CONNECTOR 2000 ASSOCIATION, INC.

ANNUAL REPORT

June 30, 2022

CUSIP Prefix 20786L

INTRODUCTION

This report of annual financial information is delivered pursuant to that certain Continuing Disclosure Agreement dated February 11, 1998 (the "***Disclosure Agreement***") between Connector 2000 Association, Inc., a South Carolina non-profit public benefit corporation (the "***Association***") and U.S. Bank Trust Company, National Association as successor to First Union National Bank (the "***Trustee***"), in its capacity as dissemination agent relating to the Connector 2000 Association, Inc. Toll Road Revenue Bonds (Southern Connector Project, Greenville, South Carolina), Series 2011A, Series 2011B and Series 2011C (the "***Amended and Restated Bonds***"). The Association has been advised that the Disclosure Agreement was terminated. The Association is electing to continue to make secondary market disclosure as an accommodation to the holders of its Amended and Restated Bonds. The Association reserves the right to discontinue such disclosure at any time without notice. Capitalized terms not otherwise defined herein have the meaning set forth in the Disclosure Agreement, if defined therein.

For a narrative description of the Association, the Projects and the Construction of the Projects, see the annual reports previously filed by the Association pursuant to the Disclosure Agreement.

OPERATION OF THE SOUTHERN CONNECTOR PROJECT

The Association was incorporated for the design, financing, acquisition, construction and operation of the Southern Connector. The Southern Connector is an approximately 16-mile four-lane tollway facility constructed to interstate standards on new location. The Southern Connector extends from existing I-85 at its interchange with I-185, in Greenville County, South Carolina, proceeds southeast and interchanges with the S.C. 153 Extension, continues east and interchanges with S.C. 20, with U.S. 25 south of the South Carolina Technology and Aviation Center (formerly Donaldson Center Industrial Park) and with Fork Shoals Road before turning northeast and interchanging with I-385 at its intersection with U.S. 276 and Standing Springs Road east of the City of Greenville, South Carolina, between the cities of Mauldin, South Carolina and Simpsonville, South Carolina.

As required by Section 4 of the Disclosure Agreement, the Annual Report of the Association must present selected data relating to the operation of the Southern Connector Project and penetration of electronic toll collections ("***ETC***") for the preceding five years which is set forth in the following table:

	2017	2018	2019	2020	2021
ETC Trans.	2,318,478	2,510,540	2,784,484	2,358,215	2,631,127
% of Total Trans.	37%	39%	42%	45%	45%
ETC Revenue	$3,512,400	$3,961,530	$4,357,401	$4,908,271	$5,755,192
% of Total Rev.	31%	33%	35%	42%	41%
Total Trans.	6,191,484	6,453,460	6,599,088	5,191,374	5,909,028
Total Revenue	$11,234,207	$11,907,237	$12,389,609	$11,627,333	$14,193,896

The toll rates for the Southern Connector Project are set pursuant to Section 6.4 of the License Agreement dated February 11, 1998 between the Association and the South Carolina Department of Transportation ("***SCDOT***") as amended by Section VIII of the First Amendment to License Agreement dated April 1, 2011 between the Association and SCDOT (the "***Revised License Agreement***"). From time to time, the Association will offer discounts or incentives for the use of ETC transponders ("***Pal Pass***") on the Southern Connector Project.

All toll rates were most recently adjusted January 2, 2020 with Pal Pass rates adjusted again January 3, 2022. The toll rates and discounts charged by the Association for the use of the Southern Connector are as follows:

LOCATION	East Plaza	West Plaza	SC 20 (on/off ramps)	Fork Shoals Rd. (on/off ramps)
2 axles	$2.00	$2.00	$1.25	$1.25
2 axle discount rate	$1.85	$1.85	$1.25	$1.25
3 axles	$4.20	$4.20	$1.25	$1.25
3 axle discount rate	$3.84	$3.84	$1.25	$1.25
4 axles	$5.60	$5.60	$1.25	$1.25
4 axle discount rate	$5.12	$5.12	$1.25	$1.25
5 axles	$7.00	$7.00	$1.25	$1.25
5 axle discount rate	$6.40	$6.40	$1.25	$1.25
6 + axles	$8.40	$8.40	$1.25	$1.25
6 + axle discount rate	$7.68	$7.68	$1.25	$1.25

One mainline toll plaza is located at the east end and one at the west end of the Southern Connector. The toll for all 2-axle vehicles at the mainline plazas is $2.00. At both mainline plazas a higher toll is required for vehicles having more than 2 axles. Unattended ramps are located at Fork Shoals Road and SC Route 20. A flat rate of $1.25 per vehicle, regardless of the number of axles, is charged at these ramps.

Motorists have the option of establishing an ETC prepaid toll account (Pal Pass), which allows them to travel through dedicated lanes without stopping and have their tolls automatically deducted from their prepaid toll account. Motorists with a Pal Pass account receive a discount on all mainline toll plaza transactions. This discount applies to all vehicles, regardless of the number of axles. No discount is applied to transactions at the unattended ramps.

AUDITED FINANCIAL STATEMENTS

The financial statements of the Association for the period ended December 31, 2021 have been audited by Green Finney, LLP, Certified Public Accountants. Their examination report and the audited financial statements of the Association for its fiscal year ended December 31, 2021, are attached hereto as **Exhibit "A"**.

OTHER FINANCIAL INFORMATION

The Association did not receive any federal or State highway expansion money during its fiscal year ended December 31, 2021. The Association did not issue or remarket any other bonded indebtedness during its fiscal year ended December 31, 2021.

The Association has established a web site with the address: "www.southernconnector.com". Additional information is posted from time to time on the Association's web site. The Association regularly prepares and updates daily toll transactions and revenues on the web page. Copies of official filings, bankruptcy documents and press releases of the Association are also available on the web page.

CONCLUDING STATEMENT

This Annual Report has been filed on behalf of the Association with the Municipal Securities Rulemaking Board under its EMMA system. To the knowledge of the Association, the State of South Carolina has not created a State Information Depository. The Association has received no notice under the Disclosure Agreement and is not aware that any event of default has occurred thereunder.

EXHIBIT "A"

AUDITED FINANCIAL STATEMENTS OF THE ASSOCIATION FOR THE YEAR ENDED DECEMBER 31, 2021.

[Attached]

CONNECTOR 2000 ASSOCIATION, INC.
(A Component Unit of the State of South Carolina and of the South Carolina Department of Transportation)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

CONNECTOR 2000 ASSOCIATION, INC., GREENVILLE, SOUTH CAROLINA
(A Component Unit of the State of South Carolina and of the South Carolina Department of Transportation)

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YEARS ENDED DECEMBER 31, 2021 AND 2020

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Connector 2000 Association, Inc.
Piedmont, South Carolina

Opinion

We have audited the accompanying financial statements of the Connector 2000 Association, Inc. (the "Association"), a component unit of the State of South Carolina and of the South Carolina Department of Transportation ("SCDOT"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2021 and 2020, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Reallocation of 2020 Net Position (Deficit)

As discussed in Note 1, item P, and Note 11 in the notes to the financial statements, for the year ended December 31, 2021, the Association reclassified debt service payments to correct an error noted in the prior year allocation calculation. These adjustments resulted in the 2020 Net Position (Deficit) being reallocated to conform with the 2021 Net Position (Deficit) presentation. Our opinion is not modified with respect to this matter.

Partial Payments on 2011 Bonds

As discussed in Note 8 and 14 in the notes to the financial statements, for the year ended December 31, 2021 and 2020, the Association's Distributable Cash was insufficient to cover all debt service and any Arrearages due on January 1, 2022 and 2021 on the Association's 2011 Bonds. The unpaid debt service and Arrearage amounts will be deferred to future debt service dates and will continue to accrete interest from the date of non-payment at rates the same as those of the 2011 Bonds to which the unpaid debt service relates. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements.

Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
April 26, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Connector 2000 Association, Inc. (the "Association") annual financial report presents a discussion and analysis of the Association's financial performance for the years ended December 31, 2021 and 2020. Our analysis includes comparisons of 2021, 2020 and 2019 information. We ask that you read this section of our annual report in conjunction with the financial statements that follow this section.

Our sole business is the operation of the Greenville Southern Connector Toll Road (the "Southern Connector"). The Southern Connector is an approximately 16-mile four-lane tollway facility constructed to interstate standards in Greenville County, South Carolina. We operate the Southern Connector under a License Agreement dated as of February 11, 1998 between the South Carolina Department of Transportation ("SCDOT") and the Association as amended by a First Amendment to License Agreement dated as of April 1, 2011 between the same parties (together, the "License Agreement"). Our operations are governed by the terms of our First Amended and Restated Master Indenture of Trust dated April 1, 2011 between the Association and U.S. Bank Trust Company, National Association, as Trustee, as supplemented by our First Supplemental Indenture of Trust dated May 1, 2012 between the same parties. Both documents were effective April 21, 2011, and are collectively referred to as the "Trust Indenture".

FINANCIAL HIGHLIGHTS

- The COVID-19 pandemic had significant negative impacts on the utilization of the Southern Connector, the toll revenues collected and on the Association's operations of the toll road in 2020. In 2021, the Southern Connector recovered some of the pandemic-related utilization loss, and collected a record-breaking amount of toll revenues. See below for more information.

- During 2021 and 2020, toll revenues were insufficient to pay the full debt service due January 1, 2022 and 2021, respectively. Consequently, in early 2022, we paid all of the debt service due on our 2011 Senior Bonds, paid off the 2011 Senior Subordinate Bond Arrearages that originated in 2021, and made partial payments of debt service due on our 2011 Senior Subordinate Bonds. In early 2021, we paid all of the debt service due on our 2011 Senior Bonds and made partial payments of debt service due on our 2011 Senior Subordinate Bonds. We paid no debt service due on our 2011 Junior Subordinate Bonds in early 2022 or in early 2021. During 2019, toll revenues were sufficient to trigger the Extraordinary Mandatory Prepayment and Redemption provisions of our Trust Indenture. Accordingly, at February 15, 2020, we paid mandatory prepayments and redemptions totaling $173,977.

- At December 31, 2021 and 2020, the Association did not meet the Debt Service Coverage ratios prescribed in our Trust Indenture. Section 706 of the Trust Indenture obligates the Association to deliver a Toll Rate Study to the Trustee every five years. Such Section further provides that if the Debt Service Coverage Ratio for any annual period ending on January 1 of each calendar year is less than (i) 1.25 for the Senior Bonds or (ii) 1.00 for the Senior Subordinate Bonds, or if the Association fails to pay any Debt Service then due on any Senior Bonds or Senior Subordinate Bonds, then in such event, the Association shall retain a Consultant to undertake a Toll Rate Study to establish toll charges equal to the Optimum Rates as set forth in Section 6.4 of the License Agreement. However, Section 706 of the Trust Indenture further provides that the Association shall not be required to retain a Consultant or undertake a Toll Rate Study more frequently than once every two years. The Association provided the Trustee with a Toll Rate Study in January 2020 in connection with the adjustment of the Toll Rates at that time and has not undertaken another Toll Rate Study at the time this management's discussion and analysis was prepared. We were in compliance with such Toll Rate Covenants at December 31, 2019.

- In 2021, the Southern Connector's annual utilization increased 13.8%. The 2020 annual utilization of the Southern Connector decreased 21.3%, while such utilization increased in 2019 by 2.3%. Toll transactions for the years 2021, 2020 and 2019 were 5,909,028, 5,191,374 and 6,599,088, respectively. Average daily toll transactions were 16,189 in 2021, 14,184 in 2020 and 18,080 in 2019.

- Total operating revenues in 2021 were $14,193,896, an increase of 22.1% over the 2020 operating revenues of $11,627,333. The 2020 total dropped 6.2% from the 2019 total of $12,389,609. The 2019 total operating revenues increased by 4.1% over such revenues for 2018. Operating revenues in both 2021 and 2020 solely consisted of toll and violation revenues, while operating revenues for 2019 comprised toll and violation revenues and other revenues.

- In 2021, total operating expenses increased by 0.9%, to $3,668,906. Total operating expenses in 2020 were $3,637,018, a decrease of 5.2%, from the 2019 total of $3,836,239. The 2019 total operating expenses represented an increase of 2.0%, over 2018 amounts. The 2021 increase was due primarily to expenses related to our lobbying effort to receive COVID-19 relief monies and to card processing fees that correlated with increased usage of our PalPass toll payment option. The 2020 decrease was mainly due to the fact that we did not perform a toll rate study as we did in 2019. The 2019 increase was attributable primarily to a toll rate study, which was required to be performed as discussed in the third bullet above prior to implementing the 2020 revision of the toll rates charged by the Southern Connector.

