction is a lease. Such obligations are classified as term debt.

6. Term Debt

Term debt after one year consists of the items shown in Table 1, below.

The aggregate term debt maturity amounts due in the years 1979 through 1983, respectively, are $7,689,000; $13,733,000; $14,927,000; $14,825,000; and $18,354,000.

Term loans payable to banks—On February 1, 1973, the Company obtained a 10-year, $30,000,000 bank loan with principal to be repaid 25% in each of the eighth and ninth years and 50% to be repaid in the 10th year. The interest rate on this loan is ¾ of 1% over the prime rate, with a maximum average annual interest cost during the first seven years of 7½%. Interest paid in excess of this maximum will be refunded to the Company at the end of the seven-year period, but only with respect to that portion of the loan which the Company does not elect to prepay prior to the end of the seven-year period. The interest rate during the eighth, ninth and 10th years will be ¾ of 1% over the prime rate.

8.95% promissory note—On May 15, 1978, the Company obtained a 20-year, $60,000,000 promissory note with principal to be repaid in 15 equal annual installments beginning on May 15, 1984.

Pollution control revenue bonds—On August 1, 1977, the Company entered into an agreement with the Industrial Development Board of the City of Fairfield, Alabama (Board) to finance pollution control facilities as the first phase of the modernization and expansion of the Company's coke plant at Woodward, Alabama. The Board, with the Company as guarantor, issued $15,350,000 of 5.875% tax-exempt pollution control bonds. Interest only will be paid until 1998, at which time principal of $460,000 will be paid each year for seven years, $960,000 each year for two years and the balance of $10,070,000 in 2007.

Industrial development bonds—As part of the Woodward expansion, the Company entered into a sale and leaseback agreement with the Board whereby the Board will acquire the existing plant and project improvements, issue long-term bonds to finance the program, with the Company as guarantor, and lease the facility to the Company at rentals sufficient to pay the debt service on such bonds. On August 1, 1977, the Board issued $1,000,000 of 5.875% tax-exempt bonds due in installments commencing in 1998. On October 1, 1977 and June 1, 1978, the Board issued taxable bonds in the amounts of $10,000,000 and $14,000,000, respectively. Additional taxable bonds for $15,000,000 were to be issued in March, 1979. The taxable bonds will bear interest at 8.25%. The principal will be payable in annual installments of $1,900,000 commencing in 1983 through 2001, with the balance of $2,900,000 payable in 2002.

At December 31, 1978, the unexpended portion of funds ($9,309,000) received for the Woodward capital expenditures program was held by a trustee.

Revolving credit loan—On December 28, 1978, the Company entered into a new bank credit agreement to replace the January 31, 1977 agreement that provided for up to $50,000,000 of revolving credit loans. The new agreement provides for revolving credit loans up to $100,000,000 until December 28, 1983 with a commitment of ½ of 1% per annum on the unborrowed amount. Any loans outstanding on December 28, 1983 may be converted to term loans payable during the succeeding three years. The agreement calls for interest at the prime rate until December 28, 1983 and at the prime rate plus ¼ of 1% for the remaining period of the loans. During 1977, the Company had no revolving credit loan borrowings.

Additional debt information—The Company's term debt agreements contain various restrictions as to dividend payments and incurrence of additional indebtedness. Under the most restrictive provisions, as of December 31, 1978, $77,252,000 of consolidated earnings retained in the business was available for cash dividends, and the Company could incur additional indebtedness of approximately $96,950,000.

The Company has additional agreements that make available $7,080,000 in short-term borrowings. The Company is not required to pay any commitment fees on the unborrowed funds. At December 31, 1978, the Company had no borrowings under these agreements.

The Company issues short-term promissory notes (commercial paper) to cover peak working capital requirements. During 1977, the Company did not issue commercial paper. In 1978, the average amount of commercial paper outstanding was $8,320,000 with a daily weighted average annual interest rate of 9.2%. The maximum amount of commercial paper outstanding during 1978 was $29,000,000. No amounts were outstanding at December 31.

The Company has guaranteed $11,095,000 of the indebtedness of affiliated and other corporations.

7. Deferred Compensation Plan

The Company has a Deferred Compensation Plan approved by the Board of Directors and ratified by the shareholders for officers and other key employees under which an aggregate of 800,000 units may be outstanding at any one time. Operating expense has been

Table 1. Term Debt

	1978	1977
6% notes due $3,000,000 annually	$ 41,000,000	$ 44,000,000
Term loans payable to banks	30,000,000	30,000,000
8.95% promissory note	60,000,000	—
5.8% promissory notes due $670,000 annually	4,640,000	5,310,000
8% promissory notes due $2,229,000 annually after 1978	9,873,000	11,102,000
Pollution control revenue bonds	15,350,000	15,350,000
5.8% and 6% pollution control notes due in 16 annual installments commencing 1983	10,600,000	10,600,000
Industrial development bonds	25,000,000	11,000,000
Revolving credit loan	20,000,000	—
Other	4,801,000	10,147,000
	$221,264,000	$137,509,000