- The Association's net nonoperating expenses increased in each year 2021, 2020 and 2019. The totals of net nonoperating expenses were $19,775,503, $18,941,924 and $18,511,012 in 2021, 2020 and 2019, respectively and represented respective increases of 4.4%, 2.3% and 3.9%. The increases in net nonoperating expenses in each year were attributable primarily to accretion of interest on the Association's Bonds and SCDOT maintenance expense. In all three years, interest expense on our 2011 Bonds increased. The balances of our 2011 Bonds Payable were $233,948,062, $226,280,100 and $219,376,358 at December 31, 2021, 2020 and 2019, respectively. Those balances represented respective net increases over prior year balances of 3.4%, 3.1% and 3.2%. In both 2021 and 2019, SCDOT maintenance expense increased, while in 2020, such expense decreased.

- In 2020, we received $6,210 toward settlement of the Association's claim against Lehman Brothers, Inc. in Lehman's bankruptcy case. In accordance with governmental accounting standards, because these settlement monies were deemed to be unusual in nature and infrequent in occurrence, we recorded these gains as extraordinary items in our financial statements.

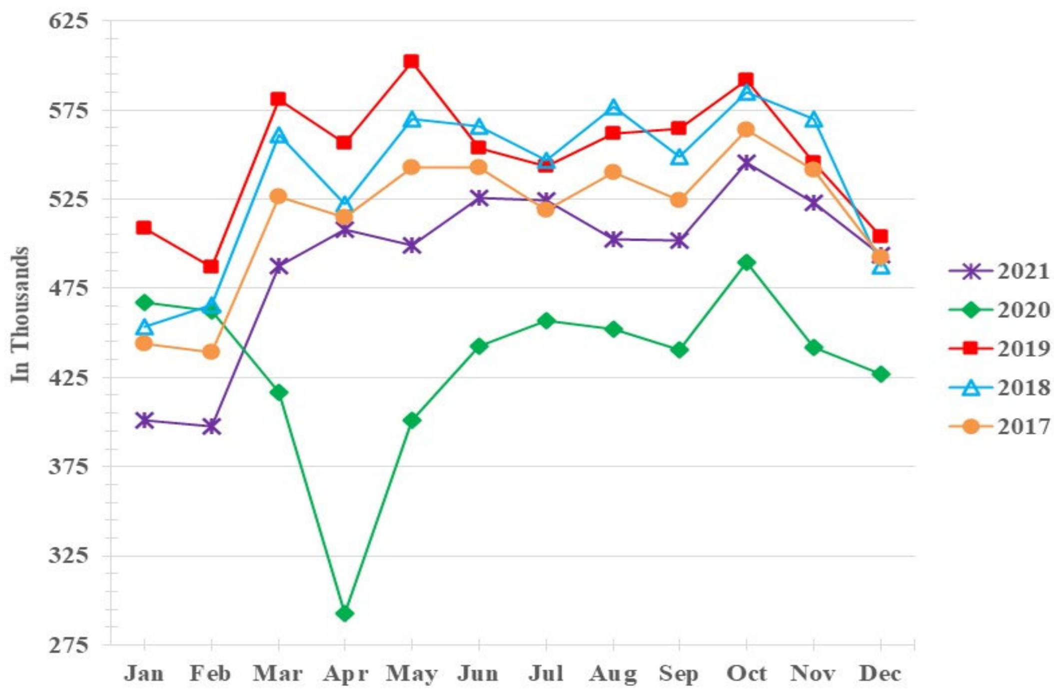
- The Association continues to feel the negative effects of the COVID-19 pandemic on its operations. At present, the Association is unable to estimate the full impact that the pandemic will have on our financial condition and operations in 2022.

ECONOMIC FACTORS AND CURRENT CONDITIONS

Traffic and Revenue Summary

Prior to 2020, the Southern Connector had enjoyed annual trends of setting new records for toll road utilization since 2016 and for toll revenue collection since 2011, despite the lack of significant industrial or commercial development along the Southern Connector corridor. The COVID-19 pandemic and its resulting local, state and federal government restrictions on travel, slightly aggravated by the 2020 increase in toll rates, abruptly ended those trends. In 2021, traffic levels recovered significantly, but were still well below those of 2019. However, due in part to the 2020 increase in toll rates and in part to increased usage of the Southern Connector by vehicles with more than two axles, our 2021 toll revenues once again set a new record. During 2021, toll transactions totaled 5,909,028 and represented an increase of 13.8% over 2020 levels, while the 2020 toll transactions of 5,191,374 represented a decrease of 21.3% from 2019 levels. Toll revenues in 2021 totaled $14,193,896, a 22.1% increase over the 2020 total of $11,627,333. Such 2020 toll revenues represented a 6.2% decrease from 2019 toll revenue amounts.

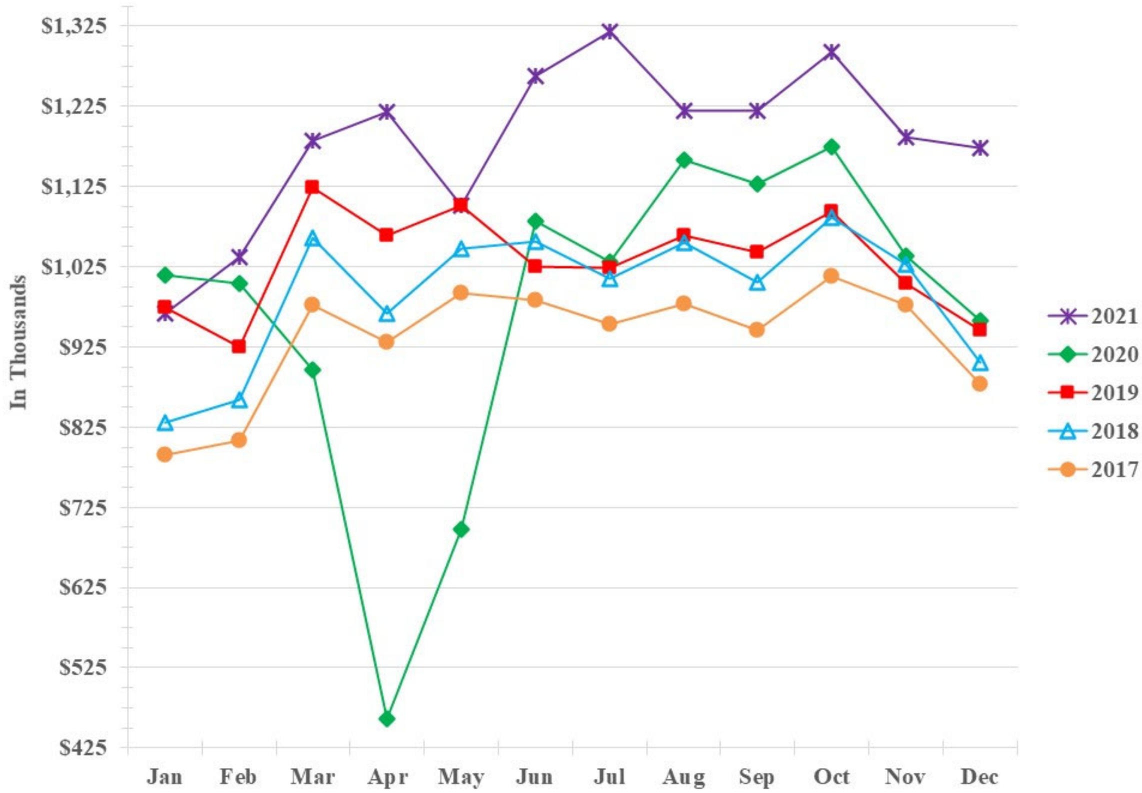
Transactions by Month



The tables above and below provide a visual summary of the Southern Connector's transactions and revenues since 2017.

Toll rates for the Southern Connector are determined by periodic toll rate studies and vary at the mainline East and West toll plazas depending upon the class of vehicles (based on number of axles) that travel the road. For two-axle vehicles, the mainline plaza toll rates increased in 2020 as we implemented the recommended toll rates determined by the toll rate study performed in 2019. Another slight increase in the PalPass toll rate for two-axle vehicles was implemented in 2021. The 2019 cash and PalPass toll rates for two-axle vehicles were $1.75 and $1.50, respectively. In January 2020, such toll rates for two-axle vehicles rose by $.25, or 14.3% and 16.7%, to $2.00 and $1.75, respectively. The January 2021 PalPass rate increase for two-axle vehicles was $.05 or 2.9% over the 2020 rate. In all years, toll rates for two-axle vehicles were lower than rates for vehicles with more than two axles. Accordingly, the mix of vehicles using the Southern Connector in any given year affects the amount of toll revenues collected.

Revenues by Month



The January and February 2020 fluctuations of both toll transactions and revenues correlated to those we had experienced in prior years following an increase in toll rates. Toll transactions for January and February of 2020 decreased 6.6% from levels for the same months in 2019, yet 2020 toll revenues for those months rose 6.4% over the 2019 toll revenues for January and February.

For the remainder of 2020, decreases and increases in toll transactions and toll revenues generally correlated to fluctuations in the COVID-19 pandemic. We began to see significant declines in toll transactions and toll revenues in March as local, state and federal governments recommended or mandated travel restrictions. Toll transactions and related toll revenues plummeted in April as South Carolina Governor Henry McMaster issued Executive Orders to close certain nonessential businesses and to require employees of other nonessential businesses to restrict movements outside of their residences. As Governor McMaster subsequently issued Executive Orders to gradually reopen nonessential businesses and to replace Home and Work Order restrictions with strong recommendations to limit movements outside of residences, our toll transactions and toll revenues began to recover. Throughout the remainder of 2020, oscillations in our toll transactions and toll revenues inversely corresponded to rises and falls in the number of COVID-19 cases within South Carolina.

During 2021, pandemic travel restrictions were lifted, and Southern Connector utilization and toll collections rebounded significantly over 2020 levels. As indicated in the transaction chart above, though 2021 traffic did not recover to pre-2020 levels, the monthly traffic fluctuations generally correlated to those experienced in 2019 and prior years. Our record-breaking 2021 toll revenues were attributable in part to a traffic composition shift towards vehicles with more than two axles.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Association's 2021 and 2020 financial statements consist of two parts – management's discussion and analysis (this section) and the financial statements, including the notes to the financial statements. The financial statements provide short-term and long-term information about the Association's overall financial status. The financial statements also include disclosures that explain some of the information in the financial statements and provide more detailed data.

The Association follows governmental accounting principles generally accepted in the United States of America. We present our financial statements on the accrual basis of accounting, similar to the accounting basis used by most private-sector companies. Under the accrual basis of accounting, all of the Association's assets and liabilities are included in our Statements of Net Position, and our revenues earned and expenses incurred are accounted for in our Statements of Revenues, Expenses, and Changes in Net Position regardless of when cash is received or paid.

Net position is one measure of the Association's financial health or financial position. It represents the difference between the Association's assets and liabilities. Because our liabilities exceeded our assets, the Association's net position at December 31, 2021, 2020 and 2019 was a deficit (or negative) balance. (See the *Net Position (Deficit)* subsection of the *Financial Analysis* section of this management's discussion and analysis below for more information.) Over time, decreases or increases in the Association's net position deficit provide an indicator that our financial health is improving or deteriorating. However, other factors such as transactions (including vehicle class and toll rates) and development along the Southern Connector corridor should also be considered in order to assess the Association's overall financial condition.

FINANCIAL ANALYSIS

This section of our management's discussion and analysis presents our analysis of the Association's overall financial position and results of operations for 2021 and 2020. In this section, we discuss significant transactions that occurred during the years, and compare each year's activities with those of the immediately preceding year.

Net Position (Deficit)

As stated above, the Association's net position was negative in 2021 and 2020. Our total revenues covered our operating expenses and the debt service that we paid in both years (see the discussion below in the *Operating Revenues and Expenses* subsection of this section of the management's discussion and analysis). However, such revenues were not sufficient to cover all of our nonoperating expenses, which included a portion of interest expense accretions payable at December 31, 2021 and 2020, those not yet payable on our 2011 Capital Appreciation Bonds and amortization of our interest in our License Agreement with SCDOT. Neither the interest expense accretions nor the amortization of our interest in our License Agreement represented cash outlays by the Association.

In 2021, total assets decreased by 1.1%, or $1,349,676, to $123,175,778, while total liabilities increased by 3.5%, or $7,900,837, to $235,095,145. During the year ended December 31, 2020, the Association's total assets decreased by $4,067,231, or 3.2%, to $124,525,454, and total liabilities increased by $6,878,168, or 3.1%, to $227,194,308. The majority of the asset decreases represent amortization of the Association's Interest in the License Agreement, while the bulk of liability increases represent accretions on the 2011 Capital Appreciation Bonds.

The Association's most significant asset is our Interest in our License Agreement with SCDOT. In order to account for the Association's Interest in the License Agreement, the Association capitalized all costs of acquisition and construction of the Southern Connector, including interest expense incurred during the construction period. As discussed further in the *Capital Assets* subsection of the *Capital Assets and Debt Administration* section of this management's discussion and analysis and in Note 1, item I to the financial statements, this asset and its related amortization are classified within the Association's capital assets. Upon commencement of toll road operations, the Association began amortizing its interest in the License Agreement. The net book value of that asset was $105,743,747 and $109,318,187 at December 31, 2021 and 2020, respectively. The Association's Interest in our License Agreement with SCDOT is included in capital assets in Table 1, and represented 85.8% and 87.8%, respectively, of our total assets at December 31, 2021 and 2020. The net book value of that asset decreased by 3.3% in 2021 and by 3.2% in 2020 from the previous year's net book value. The decrease of $3,574,440 in both years 2021 and 2020 represented amortization for each year. The Association is amortizing the Interest in our License Agreement with SCDOT over the remaining term of the License Agreement, or a period of approximately 29.5 years as of December 31, 2021.

The Association's Capital Appreciation Bonds Payable totaled $233,948,062 and $226,280,100 at December 31, 2021 and 2020, and comprised our most significant liabilities, representing 99.5% and 99.6% of total liabilities in 2021 and 2020, respectively. The balance of our Capital Appreciation Bonds Payable increased by 3.4% in 2021 and by 3.1% in 2020, due to the accretions that occurred during each year.

For comparative purposes, the 2020 and 2019 allocations of our Capital Appreciation Bonds Payable balances to the various categories of net position deficit have been revised to correct errors found in prior year allocations. For both years, balances were reallocated between the "net investment in capital assets" and "unrestricted" categories.

Table 1
Net Position (Deficit)
December 31

	2021	2020	2019
Current and Other Assets	$ 17,137,509	$ 14,603,187	$ 14,759,789
Capital Assets	106,038,269	109,922,267	113,832,896
Total Assets	123,175,778	124,525,454	128,592,685
Long-Term Liabilities (Bonds Payable):			
2011A Senior Capital Appreciation Bonds	(183,797,871)	(179,557,200)	(175,196,912)
2011B Senior Subordinate Capital Appreciation Bonds	(34,540,731)	(33,474,230)	(32,405,313)
2011C Junior Subordinate Capital Appreciation Bonds	(3,783,103)	(3,648,613)	(3,514,748)
Total Long-Term Liabilities	(222,121,705)	(216,680,043)	(211,116,973)
Other Liabilities:			
Current Portion of:			
2011A Senior Capital Appreciation Bonds	(8,060,071)	(7,621,873)	(6,591,618)
2011B Senior Subordinate Capital Appreciation Bonds	(1,861,799)	(1,760,574)	(1,484,303)
2011B Senior Subordinate Capital Appreciation Bond Arrearages	(1,435,027)	-	-
2011C Junior Subordinate Capital Appreciation Bonds	(230,105)	(217,610)	(183,464)
2011C Junior Subordinate Capital Appreciation Bond Arrearages	(239,355)	-	-
Accounts Payable, Unearned Revenue and Deposits	(973,786)	(830,192)	(858,218)
Amounts Payable to SCDOT	(173,297)	(84,016)	(81,564)
Total Other Liabilities	(12,973,440)	(10,514,265)	(9,199,167)
Total Liabilities	(235,095,145)	(227,194,308)	(220,316,140)
Net Position (Deficit):			
Net Investment in Capital Assets	(5,497,044)	(6,144,095)	(7,083,512)
Restricted for:			
SCDOT Maintenance	2,781,462	2,707,864	2,496,628
Unrestricted	(109,203,785)	(99,232,623)	(87,136,571)
Total Net Position (Deficit)	$ (111,919,367)	$ (102,668,854)	$ (91,723,455)

In 2021, the net deficit increased by $9,250,513, or 9.0%, to $111,919,367, while the 2020 net deficit increased by $10,945,399, or 11.9%, to $102,668,854. The Association's net position was classified in three categories as follows:

- The "net investment in capital assets" category of net position represents amounts invested in capital assets, less accumulated depreciation on those assets, less any liabilities attributable to those assets. At December 31, 2021, the balance of this category of net position was a deficit of $5,497,044 and represented a decrease of 10.5%, or $647,051 from the 2020 deficit. The December 31, 2020 deficit totaled $6,144,095. That balance represented a decrease of $939,417, or 13.3%, from the 2019 deficit balance. The changes in this category of net position result from depreciation and amortization of our capital assets and paydowns of the 2011 Bonds Payable balances at their April 21, 2011 effective date.

- The "restricted" category represents the portion of net position with attached constraints on the use of the assets. The constraints are externally imposed by such means or parties as debt covenants, laws, enabling legislation or creditors. The restricted assets in this category are offset by any related liabilities. Governmental generally accepted accounting principles do not allow this category of net position to be negative. At December 31, 2021 and 2020, amounts in this category of net position were restricted for reimbursement of SCDOT maintenance costs and totaled $2,781,462 and $2,707,864, respectively. The 2021 balance represented an increase of $73,598, or 2.7%, over the 2020 balance, while the 2020 balance increased by $211,236, or 8.5%, over the 2019 balance. Such 2021 and 2020 balances represented amounts transferred to the Association's Renewal & Replacement Fund offset by amounts accrued for any SCDOT maintenance expense reimbursement requisitions.

- The "unrestricted" category represents the residual net position that is not included in the net investment in capital assets or restricted net position categories as defined above. This category includes assets offset by liabilities, and may be used to finance daily operations. No constraints have been imposed upon this category of net position. At December 31, 2021, unrestricted net position was a deficit balance of $109,203,785, while the balance at December 31, 2020 was a deficit of $99,232,623. The 2021 change in unrestricted net position deficit totaled $9,971,162, which represented a 10.0% increase over the 2020 balance. The 2020 change in unrestricted net position deficit was $12,096,052, an increase of 13.9% over the 2019 balance.

Changes in Net Position (Deficit)

As presented in Table 2 below, the Association's total revenues were not sufficient to cover all of its nonoperating expenses.

Operating Revenues and Expenses

The Association's operating revenues far exceeded its operating expenses in both years 2021 and 2020, and operating income of $10,524,990 and $7,990,315, respectively, was realized. The 2021 operating income represented an increase of $2,534,675, or 31.7%, over 2020 operating income. The 2020 operating income decreased 6.6%, or $563,055, from 2019 operating income.

Following the decline in 2020 total operating revenues that resulted primarily from the COVID-19 pandemic, we once again recognized record-breaking levels of operating revenues in 2021. Our total operating revenues for 2021 were $14,193,896, an increase of $2,566,563, or 22.1%, over 2020 amounts. In 2020, we recognized total operating revenues of $11,627,333, which decreased $762,276, or 6.2%, from 2019 amounts. Both 2021 and 2020 total operating revenues comprised toll and violation revenues.

Table 2
Changes in Net Position
Years Ended December 31

	2021	2020	2019
Revenues:			
Operating revenues:			
Charges for Services (Toll Revenues)	$ 14,193,896	$ 11,627,333	$ 12,380,650
Other	-	-	8,959
Nonoperating Revenues:			
Interest and Investment Earnings	581	14,882	150,793
Gain on Disposal of Capital Assets	11,166	-	-
Total Revenues	14,205,643	11,642,215	12,540,402
Expenses:			
Operating Expenses	3,668,906	3,637,018	3,836,239
Nonoperating Expenses:			
Interest Expense on Bonds	15,727,805	15,163,127	14,555,436
Amortization	3,574,440	3,574,440	3,574,440
SCDOT Highway Maintenance Costs	485,005	219,239	531,929
Total Expenses	23,456,156	22,593,824	22,498,044
Income (Loss) before Extraordinary Item	(9,250,513)	(10,951,609)	(9,957,642)
Extraordinary Item:			
Extraordinary Gain on Claim Against Lehman Brothers	-	6,210	-
Increase (Decrease) in Net Position (Deficit)	(9,250,513)	(10,945,399)	(9,957,642)
Beginning Net Position (Deficit)	(102,668,854)	(91,723,455)	(81,765,813)
Ending Net Position (Deficit)	$ (111,919,367)	$ (102,668,854)	$ (91,723,455)

In 2021, we continued to pursue efforts begun in 2020 to minimize costs. Accordingly in 2021, our total operating expenses were $3,668,906, an increase of only 0.9%, or $31,888, over 2020 operating expenses. The largest increases in operating expenses in 2021 were recognized in professional fees, card processing fees and automobile expenses. Professional fees totaled $424,188 and represented an increase of $49,070, or 13.1%, over 2020 professional fees. The increase was due primarily to $31,000 of lobbying expenses incurred as we sought to obtain allocations of federal and state pandemic relief monies to be used for improvements in signage along the Southern

Connector and to fund technology needed to meet requirements of a nationwide toll-road interoperability initiative. So far, our lobbying efforts have been unsuccessful, but are continuing in 2022. Card processing fees increased 16.1%, or $45,604, to $328,272. That increase correlated with the 2021 increase in patrons' use of credit and debit cards to pay toll revenues or to increase PalPass account balances. Increases in fuel costs in 2021 caused our automobile expenses to rise 55.1%, or $10,465, to $29,464.

We also realized certain operating expense decreases in 2021. The largest decreases occurred in office supplies and miscellaneous expense. Our 2021 office supplies expense decreased from 2020 amounts by $33,160, or 20.7%, to $127,367, as we made fewer purchases of postage, mailing supplies and COVID-19 supplies than we made during 2020. Miscellaneous expense fell 15.4% from 2020 levels, or $16,493, to $90,516. In 2020, our miscellaneous expense included rentals of message boards in January to announce the increases in our toll rates and in March, April and May to notify patrons of our use of the Photo Billing process as discussed below. We rented no message boards in 2021.

Our 2020 operating expenses decreased due to concerted efforts to minimize costs in response to the decrease in operating income brought about by the COVID-19 pandemic. Such 2020 operating expenses totaled $3,637,018 and represented net decreases from 2019 operating expenses of $199,221, or 5.2%. The single largest decrease in 2020 operating expenses was attributable to the elimination of the $150,000 cost of the toll rate study that was conducted during 2019. Other decreases in 2020 operating expenses included net reductions in contract services and card processing fees from 2019 amounts. Contract services for 2020 totaled $42,987, a reduction of 59.0%, or $61,741. Those fees decreased because in 2020, we made fewer modifications to our Brisa toll software than we did in 2019. Card processing fees totaled $282,668 in 2020, a reduction of 11.8%, or $37,683 from 2019 amounts. The decrease in the card processing fees paralleled the 2020 decrease in utilization of the Southern Connector.

The largest increase in 2020 operating expenses occurred in office supplies, which increased 332.2%, or $123,386, to $160,527. This increase comprised additional postage and related costs that were incurred when we revamped our operations in response to the COVID-19 pandemic. From March 27, 2020 through May 15, 2020, we complied with Governor McMaster's Home and Work restrictions/recommendations by suspending manual collections at our toll booths. During that time, we used a process known as Photo Billing (Pay-by-Plate) to facilitate our toll collections. Using this process, photographs of license plates were taken of the vehicles that passed through our various pay points. From those license plate pictures, we identified registered owners of the respective vehicles and mailed invoices to those registered owners for the tolls due. Costs of camera and computer equipment and the installation of telephone lines to implement the Photo Billing process and to enable our employees to work from home totaled $22,571 and were charged to repairs and maintenance, telephone and office supplies.

Nonoperating Revenues and Expenses

During both 2021 and 2020, the Association realized increases in nonoperating expenses resulting from increased interest expense accretions on our 2011 Bonds offset by nonoperating income. Overall, 2021 net nonoperating expenses increased by $833,579, or 4.4%, to $19,775,503. Our 2020 net nonoperating expenses increased by 2.3%, or $430,912, to $18,941,924. Nonoperating income in 2021 was $11,747, a decrease of $3,135, or 21.1%, from 2020 amounts. In 2020, nonoperating income decreased by $135,911, or 90.1%, to $14,882. Nonoperating income in 2021 included $11,166 of gain recognized from the receipt of insurance proceeds from a vehicle that was totaled in addition to $581 of interest income and unrealized gains recognized on government obligation mutual funds. In 2020, nonoperating income comprised only interest income and unrealized gains on our government obligation mutual funds. The return on our government obligation mutual funds fell drastically during 2020 and remained low in 2021. The annual average return on our government obligation mutual funds was 0.01% for 2021 and 0.25% for 2020, as compared to 1.79% for 2019. In 2021 and 2020, our most significant nonoperating expense was interest expense, which increased by 3.7% in 2021 and by 4.2% in 2020, or $564,678 and $607,691, to $15,727,805 and $15,163,127, respectively. Our interest expense was attributable to accretions on our 2011 Capital Appreciation Bonds in both years. Cash outlays for debt service on our 2011 Bonds totaled $8,059,843 in 2021 and consisted of $7,621,873 paid in January and $437,970 of partial payments of debt service due on our 2011 Senior Subordinate Bonds paid in February. In 2020, cash outlays for debt service payments totaled $8,267,670 and consisted of $8,093,693 of January payments and $173,977 of February extraordinary mandatory prepayments/redemptions. The February 2020 payments included $8,285 of premiums. In 2022, debt service paid in January totaled $8,060,071, while a total of $2,550,541 of debt service due on our 2011 Senior Subordinate Bonds and on our 2011 Senior Subordinate Bond Arrearages was paid in February.

In 2021 and 2020, other nonoperating expenses consisted of SCDOT maintenance expense and amortization of our License Agreement with SCDOT. SCDOT maintenance expense rose 121.2%, or $265,766, to $485,005 in 2021. In 2020, such expense totaled $219,239, and declined $312,690, or 58.8%, from the 2019 total. These reimbursements of Southern Connector maintenance costs incurred by SCDOT are paid solely from and to the extent of monies accumulated in the Association's 2011 R&R Fund as prescribed by the terms of the Trust Indenture and License Agreement. Monies transferred into the 2011 R&R Fund in 2021 in accordance with the Waterfall provisions of the Trust Indenture totaled $558,453, an increase of $134,278, or 31.7%, over the 2020 additions of $424,175. The 2020 transfers decreased 53.6%, or $490,096 from 2019 additions of $914,271. (See Note 1, item J and Notes 5, 8 and 10 to the financial statements for more information about deposits into and payments from our 2011 R&R Fund.) The amortization of our License Agreement with SCDOT totaled $3,574,440 in 2021, 2020 and 2019.

Extraordinary Item

In 2020, the Association received $6,210 as partial settlement of its claim filed several years ago against Lehman Brothers, Inc. in Lehman's bankruptcy case. No such settlement monies were received in 2021 or in 2019. The Lehman Brothers claim was filed for losses incurred by the Association in 2008 when Lehman Brothers defaulted under a collateralized repurchase agreement held in connection with investments of monies in our 1998 Bonds Debt Service Reserve Accounts. Governmental accounting standards require that a gain or loss be reported as an extraordinary item if it is both unusual in nature and infrequent in occurrence. The monies that we received in this settlement are clearly unrelated to our ordinary and typical activity of operating of the Southern Connector, so they meet the "unusual" criteria specified by accounting literature. They also meet the "infrequent" criteria since (a) at the time that we filed our claim against Lehman Brothers, we had no reasonable expectation of recovery, and (b) upon each receipt of monies, the Association had no further expectation of receiving additional sums from our claim. Accordingly, we reported these gains as extraordinary items in our 2020 financial statements. At the time this management's discussion and analysis was written, the Association did not expect to receive any additional monies under this claim.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2021, capital assets, net of depreciation and amortization, totaled $106,038,269, a net decrease of 3.5%, or $3,883,998, from 2020 amounts. In 2020, the change in total capital assets, net of depreciation and amortization, was a net decrease of $3,910,629, or 3.4%, to $109,922,267.

Table 3
Changes in Capital Assets at Year-End
(Net of Depreciation)

	2021	2020	2019
Capital Assets, Net of Depreciation and Amortization:			
Equipment	$ 128,938	$ 217,116	$ 306,700
Software	110,767	332,303	553,839
Vehicles	54,817	54,661	79,730
Interest in License Agreement with SCDOT	105,743,747	109,318,187	112,892,627
Total Capital Assets, Net of Depreciation and Amortization	$ 106,038,269	$ 109,922,267	$ 113,832,896

In years 2021, 2020 and 2019, all of our capital assets were subject to depreciation/amortization. In late 2021, we purchased a vehicle for $30,006 to replace another vehicle that was totaled in an accident. We received $15,946 of insurance proceeds on the totaled vehicle, which had an undepreciated value at the time of the accident of $4,780. Accordingly, we recognized a 2021 gain of $11,166 of the disposal of that wrecked vehicle. We purchased no capital asset additions in 2020. In 2019, our additions to depreciable capital assets included a new HVAC system with a cost of $13,020 and two coin sorters purchased for $11,293.

Our toll system development contract with Brisa includes provisions covering a minimum one-month training period and a minimum 60-month support period, which overlapped the training period. The 60 monthly payments to be paid to Brisa during the training/support period total $937,409. Such monthly support payments began in July 2017; accordingly, $187,482 of toll system support was included in professional fees in years 2021, 2020 and 2019. At December 31, 2021 and 2020, our outstanding commitments related to the toll system development contract totaled $93,740 and $281,222, respectively.

In years prior to 2019, we presented the interest in our License Agreement with SCDOT in our annual report as a service concession arrangement. SCDOT notified the Association that it and the South Carolina Office of State Auditor disagreed with the Association's financial presentation of this asset and requested that we revise our financial statements accordingly. Although we believe our original presentation was properly made, since the actual accounting for the interest in our License Agreement as an intangible asset that is amortized over the term of the License Agreement did not change, we complied with SCDOT's request beginning in 2019. Since 2019, our interest in the License Agreement with SCDOT and its related amortization are presented within capital assets.

Debt Administration

The Association has three Tiers of debt outstanding under the Trust Indenture – Senior Bonds, Senior Subordinate Bonds and Junior Subordinate Bonds. The Trust Indenture is a "lock-box" structure – all of the revenues of the Association from the operation of the toll road are delivered to the Trustee and deposited into the Revenue Fund. Section 505 of the Trust Indenture provides for a waterfall which distributes the revenues from the Revenue Fund to various funds and accounts established under the Trust Indenture. (See Note 1, item J to the financial statements.) To the extent that, on any Bond payment date, the full amount owing for Bonds of any Tier are not paid in full, the shortfall is called an "Arrearage" of that Tier for that year and is entitled to be paid on the next Bond payment date, with accreted interest, prior to the payment of any other amounts owing for Bonds of such Tier on such Bond payment date. (See Note 8 to the financial statements for more information.)

The balances of the Association's 2011 Bonds totaled $233,948,062 and $226,280,100 at December 31, 2021 and 2020, respectively. Of the December 31, 2021 balances (which included Arrearages that arose during 2021 – the "2021 Arrearages"), $11,826,357 was due to be paid in early 2022. Since monies accumulated in our Trust Debt Service accounts were insufficient to pay the full amount due January 1, 2022, we instead paid as much as possible of the debt service due. The amount of debt service paid in early 2022 totaled $10,610,612 and comprised $8,060,071 of scheduled debt service due on our 2011 Senior Bonds, $1,435,027 of debt service due on the 2021 Senior Subordinate Bond Arrearages and $1,115,514 of partial payments of the scheduled debt service due on our 2021 Senior Subordinate Bonds. No monies were available to pay debt service on our 2011 Junior Subordinate Bonds in early 2022. (See the *Subsequent Events* section of this management's discussion and analysis.) Of the December 31, 2020 balances, $9,600,057 was due to be paid in early 2021. Because monies accumulated in our Trust Debt Service accounts were insufficient to pay the full amount due January 1, 2021, we instead paid the amount that was available for that purpose. The total debt service paid in early 2021 was $8,059,843, and consisted of $7,621,873 paid as scheduled on our 2011 Senior Bonds and partial payments on our 2011 Senior Subordinate Bonds that totaled $437,970. No debt service was paid on the 2011 Junior Subordinate Bonds in 2021. Of the December 31, 2019 balances, $8,259,385 was due and paid in early 2020.

Increases in our Bonds payable balances totaled $7,667,962 and $6,903,742, or 3.4% and 3.1%, during 2021 and 2020, respectively. In both years, the net increases resulted from interest expense accretions offset by debt service paid early in the year. Interest expense for 2021 and 2020 totaled $15,727,805 and $15,163,127, respectively. The 2021 interest expense represented regularly scheduled accretions as well as accretions on the 2021 Arrearages. The 2020 interest expense represented only regularly scheduled accretions. Interest expense in 2021 and 2020 increased by 3.7% and 4.2%, respectively, and translated to changes of $564,678 and $607,691, respectively.

At December 31, 2021 and 2020, we did not meet the debt coverage ratio covenants defined in the Trust Indenture. Section 706 of such Trust Indenture obligates the Association to deliver a Toll Rate Study to the Trustee every five years. Such Section further provides that if the Debt Service Coverage Ratio for any annual period ending on January 1 of each calendar year is less than (i) 1.25 for the Senior Bonds or (ii) 1.00 for the Senior Subordinate Bonds, or if the Association fails to pay any Debt Service then due on any Senior Bonds or Senior Subordinate Bonds, then in such event, the Association shall retain a Consultant to undertake a Toll Rate Study to establish toll charges equal to the Optimum Rates as set forth in Section 6.4 of the License Agreement. However, Section 706 of the Trust Indenture further provides that the Association shall not be required to retain a Consultant or undertake a Toll Rate Study more frequently than once every two years. The Association provided the Trustee with a Toll Rate Study in January 2020 in connection with the adjustment of the Toll Rates at that time and has not undertaken another Toll Rate Study at this time. We were in compliance with such Toll Rate Covenant at December 31, 2019.

Our 2011 Bonds are not rated by a national rating agency.

SUBSEQUENT EVENTS

At December 31, 2021, insufficient funds were accumulated in our Trust Debt Service accounts to pay the full amounts of scheduled debt service due in January 2022. Instead, in accordance with the terms of our Trust Indenture, we paid the monies that were available, $10,610,612, towards the debt service that was due. In early January 2022, we paid the regularly scheduled debt service due on our 2011 Senior Bonds of $8,060,071. In mid-February 2022, we paid off the $1,435,027 of debt service due on the 2021 2011 Senior Subordinate Bond Arrearages ($5,947 applicable to the 2011B Retained Term Bond Arrearages and $1,429,080 applicable to the 2011B1 New Term Bond Arrearages) and a total of $1,115,514 of partial debt service payments on our 2011 Senior Subordinate Bonds ($4,618 applicable to the 2011B Retained Term Bonds and $1,110,896 applicable to the 2011B1 New Term Bonds). The remaining Arrearages at February 15, 2022 totaled $1,215,745 and represented $746,285 of unpaid debt service on our 2011 Senior Subordinate Bonds and $469,460 of unpaid debt service on our 2011 Junior Subordinate Bonds. (See Note 1, item J, and Notes 8 and 14 to the financial statements for more information about the Association's Trust Fund accounts and the partial debt service payment provisions of the Trust Indenture.)

In March of 2020, the World Health Organization classified the outbreak of a new strain of coronavirus, COVID-19, as a pandemic. In response, local, state and federal governments recommended or mandated restrictions on travel as an effort to curb the spread of COVID-19. The pandemic had significant negative impacts on the utilization and operation of the Southern Connector during 2020. As vaccination programs against COVID-19 were implemented nationwide and as COVID-19-related restrictions on travel were lifted, the number of toll transactions rose substantially in 2021. However, at the time this management's discussion and analysis was written, utilization of the Southern Connector has not yet recovered to the levels maintained prior to the pandemic. As new variants of the COVID-19 virus emerge, certain health agencies continue to recommend delayed travel for unvaccinated individuals or for those who are ill. At this time, we are unable to estimate the future financial impact and duration of the pandemic on our operations, net position, liquidity and workforce. (See Note 14 to the financial statements for additional information.)

CONTACTING THE CONNECTOR 2000 ASSOCIATION, INC.

This financial report is designed to provide our Bondholders, patrons and interested parties with a general overall view of the Association's finances and to demonstrate the Association's accountability for the money it receives. If you have any questions about this report or need additional financial information, please visit the *Official Filings* link under the *Postings* arrow of our website at www.SouthernConnector.com or contact Connector 2000 Association, Inc. at Post Office Box 408, Piedmont, South Carolina 29673 or by telephone at (864) 527-2150.

Basic Financial Statements

CONNECTOR 2000 ASSOCIATION, INC., GREENVILLE, SOUTH CAROLINA
(A Component Unit of the State of South Carolina and of the South Carolina Department of Transportation)

STATEMENTS OF NET POSITION - PROPRIETARY FUND

DECEMBER 31, 2021 AND 2020

	Business-Type Activities - Enterprise Fund	
ASSETS	**2021**	**2020**
Current Assets:		
Cash and Cash Equivalents	$ 1,370,202	$ 1,538,034
Prepaid Expenses	50,661	49,548
Inventories	109,382	122,067
Total Current Assets	1,530,245	1,709,649
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	15,607,264	12,893,538
Total Noncurrent Restricted Assets	15,607,264	12,893,538
Capital Assets:		
Equipment	879,660	879,660
Software	1,129,948	1,129,948
Vehicles	211,613	207,675
Interest in License Agreement with SCDOT	192,623,492	192,623,492
Less: Accumulated Depreciation and Amortization	(88,806,444)	(84,918,508)
Total Capital Assets	106,038,269	109,922,267
Total Noncurrent Assets	121,645,533	122,815,805
TOTAL ASSETS	**$ 123,175,778**	**$ 124,525,454**
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 100,168	$ 51,726
Unearned Toll Revenue	873,618	778,466
Revenue Bonds Payable, Current Portion	11,826,357	9,600,057
SCDOT Maintenance Payable	173,297	84,016
Total Current Liabilities	12,973,440	10,514,265
Noncurrent Liabilities:		
Revenue Bonds Payable, Less Current Portion	222,121,705	216,680,043
TOTAL LIABILITIES	**235,095,145**	**227,194,308**
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	(5,497,044)	(6,144,095)
Restricted for:		
SCDOT Maintenance	2,781,462	2,707,864
Unrestricted	(109,203,785)	(99,232,623)
TOTAL NET POSITION (DEFICIT)	**$ (111,919,367)**	**$ (102,668,854)**

The notes to the financial statements are an integral part of these statements.
See accompanying independent auditor's report.

CONNECTOR 2000 ASSOCIATION, INC., GREENVILLE, SOUTH CAROLINA
(A Component Unit of the State of South Carolina and of the South Carolina Department of Transportation)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND

YEARS ENDED DECEMBER 31, 2021 AND 2020

	Business-Type Activities - Enterprise Fund	
OPERATING REVENUES	**2021**	**2020**
Toll Revenues	$ 14,193,896	$ 11,627,333
TOTAL OPERATING REVENUES	**14,193,896**	**11,627,333**
OPERATING EXPENSES		
Automobile	29,464	18,999
Bank Fees and Charges	16,440	14,381
Contract Services	50,519	42,987
Card Processing Fees	328,272	282,668
Employee Benefits	240,770	250,705
Miscellaneous	90,516	107,009
Office Supplies	127,367	160,527
Payroll Taxes	113,627	113,605
Repairs and Maintenance	68,787	78,642
Salaries	1,538,491	1,524,001
Telephone	29,938	39,034
Utilities	50,968	51,862
Advertising	4,729	11,396
Depreciation	334,784	336,189
Insurance	150,865	160,782
Marketing	30,068	30,000
Professional Fees	424,188	375,118
Trustee Fees and Costs	39,113	39,113
TOTAL OPERATING EXPENSES	**3,668,906**	**3,637,018**
OPERATING INCOME	**10,524,990**	**7,990,315**
NONOPERATING REVENUES (EXPENSES)		
Interest Earned on Cash Equivalents and Investments	524	14,867
Realized and Unrealized Gain (Loss) on Investments	57	15
Interest Expense	(15,727,805)	(15,163,127)
SCDOT Maintenance Expense	(485,005)	(219,239)
Gain (Loss) on Disposal of Capital Assets	11,166	-
Amortization of Interest in License Agreement with SCDOT	(3,574,440)	(3,574,440)
TOTAL NONOPERATING REVENUES (EXPENSES)	(19,775,503)	(18,941,924)
LOSS BEFORE EXTRAORDINARY ITEM	(9,250,513)	(10,951,609)
EXTRAORDINARY ITEM		
Extraordinary Gain on Claim against Lehman Brothers	-	6,210
CHANGE IN NET POSITION	(9,250,513)	(10,945,399)
NET POSITION (DEFICIT), Beginning of Year	(102,668,854)	(91,723,455)
NET POSITION (DEFICIT), End of Year	**$ (111,919,367)**	**$ (102,668,854)**

The notes to the financial statements are an integral part of these statements.
See accompanying independent auditor's report.

CONNECTOR 2000 ASSOCIATION, INC., GREENVILLE, SOUTH CAROLINA
(A Component Unit of the State of South Carolina and of the South Carolina Department of Transportation)

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND

YEARS ENDED DECEMBER 31, 2021 AND 2020

	Business-Type Activities - Enterprise Fund	
CASH FLOWS FROM OPERATING ACTIVITIES	**2021**	**2020**
Receipts from:		
Toll Collections	$ 14,289,048	$ 11,668,184
Payments for:		
Toll Road Employees and Contract Labor	(1,887,154)	(1,940,670)
Vendors and Service Providers	(1,782,678)	(1,627,570)
NET CASH PROVIDED BY OPERATING ACTIVITIES	10,619,216	8,099,944
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(30,006)	-
Principal Paid on Bonds Payable	(8,059,843)	(8,259,385)
Premium Paid on Prepayment of Bonds Payable	-	(8,285)
Insurance Recoveries Received from Totaled Vehicle	15,946	-
Proceeds from Lehman Brothers Settlement	-	6,210
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(8,073,903)	(8,261,460)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Investments	57	15
Interest Received	524	14,867
NET CASH PROVIDED BY INVESTING ACTIVITIES	581	14,882
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,545,894**	**(146,634)**
CASH AND CASH EQUIVALENTS, Beginning of Year	14,431,572	14,578,206
CASH AND CASH EQUIVALENTS, End of Year	**$ 16,977,466**	**$ 14,431,572**
Reconciliation of Cash and Cash Equivalents - Statements of Cash Flows to Statements of Net Position		
Unrestricted Cash and Cash Equivalents - Current Assets	$ 1,370,202	$ 1,538,034
Restricted Cash and Cash Equivalents - Noncurrent Assets	15,607,264	12,893,538
Total Cash and Cash Equivalents Shown on Statements of Net Position	**$ 16,977,466**	**$ 14,431,572**
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Operating Income	$ 10,524,990	$ 7,990,315
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	334,784	336,189
SCDOT Maintenance Expense	(485,005)	(219,239)
Change In:		
Prepaid Expenses	(1,113)	(835)
Inventories	12,685	10,803
Accounts Payable	48,442	(60,592)
Unearned Toll Revenue	95,152	40,851
SCDOT Maintenance Payable	89,281	2,452
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 10,619,216	$ 8,099,944
NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ITEMS		
Amortization of Interest in Revised License Agreement with SCDOT	$ 3,574,440	$ 3,574,440
Interest Accreted on Series 2011 Revenue Bonds	15,727,805	15,163,127
Net Book Value of Disposed Capital Assets	$ 4,780	$ -

The notes to the financial statements are an integral part of these statements.
See accompanying independent auditor's report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Connector 2000 Association, Inc. (the "Association") is a South Carolina nonprofit corporation organized as a "public benefit corporation" under the South Carolina Nonprofit Corporation Act of 1994. The Articles of Incorporation of the Association were originally filed with the South Carolina Secretary of State on January 12, 1996 and were amended by a filing on March 5, 1997. The Internal Revenue Service issued a letter dated October 20, 1997, determining that the Association is an exempt organization that is not a private foundation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Association was formed to assist the South Carolina Department of Transportation (the "SCDOT") in the financing, acquisition, construction, and operation of turnpikes, highway projects, and other transportation facilities.

The Association's operations are governed by a license agreement (the original License Agreement as amended, the "License Agreement") with the SCDOT that grants the Association rights and obligations to finance, acquire, construct, and operate an approximately 16 mile fully controlled access toll highway (the "Southern Connector").

The Association originally financed construction of the Southern Connector by issuing toll road revenue bonds in 1998. In 2011, in connection with implementation of its Debt Adjustment Plan pursuant to its Chapter 9 Bankruptcy case, the Association exchanged its 1998 Bonds for new toll road revenue bonds (the "2011 Bonds"). The Association's Debt Adjustment Plan encompasses a First Amended and Restated Master Indenture of Trust and a First Supplemental Indenture of Trust (collectively, the "Trust Indenture") and the License Agreement, all of which became effective April 21, 2011. Following a 2012 mandatory exchange (subject to Bondholder opt out of the exchange) of certain of its 2011 Pro-Rata Term Bonds for 2011 By-Lot Term Bonds and payment of outstanding issuance costs of the 2011 Bonds, the Association's bankruptcy proceedings were finalized on August 27, 2012, when the United States Bankruptcy Court issued the Final Decree closing the Association's Bankruptcy case. See Notes 5 and 8 for additional detailed information pertaining to the Association's License Agreement and its 2011 Bonds. See the *Bankruptcy Filings* link under the Association's *Postings* arrow on our website, www.SouthernConnector.com, for detailed information regarding the Association's Bankruptcy case and complete copies of the Association's Debt Adjustment Plan, including the Trust Indenture and the License Agreement.

The State of South Carolina Office of Comptroller General has determined that the Association is a component unit of the State of South Carolina and of the SCDOT. The Association is governed by a Board of Directors, the members of which are subject to approval of the SCDOT.

The financial statements of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). For the purpose of applying GAAP, the Association's management has determined that the Association should be treated as a governmental entity. The Governmental Accounting Standards Board ("GASB"), which has jurisdiction over accounting and financial reporting standards applicable to governmental entities, and the Financial Accounting Standards Board ("FASB"), which has jurisdiction over such standards applicable to nongovernmental entities, have agreed on a definition of a governmental entity that is to be used when determining whether governmental GAAP is applicable. Since (a) the Association is a public benefit corporation, (b) the members of the Association's Board of Directors are subject to the approval of the SCDOT, and (c) upon dissolution of the Association, all of the Association's net position will revert to the SCDOT, the Association meets the criteria set forth in the definition of a governmental entity. Accordingly, the accompanying financial statements of the Association have been prepared in accordance with GAAP applicable to governmental unit proprietary funds.

The Association has no component units.

B. Measurement Focus, Basis of Presentation and Accounting

Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of an entity (the "Primary Government").

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. The Association has no governmental activities since its sole activity is of a business type.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Presentation and Accounting (Continued)

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements – Since the Association is a special purpose entity engaged in only business-type activities, it is required to present only financial statement information as required for enterprise funds (not allowed to present government-wide financial statements). See following sections for more details on enterprise funds.

The accounts of the Association are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. A minimum number of funds are maintained to keep the accounts consistent with legal and managerial requirements. The Association uses only the proprietary fund type.

Proprietary fund types are accounted for using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The Association does not have any internal service funds and has one enterprise fund.

> ***Enterprise Funds*** are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. For purposes of GAAP reporting, the Association has one major Enterprise Fund:
>
> > The **Enterprise Fund** is used to account for all of the operations of the Association. All activities of the Association in financing, acquiring, constructing and operating the toll road are accounted for in this fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Association's principal operating revenues are toll revenues received from patrons. Operating expenses of the Association primarily consist of the costs of operating the Southern Connector, including administrative expenses, depreciation and amortization of capital assets other than the Association's intangible interest in its License Agreement with SCDOT, professional fees, and trustee fees and costs. Nonoperating revenues primarily include interest earned on cash equivalents and investments. Nonoperating expenses primarily include (a) interest expense on the Association's debt (b) amortization of the Association's intangible interest in its License Agreement with SCDOT, and (c) reimbursements of SCDOT highway maintenance expense from the 2011 Renewal and Replacement Fund as discussed in Note 1, item J below.

C. Use of Estimates

The preparation of financial statements in conformity with governmental GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budget

The Association's Board of Directors adopts an annual non-appropriated operating budget. The Board of Directors also approves any amendments to the budget during the year. The budget is prepared using a modified accrual (non-GAAP) basis for Revenue Fund expenses (as defined in the Trust Indenture). Expenses are recognized in the period in which they are paid rather than the period in which they are incurred for budgetary control purposes. Depreciation and amortization are not recognized as expenses, but capital outlays are recognized as expenses for budgetary control purposes. The expenses are reclassified for the purpose of preparing financial statements in accordance with governmental GAAP. Since the Association's activities are accounted for in a proprietary fund, a budget-to-actual comparison is not presented in the accompanying financial statements.

E. Cash and Cash Equivalents

The Association considers all investments with maturities of three months or less when purchased to be cash equivalents. The amounts shown in the financial statements as "cash and cash equivalents" of the Association comprise cash on hand, deposits in banks, and funds invested in money market mutual funds.

F. Investments

The Association's Trust Indenture contains provisions requiring all bond proceeds and toll revenues received by the Association to be held in trust. Such monies held in the 2011 Trust Fund Accounts are expended in accordance with Trust Indenture guidelines. All monies held in the 2011 Trust Fund Accounts that are not insured by the FDIC must be secured by and/or invested in investment securities as defined in the Trust Indenture. Investment securities include, but are not limited to, direct obligations of, or obligations guaranteed by, the United States of America or an agency thereof.

The Association's investments are stated at fair value and categorized within the fair value hierarchy established under governmental GAAP. For short-term, highly-liquid instruments that have a remaining maturity of one year or less at the time of purchase, the investments' fair value is generally equivalent to amortized cost. The fair value hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. Gains or losses that result from changes in fair value are included in nonoperating revenues or expenses.

See Note 2 below for additional detailed information pertaining to the Association's investments.

G. Receivables

All of the Association's receivables are reported net of any allowances for uncollectible amounts and any discounts. See Note 3 below for additional information.

H. Prepaid Expenses and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the accompanying financial statements. All inventories are valued at cost using the first-in/first-out method.

I. Interest in License Agreement with SCDOT

The Association's License Agreement encompasses its original License Agreement with SCDOT, which governed the Association's operations prior to the April 21, 2011 effective date of the Association's Debt Adjustment Plan, and its revised License Agreement with SCDOT, which modifies or amends certain provisions of the original License Agreement. The revised License Agreement became effective April 21, 2011. Any terms of the original License Agreement that were not amended or modified by the revised License Agreement remain in effect.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Interest in License Agreement with SCDOT (Continued)

The Association's interest in its License Agreement with SCDOT constitutes an intangible asset recognized and amortized over the term of the License Agreement. Accordingly, the Association's intangible interest in its License Agreement is presented within capital assets.

See Note 5 for a detailed discussion of the terms of the Association's License Agreement.

J. Restricted Assets

The Trust Indenture contains provisions to establish certain Funds and Accounts (the "2011 Funds and Accounts") to be held by the Trustee. The Trust Indenture's terms define the amounts that may be deposited into the Funds and Accounts, and restrict payments from such Funds and Accounts. The various Funds and Accounts established and the related restrictions imposed by the Trust Indenture are described below.

The Trust Indenture established new 2011 Funds and Accounts and required the transfer of amounts remaining in the 1998 Funds and Accounts to certain of the 2011 Funds and Accounts. The Trust Indenture directs the deposit of all revenues and other deposits in the 2011 Funds and Accounts, and restricts the payments from the 2011 Funds and Accounts. The funds and accounts established are as follows:

The 2011 *Cost of Issuance Fund* was established to pay or reimburse the Association for costs of implementing its Debt Adjustment Plan. Upon issuance of the 2011 Bonds, monies remaining in the 1998 Funds and Accounts were transferred into this fund. Costs of implementing the Debt Adjustment Plan and issuing the 2011 Bonds were paid from this fund in accordance with the Trust Indenture. In 2012, following the Association's payment of the costs of issuing the 2011 By-Lot Term Bonds discussed below in Note 8, the 2011 Cost of Issuance Fund was closed.

The 2011 *Revenue Fund* was established to hold all revenues from toll road operations. The Trust Indenture provides that all revenues received from the operation of the Southern Connector after March 31, 2011, shall be delivered to the Trustee immediately upon receipt by, or on behalf of, the Association and shall be deposited into the 2011 Revenue Fund.

The order and priority of permissible payments from the 2011 Revenue Fund (the "Waterfall") are as follows:

Whether or not an event of default has occurred under the Trust Indenture, the Trustee may withdraw its fees and expenses from the 2011 Revenue Fund from time to time, and is obligated to notify the Association of such fees and expenses withdrawn. Thereafter, the Trustee is obligated to transfer monies from the 2011 Revenue Fund for the following purposes in the priority listed below:

1. Operating costs budgeted for the next succeeding month shall be distributed to the Association.

   All amounts remaining in the 2011 Revenue Fund (other than proceeds from liability or casualty insurance, condemnation awards and loans) after distribution of Trustee fees and costs and Association operating costs are deemed to be Distributable Cash. On the business day prior to each 2011 Bond payment date, the Trustee shall transfer Distributable Cash as follows:

2. The Trustee will deposit into the 2011 Renewal and Replacement Fund (the "2011 R&R Fund"):

   (i) for 2011 Bond payment dates on or before January 1, 2016, an amount equal to 5.0% of the amount of Distributable Cash, and

   (ii) for 2011 Bond payment dates after January 1, 2016, an amount equal to 2.5% of the amount of Distributable Cash.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Restricted Assets (Continued)

3. The Trustee shall transfer to the 2011 Senior Bonds Debt Service Account amounts which, when added to other amounts then in the 2011 Senior Bonds Debt Service Account, and available for such purposes, shall equal the debt service on the 2011 Senior Bonds required to be paid on such 2011 Bond payment date, including any amounts representing Arrearages as defined in the Trust Indenture (see Notes 8 and 14) on the 2011 Senior Bonds from earlier 2011 Bond payment dates.

4. The Trustee shall deposit into the 2011 R&R Fund:

   (i) for 2011 Bond payment dates on or before January 1, 2016, an amount equal to 0.0% of the amount of Distributable Cash, and

   (ii) for 2011 Bond payment dates after January 1, 2016, an amount not to exceed 2.5% of the amount of Distributable Cash.

5. If any Account in the 2011 Debt Service Reserve Fund contains less than the 2011 Debt Service Reserve Fund Requirement for such Account, the Trustee shall transfer into such Account an amount equal to the amount needed to restore the balance in such Account to the 2011 Debt Service Reserve Fund Requirement for such Account.

6. The Trustee shall transfer to the 2011 Senior Subordinate Bonds Debt Service Account amounts which, when added to other amounts then in the 2011 Senior Subordinate Bonds Debt Service Account, and available for such purposes, shall equal the debt service on the 2011 Senior Subordinate Bonds required to be paid on such 2011 Bond payment date, including any amounts representing Arrearages as defined in the Trust Indenture (see Notes 8 and 14) on the 2011 Senior Subordinate Bonds from earlier 2011 Bond payment dates.

7. The Trustee shall deposit into the 2011 R&R Fund an amount not to exceed 2.5% of the amount of Distributable Cash.

8. The Trustee shall transfer to the 2011 Junior Subordinate Bonds Debt Service Account amounts which, when added to other amounts then in the 2011 Junior Subordinate Bonds Debt Service Account, and available for such purposes, shall equal the debt service on the 2011 Junior Subordinate Bonds required to be paid on such 2011 Bond payment date, including any amounts representing Arrearages as defined in the Trust Indenture (see Notes 8 and 14) on the 2011 Junior Subordinate Bonds from earlier 2011 Bond payment dates.

9. The Trustee will deposit into the 2011 R&R Fund an amount not to exceed 2.5% of the amount of Distributable Cash.

Any Distributable Cash remaining after making the distributions listed above (“Excess Net Revenues”) will be deposited into the 2011 Extraordinary Prepayment Fund to be used (if the amount on deposit in the 2011 Extraordinary Prepayment Fund exceeds $50,000) towards the prepayment of 2011 Senior Bonds in accordance with provisions of the Trust Indenture.

See Notes 5, 8, 10 and 14, respectively, for additional information regarding deposits of Distributable Cash into the 2011 R&R Fund and payments of Distributable Cash for debt service on the 2011 Bonds.

The Trust Indenture specifies that nonpayment of amounts to the 2011 R&R Fund due to the insufficiency of Distributable Cash will not result in a default under the License Agreement or the Trust Indenture, and shall not be added to the 2011 R&R Fund deposits for future 2011 Bond payment dates.

The 2011 *Debt Service Fund*, which consists of the 2011 Senior Bonds Debt Service Account, the 2011 Senior Subordinate Bonds Debt Service Account and the 2011 Junior Subordinate Bonds Debt Service Account, was established for the payment of debt service on the 2011 Bonds. Amounts in the 2011 Senior Bonds Debt Service Account, the 2011 Senior Subordinate Bonds Debt Service Account and the 2011 Junior Subordinate Bonds Debt Service Account may only be applied to pay debt service on 2011 Bonds of the same tier.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Restricted Assets (Continued)

The 2011 *Debt Service Reserve Fund*, which consists of the 2011 Senior Bonds Debt Service Reserve Account, the 2011 Senior Subordinate Bonds Debt Service Reserve Account and the 2011 Junior Subordinate Bonds Debt Service Reserve Account, was established to pay shortfalls in debt service on the 2011 Senior Bonds initially; and once all 2011 Senior Bonds have been redeemed, on the 2011 Senior Subordinate Bonds; and once all 2011 Senior Subordinate Bonds have been redeemed, on the 2011 Junior Subordinate Bonds. The Trust Indenture contains provisions allowing transfers from Accounts of the 2011 Debt Service Reserve Fund to the corresponding Accounts of the 2011 Debt Service Fund of amounts needed to pay debt service on the respective tier of 2011 Bonds or to fully pay such tier of 2011 Bonds when prescribed conditions have been met. Minimum balances for each of the Accounts of the 2011 Debt Service Reserve Fund are determined in accordance with terms prescribed in the Trust Indenture. If any debt service payments are made from any 2011 Debt Service Reserve Fund Account, the Trust Indenture requires that the minimum balance of such Account be restored before any debt service payments be made in respect of the 2011 Senior Subordinate or 2011 Junior Subordinate Bonds. Amounts in excess of the minimum balance requirement for any 2011 Debt Service Reserve Fund Account are transferred to the 2011 Extraordinary Prepayment Fund. The Trust Indenture describes circumstances in which amounts in a 2011 Debt Service Reserve Account will be transferred to the 2011 Debt Service Reserve Account of a subordinate tier of 2011 Bonds. If such transfers are made, the minimum balance requirement for the recipient 2011 Debt Service Reserve Account will be reset.

The 2011 *R&R Fund* was established to reimburse SCDOT, to the extent of available funds, for Highway Maintenance Costs of the Southern Connector, as provided in the License Agreement. The Trustee shall transfer amounts from the 2011 Revenue Fund to the 2011 R&R Fund on or before each 2011 Bond payment date as described above in the Waterfall. Although the 2011 R&R Fund is maintained by the Trustee, it is not a part of the 2011 Trust Estate.

The 2011 *Extraordinary Prepayment Fund* was established to make mandatory prepayments of the 2011 Bonds in accordance with the Trust Indenture. The 2011 Extraordinary Prepayment Fund will receive transfers from the 2011 Revenue Fund and/or the 2011 Debt Service Reserve Fund, and shall apply amounts to the Extraordinary Mandatory Prepayment of the Series 2011 Bonds in accordance with the terms of the Trust Indenture.

The 2011 *Rebate Fund* was established for the purpose of holding and paying arbitrage investment earnings to the U.S. Treasury. Because tax-exempt bond proceeds are invested at rates of return not exceeding the maximum amount that is permitted under the applicable tax code, at December 31, 2021 and 2020, there were no monies on deposit in this Fund. Although the 2011 Rebate Fund is maintained by the Trustee, it is not a part of the 2011 Trust Estate.

K. Compensated Absences

The Association grants its regular full-time employees paid vacation days based on years of service and 10 paid holidays per year. Employees receive no sick days but are allowed to use vacation or holiday time when sick. All vacation and holiday time must be taken in the year earned. Therefore, at December 31, 2021 and 2020, there are no accumulating vacation or holiday benefits, thus no liability for such items was recognized.

L. Capital Assets

All capital assets, including the Association's intangible interest in its License Agreement with SCDOT (see Note 1, item I above), are stated at cost or at acquisition value at the time of donation. The Association generally follows capitalization policies recommended by the State of South Carolina's Office of Comptroller General.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets (Continued)

Pursuant to this policy, equipment and vehicles with individual or group costs greater than $5,000 and intangible assets (including software) with costs generally in excess of $100,000 are capitalized. Equipment and vehicle depreciation is computed using the straight-line method over the equipment's estimated useful life between four and ten years, or the vehicle's estimated useful life of five years. The Association's intangible software is amortized over three to five years. The Association's intangible interest in its License Agreement with SCDOT is amortized over the term of the License Agreement as described in Note 5. When capital assets are disposed of, the cost and accumulated depreciation/amortization are removed from the books. The resulting gain or loss is included in nonoperating revenues or expenses.

M. Bonds Payable and Related Bond Issuance Costs

The current and noncurrent portions of bonds payable are recorded as liabilities in the accompanying Statement of Net Position. Bond issuance costs, excluding those related to prepaid insurance costs, are expensed as incurred.

N. Rebatable Arbitrage

Arbitrage involves the investment of proceeds resulting from the sale of tax-exempt securities in a taxable investment that yields a higher rate, which produces income in excess of interest costs. With certain exceptions, federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from those earnings exceeds the effective yield on the related tax-exempt debt issued. The Federal Government only requires arbitrage rebates to be calculated, reported and paid every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes, and any arbitrage rebate liability incurred is recognized at that time. The liability is recorded using the revenue reduction method, whereby the rebate is recorded as a reduction of interest revenue. At December 31, 2021 and 2020, the Association had no arbitrage liability.

O. Net Position (Deficit)

Proprietary Fund equity is classified as net position (deficit) and is displayed as the following three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of certain assets, reduced by liabilities related to those assets. Assets included in this category of net position include those with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. In all cases, if individual restricted net position categories are negative, the negative balance is eliminated and reclassified against unrestricted net position.

Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Allocations of the Association's 2020 components of net position (deficit) were revised as discussed in Note 1, item P and Note 11.

Unless otherwise dictated in the Trust Indenture, the Association's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The Association's net deficit at December 31, 2021 and 2020 represents accumulated shortfalls since commencement of operations because toll revenues have been insufficient to cover interest accretions on the Association's Bonds. Such accretions are not payable from current toll revenues, but from those to be received in future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Reallocations

The Association's 2020 components of net position (deficit) have been reallocated to conform to the 2021 allocation. See Note 11 for detailed information regarding the reallocation of 2020 net position (deficit).

NOTE 2 – DEPOSITS AND INVESTMENTS

The Association's Trust Indenture requires that all trust fund bank deposits that are not insured by the FDIC be collateralized by investment securities. The types of investment securities that may be used as collateral are: direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States of America or certain of its agencies; repurchase agreements with underlying securities that are obligations of, or guaranteed by, the United States of America or certain of its agencies; certain obligations of, or guaranteed by, any state within the territorial United States of America; agreements that provide for the forward delivery of any securities previously described; investments in money market mutual funds rated "AAAm", "AAm", "AAAmG", or better; unsecured investment agreements with any bank or financial institution, the unsecured debt or counterparty rating of which is "investment grade" rated as of the date of acquisition; and any other obligation which, at the date of acquisition, is rated by a rating agency in one of the two highest rating categories for long-term obligations or in the highest rating category for short-term obligations.

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Association's deposits might not be recovered. The Association does not have a formal deposit policy for custodial credit risk, but follows the guidelines outlined in the Association's Trust Indenture (as noted earlier) which are consistent with federal and South Carolina law. At December 31, 2021, approximately $1,000,000 of the Association's bank balances of approximately $1,258,100 (with a carrying value of $1,370,202) were uninsured and uncollateralized. At December 31, 2020, approximately $1,170,000 of the Association's bank balances of approximately $1,427,200 (with a carrying value of $1,538,034) were uninsured and uncollateralized. The South Carolina State Treasurer held none of the deposits noted above.

Investments

The South Carolina State Treasurer held none of the investments noted below. As of December 31, 2021 and 2020, the Association had the following investments as defined by GASB:

Investment Type	Credit Rating [1]	Fair Value Level [2]	Fair Value	Percentage of Total Investments	Weighted Average Maturity (in Years)
December 31, 2021:					
Money Market Mutual Funds	AAAm, Aaa-mf, AAAmmf	1	$ 15,607,264	100.00%	0.0685
December 31, 2020:					
Money Market Mutual Funds	AAAm, Aaa-mf, AAAmmf	1	$ 12,893,538	100.00%	0.123

[1] If available, credit ratings are from Standard & Poor's, Moody's Investors Service and Fitch Ratings.
[2] See Note 1, item F for information about the Association's fair value heirarchy.

Interest Rate Risk: The Association does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates, but follows the investment requirements outlined in the Association's Trust Indenture (as noted earlier) which are consistent with federal and South Carolina law.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Association will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Association does not have a formal investment policy for custodial credit risk, but follows the guidelines outlined in the Association's Trust Indenture (as noted earlier). As of December 31, 2021 and 2020, none of the Association's investments were exposed to custodial credit risk.

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association does not have a formal investment policy for credit risk but follows the guidelines outlined in the Association's Trust Indenture (as noted earlier) which are consistent with federal and South Carolina law.

Concentration of Credit Risk for Investments: The Association places no limit on the amount the Association may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

The following schedule reconciles deposits and investments within the notes to the amounts in the Statements of Net Position:

Statements of Net Position			Notes		
	2021	2020		2021	2020
Unrestricted Current Assets:					
Cash and Cash Equivalents	$ 1,370,202	$ 1,538,034	Deposits	$ 1,370,202	$ 1,538,034
Investments	-	-	Investments	15,607,264	12,893,538
Restricted Noncurrent Assets:					
Cash and Cash Equivalents	15,607,264	12,893,538			
Investments	-	-			
	$ 16,977,466	$ 14,431,572		$ 16,977,466	$ 14,431,572

See Note 1, item J, Note 8 and Note 10 for additional information about restrictions on deposits and balances of the various Trust Funds at December 31, 2021 and 2020.

NOTE 3 – RECEIVABLES

At December 31, 2021 and 2020, the Association had no receivable balances.

NOTE 4 – CAPITAL ASSETS

The following tables summarize the changes in capital assets of the Association during the past two years and their balances at December 31, 2021 and 2020.

For the years ended December 31, 2021 and 2020, depreciation and amortization expense related to capital assets totaled $3,909,224 and $3,910,629, respectively. Such amounts are reported in the accompanying 2021 and 2020 statements of revenues, expenses and changes in net position – proprietary fund as $334,784 and $336,189, respectively, of depreciation within operating expenses and as $3,574,440 (for both years) of amortization within nonoperating expenses. See Note 1, item L and Note 5 for additional information about the Association's capitalization policy and its methods of calculating depreciation and amortization.

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Description	Balance December 31, 2020	Additions	Disposals	Balance December 31, 2021
Capital Assets (All Being Depreciated):				
Equipment	$ 879,660	$ -	$ -	$ 879,660
Software	1,129,948	-	-	1,129,948
Vehicles	207,675	30,006	(26,068)	211,613
Interest in License Agreement with SCDOT	192,623,492	-	-	192,623,492
Less: Accumulated Depreciation and Amortization	(84,918,508)	(3,909,224)	21,288	(88,806,444)
Capital Assets, Net	$ 109,922,267	$ (3,879,218)	$ (4,780)	$ 106,038,269

Description	Balance December 31, 2019	Additions	Disposals	Balance December 31, 2020
Capital Assets (All Being Depreciated):				
Equipment	$ 879,660	$ -	$ -	$ 879,660
Software	1,129,948	-	-	1,129,948
Vehicles	207,675	-	-	207,675
Interest in License Agreement with SCDOT	192,623,492	-	-	192,623,492
Less: Accumulated Depreciation and Amortization	(81,007,879)	(3,910,629)	-	(84,918,508)
Capital Assets, Net	$ 113,832,896	$ (3,910,629)	$ -	$ 109,922,267

The Association's toll system development contract with Brisa includes a minimum one-month training period and a minimum 60-month support period (to overlap the training period) during which the Association will pay 60 monthly installments totaling $937,409 to Brisa. The monthly toll system support payments began in July 2017, when provisional acceptance of the toll system was granted; accordingly, the Association's professional fees expense for both years 2021 and 2020 included $187,482 paid to Brisa for such toll system support. At December 31, 2021 and 2020, the Association had $93,740 and $281,222, respectively, of outstanding toll system support commitments related to the toll system upgrade contract.

NOTE 5 – INTEREST IN LICENSE AGREEMENT WITH SCDOT

Upon confirmation by the Bankruptcy Court of and as a means of implementing the Association's Debt Adjustment Plan, the Association entered into a revised License Agreement with SCDOT, which became effective April 21, 2011. The revised License Agreement specifies that any terms of the original License Agreement that are not amended or modified by the revised License Agreement remain in effect.

The revisions to the original License Agreement include (1) requiring the Association to make periodic deposits into the 2011 R&R Fund, (2) modification of the Association's responsibility for performance and payment of highway maintenance, repair and renewal, (3) elimination of License Fees payable to SCDOT, (4) modification of the manner in which toll rates are set, and (5) prohibiting SCDOT from terminating the License Agreement for any insolvency of or failure by the Association to pay or perform its obligations due to insufficient toll revenues.

Under the License Agreement, SCDOT is responsible for performance and payment of all highway maintenance of the Southern Connector. As defined in the License Agreement, highway maintenance includes all maintenance, repair, renewal, replacement, enhancement, resurfacing and restoration of the Southern Connector.

The Association's sole obligation related to highway maintenance is to make the periodic deposits into the 2011 R&R Fund described above in items 2, 4, 7 and 9 of the Waterfall discussed in Note 1, item J. The Association's inability to make deposits into the 2011 R&R Fund due to insufficiency of toll revenues will not result in a default under the License Agreement, nor will any resulting nonpayments constitute arrearages requiring deposits to the 2011 R&R Fund from future Distributable Cash.

NOTE 5 – INTEREST IN LICENSE AGREEMENT WITH SCDOT (CONTINUED)

Once SCDOT has incurred highway maintenance costs relating to the Southern Connector, SCDOT may, on a quarterly basis, submit to the Association a requisition for reimbursement and supporting documentation of such highway maintenance costs to be paid from monies deposited in the 2011 R&R Fund. The Association shall in turn request the Trustee to pay to SCDOT such amounts requested for reimbursement from the 2011 R&R Fund.

The Association has or will appoint at its expense an Association Engineer to perform an inspection of the Southern Connector to identify, review, monitor and report highway maintenance issues and needs, and the Association Engineer may estimate the costs of addressing those issues and needs, and assess the appropriate timing of performing related maintenance activities. The parties will collaborate with SCDOT to schedule necessary highway maintenance activities.

The Association is responsible for maintenance and related costs of the Southern Connector toll facilities under the License Agreement.

Under the Association's Debt Adjustment Plan, toll rates were initially set at amounts set forth in the Stantec Traffic Study as defined in the License Agreement. Subsequent revisions of the Southern Connector toll rates are permitted or required in certain circumstances as prescribed by the terms of the Association's Trust Indenture and the License Agreement.

Any revisions to the toll rates shall require a toll rate study to be performed by a qualified independent traffic and revenue consultant selected by the Association. The consultant will study the toll rates charged for use of the Southern Connector, the past and future projected traffic and other relevant factors in order to determine the toll rates which, in the opinion of the consultant, will maximize Southern Connector toll revenues over a projected period of at least five years.

Prior to commencement of the toll rate study, the Association must submit the name and a summary of qualifications of the selected independent traffic and revenue consultant to SCDOT for approval.

As prescribed in the License Agreement, SCDOT may object to the Association's selection of a consultant on the basis of lack of expertise or qualifications and propose at least one alternate consultant considered acceptable by SCDOT for the performance of the toll rate study.

Once the toll rate study has been completed by the independent traffic and revenue consultant, the Association will deliver a copy of such toll rate study to SCDOT and the 2011 Bonds Trustee, and, at the Association's request, SCDOT will confirm the effectiveness of and take other steps as necessary to implement the recommended revisions to the Southern Connector toll rates.

The License Agreement specifies that neither SCDOT nor the State of South Carolina is responsible for determining whether the toll rates charged by the Association are adequate to satisfy the Association's obligations to third parties.

The License Agreement allows the Association to grant toll rate discounts to encourage the use of the electronic toll collection system or to provide an incentive to fleet purchasers. Any such discounts will not be deemed a revision of toll rates.

A toll rate study was performed during 2019; accordingly, in January 2020, the Association implemented the new toll rates recommended in the toll rate study.

The License Agreement shall expire on July 22, 2051, or upon repayment, redemption or defeasance of the 2011 Bonds and all other project debt. The License Agreement also includes other termination provisions, but specifically states that the failure of the Association to pay any amounts owing or to perform any obligations under the License Agreement due to insufficient toll revenues shall not be an event of default under the License Agreement.

Provisions are included to extend the License Agreement's term by any period equal to any length of time during which toll revenues are impaired due to events of force majeure, or upon written agreement by the Association and SCDOT.

NOTE 5 – INTEREST IN LICENSE AGREEMENT WITH SCDOT (CONTINUED)

Under the License Agreement, SCDOT at all times retains fee simple title to the Southern Connector, all tolling facilities and all real property and improvements thereon. All machinery, equipment, furniture, fixtures and other personal property are the sole property of the Association. Neither the State of South Carolina nor any political subdivision or agency thereof (including, without limitation, SCDOT, the County of Greenville, South Carolina, and the City of Greenville, South Carolina) have any liability whatsoever for payment of any Bonds or any other obligations secured by the License Agreement.

The Association is amortizing the License Agreement through its contractual termination date, or July 2051. Amortization of the License Agreement was $3,574,440 for each of the years ended December 31, 2021 and 2020.

See Note 1, items I and L, and Note 4 for additional information.

NOTE 6 – PAYABLES

At December 31, 2021 and 2020, the Association's accounts payable comprised the following:

Description	Balance December 31, 2021	Balance December 31, 2020
Accounts Payable - Trade	$ 50,101	$ 18,769
Accrued Payroll	21,071	15,709
Accrued Payroll Taxes	1,574	1,202
Accrued Professional Fees	23,223	12,176
Health Insurance Payable	4,199	3,870
Total Accounts Payable	$ 100,168	$ 51,726

At December 31, 2021 and 2020, the Association accrued $173,297 and $84,016, respectively, of maintenance payable to SCDOT solely from the 2011 R&R Fund. These amounts were billed by SCDOT for maintenance performed during the respective year's fourth quarter in accordance with the maintenance provisions of the License Agreement. See Note 1, items B and J, and Notes 5, 8 and 10 for additional information.

NOTE 7 – INTEREST COSTS INCURRED

Interest costs expensed during the years ended December 31, 2021 and 2020 totaled $15,727,805 and $15,163,127, respectively. Interest expense in both years included interest accreted on the Association's 2011 Bonds, including any outstanding Arrearages.

NOTE 8 – BONDS PAYABLE

Upon confirmation by the Bankruptcy Court of and as a means of implementing the Association's Debt Adjustment Plan, on April 21, 2011, the Association issued its 2011 Bonds, consisting of both Serial and Term capital appreciation bonds, in exchange for the Association's 1998 Bonds. At that time, the Association's obligations under the 2011 Bonds were substituted for its obligations under the 1998 Bonds, and the Association was relieved of any further obligations under the 1998 Bonds. The 2011 Bonds were issued to the existing holders of the 1998 Bonds on a pro-rata basis, based on unpaid principal and accrued/accreted interest as of the Bankruptcy Petition date of June 24, 2010.

The Series 2011A and 2011B Bonds were exchanged for the 1998 Senior Bonds, and the Series 2011C Bonds were exchanged for the 1998 Subordinate Bonds.

NOTE 8 – BONDS PAYABLE (CONTINUED)

The Series 2011A, 2011B and 2011C Term Bonds as originally issued in April 2011 are registered with the Depository Trust Company (the "DTC") and are Pro-Rata Term Bonds for which each holder of such Bonds will receive a pro-rata share of any debt service payment made by the Association on such Bonds. In 2012, the Association effected a mandatory Bond Exchange (with option to retain) of 2011 Pro-Rata Term Bonds for 2011 By-Lot Term Bonds. The 2011 By-Lot Term Bonds are registered with the DTC in a form that allows such Bonds to be traded on the secondary market; however, in accordance with DTC policies and procedures, the distribution of debt service redemption payments made on such Bonds prior to maturity occurs "by-lot" under a lottery system, rather than on a pro-rata basis. Accordingly, holders of the 2011 By-Lot Term Bonds are not assured of the timing of any particular bond payment prior to maturity. The option to retain provision of the Bond Exchange allowed holders of the Association's 2011 Term Bonds to decide whether they would retain their 2011 Pro-Rata Term Bonds as originally issued (the "2011 Retained Term Bonds") and suffer the illiquidity of those obligations, or exchange those Bonds for 2011 By-Lot Term Bonds (the "2011 New Term Bonds") and accept the uncertainty of timing of debt service payments.

The Bond Exchange did not alter the Association's financial obligations under its 2011 Term Bonds.

All of the Association's 2011 Bonds are dated April 1, 2011, and accrete interest from that date. Interest on the Association's 2011 Bonds is tax-exempt.

The Association's 2011 Bonds consist of the following. (Descriptions of the Association's Term Bonds have been updated for the Bond Exchange and any extraordinary mandatory prepayments/redemptions as noted.)

The *2011 Senior Bonds* as follows:

- *Series 2011A Senior Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011A Serial Bonds") are dated April 1, 2011, and originally included eleven serial bonds. The original principal amount at issuance of these serial bonds totaled $36,625,650. Three serial bonds remained outstanding following the Association's January 1, 2019 payment of debt service and before 2020 activity. Such remaining outstanding serial bonds mature January 1 of the years 2020 through 2022 inclusive, and accrete interest at rates ranging from 5.75% to 6.00%.

- *Series 2011A Senior Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011A Retained Term Bonds") are dated April 1, 2011, and include three term bonds.

  - The Series 2011A term bonds maturing on January 1, 2032, with an aggregate original principal amount of $163,949 are subject to annual pro-rata paydown payments on January 1 of the years 2023 through 2031 in varying amounts from $34,395 to $54,516, with a payment of $55,448 at final maturity on January 1, 2032. Interest accretes on these term bonds at 6.50%.

  - The Series 2011A term bonds maturing on January 1, 2042, with an aggregate original principal amount of $126,990 are subject to annual pro-rata paydown payments on January 1 of the years 2033 through 2041 in varying amounts from $63,621 to $89,912, with a payment of $90,392 at final maturity on January 1, 2042. Interest accretes on these term bonds at 7.00%.

  - The Series 2011A term bonds maturing on July 22, 2051, with an aggregate original principal amount of $73,418 are subject to annual pro-rata paydown payments on January 1 of the years 2043 through 2051 in varying amounts from $90,876 to $113,077, with a payment of $34,817 (as revised following the extraordinary mandatory prepayments paid on February 15 of years 2014 and 2018 through 2020) at final maturity on July 22, 2051. Interest accretes on these term bonds at 7.50%.

- *Series 2011A1 Senior Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011A1 New Term Bonds") are dated April 1, 2011, and include three term bonds.

NOTE 8 – BONDS PAYABLE (CONTINUED)

- The Series 2011A1 term bonds maturing on January 1, 2032, with an aggregate original principal amount of $40,455,704 and a maturity value of $149,446,102 are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2023 through 2031 in varying amounts from $8,487,008 to $13,452,215, with a payment of $13,683,044 at final maturity on January 1, 2032. Interest accretes on these term bonds at 6.50%.

- The Series 2011A1 term bonds maturing on January 1, 2042, with an aggregate original principal amount of $31,336,681 and a maturity value of $250,959,619 are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2033 through 2041 in varying amounts from $15,698,783 to $22,186,026, with a payment of $22,305,954 at final maturity on January 1, 2042. Interest accretes on these term bonds at 7.00%.

- The Series 2011A1 term bonds maturing on July 22, 2051, with an aggregate original principal amount of $18,117,434 and a maturity value of $334,287,216 are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2043 through 2051 in varying amounts from $22,424,076 to $27,900,334, with a payment of $8,585,851 (as revised following the extraordinary mandatory redemptions paid on February 15 of years 2014 and 2018 through 2020) at final maturity on July 22, 2051. Interest accretes on these term bonds at 7.5%.

The *2011 Senior Subordinate Bonds* as follows:

- *Series 2011B Senior Subordinate Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011B Retained Term Bonds") are dated April 1, 2011, and include two term bonds.

  - The Series 2011B term bonds maturing on January 1, 2032, with an aggregate original principal amount of $56,612 are subject to annual pro-rata paydown payments on January 1 of the years 2013 through 2031 in varying amounts from $2,754 to $12,923, with a payment of $13,152 at final maturity on January 1, 2032. Interest accretes on these term bonds at 8.50%.

  - The Series 2011B term bonds maturing on July 22, 2051, with an aggregate original principal amount of $28,491 are subject to annual pro-rata paydown payments on January 1 of the years 2033 through 2051 in varying amounts from $14,702 to $26,129, with a payment of $14,676 at final maturity on July 22, 2051. Interest accretes on these term bonds at 9.00%.

- *Series 2011B1 Senior Subordinate Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011B1 New Term Bonds") are dated April 1, 2011, and include two term bonds.

  - The Series 2011B1 term bonds maturing on January 1, 2032, with an aggregate original principal amount of $13,606,458 and a maturity value of $73,945,516 are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2013 through 2031 in varying amounts from $662,275 to $3,106,955, with a payment of $3,160,274 at final maturity on January 1, 2032. Interest accretes on these term bonds at 8.50%.

  - The Series 2011B1 term bonds maturing on July 22, 2051, with an aggregate original principal amount of $7,029,534 and a maturity value of $226,739,016 are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2033 through 2051 in varying amounts from $3,626,162 to $6,444,579, with a payment of $3,616,453 at final maturity on July 22, 2051. Interest accretes on these term bonds at 9.00%.

NOTE 8 – BONDS PAYABLE (CONTINUED)

The *2011 Junior Subordinate Bonds* as follows:

- *Series 2011C Junior Subordinate Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011C Retained Term Bonds") are dated April 1, 2011, and include term bonds with an aggregate original principal amount of $17,943. These term bonds are subject to annual pro-rata paydown payments on January 1 of the years 2013 through 2051 in varying amounts from $697 to $6,762, with a payment of $3,775 at final maturity on July 22, 2051. Interest accretes on these term bonds at 10.00%.

- *Series 2011C1 Junior Subordinate Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011C1 New Term Bonds") are dated April 1, 2011, and include term bonds with an aggregate original principal amount of $2,142,491 and a maturity value of $97,782,636. These term bonds are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2013 through 2051 in varying amounts from $81,503 to $792,986, with a payment of $445,033 at final maturity on July 22, 2051. Interest accretes on these term bonds at 10.00%.

In addition to the regularly scheduled debt service payments described above, the Trust Indenture requires or allows the Association to make additional payments of debt service in certain situations.

The Association is required to make extraordinary mandatory prepayments of its 2011 Retained Term Bonds and redemptions of its 2011 New Term Bonds if on any January 1, the 2011 Extraordinary Prepayment Fund described in Note 1, item J contains in excess of $50,000. In such case, the monies in the 2011 Extraordinary Prepayment Fund shall be applied toward extraordinary mandatory prepayments/redemptions of the 2011 Bonds on the following February 15, at 105% of the accreted value of the respective 2011 Bonds being paid. Extraordinary mandatory prepayments/redemptions shall pay the 2011 Senior Bonds first. If there are no 2011 Senior Bonds outstanding, then the 2011 Senior Subordinate Bonds shall be prepaid/redeemed. If there are no outstanding 2011 Senior or Senior Subordinate Bonds, then the 2011 Junior Subordinate Bonds shall be prepaid/redeemed. The Association made such extraordinary mandatory prepayments/redemptions in 2014, 2018, 2019 and 2020.

At any time on or after April 1, 2026, the Association may make optional prepayments of its 2011 Retained Term Bonds or redemptions of its 2011 New Term Bonds at prescribed percentages of such 2011 Bonds' respective accreted values. If the Association makes optional partial prepayments/redemptions of its 2011 Retained/New Term Bonds, the amount of such 2011 Retained/New Term Bonds to be prepaid/redeemed will be selected ratably based upon the accreted values of the outstanding 2011 Retained/New Term Bonds as of the prepayment/redemption date.

Any extraordinary mandatory or optional prepayments of the Association's 2011 Retained Term Bonds will be distributed to Bondholders on a pro-rata basis. Any extraordinary mandatory or optional redemptions of less than all of the Association's 2011 New Term Bonds of a single maturity will be distributed to Bondholders by lot.

If Distributable Cash (defined in Note 1, item J) is insufficient to pay any debt service pertaining to any tier of 2011 Bonds when due, the Trust Indenture specifies that such amounts shall be deferred and bear interest from the date of non-payment at a rate equal to the interest rate or yield on the 2011 Bond to which such unpaid amount relates, compounded annually. The Trust Indenture refers to such unpaid debt service amounts plus interest as Arrearages. In the event that any debt service is not paid when due, the Trust Indenture stipulates that subsequent payments of debt service on such tier of 2011 Bonds shall be applied, first, to any Arrearages, and second, to the current debt service owing on such tier of 2011 Bonds.

If on any 2011 Bond payment date, no 2011 Bonds remain outstanding in any tier, the remaining 2011 Bonds of subordinate tiers will ascend to the next higher tier in the hierarchy described in the Waterfall in Note 1, item J above. For example, if no 2011 Senior Bonds are outstanding on any 2011 Bond payment date, then any 2011 Senior Subordinate Bonds outstanding will be treated as 2011 Senior Bonds payable from the 2011 Senior Bonds Debt Service Account, and any 2011 Junior Subordinate Bonds outstanding will be treated as 2011 Senior Subordinate Bonds payable from the 2011 Senior Subordinate Bonds Debt Service Account.

NOTE 8 – BONDS PAYABLE (CONTINUED)

The Association's bonds payable activity for the years ended December 31, 2021 and 2020 was as follows:

	Balance December 31, 2020	Increases	Decreases	Transfers of Arrearages	Balance December 31, 2021	Amount Due in One Year
Senior Bonds:						
Series 2011A Serial Bonds	$ 15,225,701	$ 456,243	$ 7,621,873	$ -	$ 8,060,071	$ 8,060,071
Series 2011A Retained Term Bonds	694,033	47,794	-	-	741,827	-
Series 2011A1 New Term Bonds	171,259,339	11,796,705	-	-	183,056,044	-
Total Senior Bonds	187,179,073	12,300,742	7,621,873	-	191,857,942	8,060,071
Senior Subordinate Bonds:						
Series 2011B Retained Term Bonds	144,246	11,971	1,812	(5,481)	148,924	7,716
Series 2011B1 New Term Bonds	35,090,558	2,916,329	436,158	(1,317,123)	36,253,606	1,854,083
Series 2011B Retained Term Bond Arrearages	-	466	-	5,481	5,947	5,947
Series 2011B1 New Term Bond Arrearages	-	111,957	-	1,317,123	1,429,080	1,429,080
Total Senior Subordinate Bonds	35,234,804	3,040,723	437,970	-	37,837,557	3,296,826
Junior Subordinate Bonds:						
Series 2011C Retained Term Bonds	32,780	3,094	-	(1,847)	34,027	1,953
Series 2011C1 New Term Bonds	3,833,443	361,501	-	(215,763)	3,979,181	228,152
Series 2011C Retained Term Bond Arrearages	-	184	-	1,847	2,031	2,031
Series 2011C1 New Term Bond Arrearages	-	21,561	-	215,763	237,324	237,324
Total Junior Subordinate Bonds	3,866,223	386,340	-	-	4,252,563	469,460
Total Revenue Bonds Payable	$ 226,280,100	$ 15,727,805	$ 8,059,843	$ -	$ 233,948,062	$ 11,826,357

	Balance December 31, 2019	Increases	Decreases	Transfers	Balance December 31, 2020	Amount Due in One Year
Senior Bonds:						
Series 2011A Serial Bonds	$ 20,746,635	$ 904,992	$ 6,425,926	$ -	$ 15,225,701	$ 7,621,873
Series 2011A Retained Term Bonds	649,988	44,714	669	-	694,033	-
Series 2011A1 New Term Bonds	160,391,907	11,032,455	165,023	-	171,259,339	-
Total Senior Bonds	181,788,530	11,982,161	6,591,618	-	187,179,073	7,621,873
Senior Subordinate Bonds:						
Series 2011B Retained Term Bonds	138,818	11,580	6,152	-	144,246	7,293
Series 2011B1 New Term Bonds	33,750,798	2,817,911	1,478,151	-	35,090,558	1,753,281
Total Senior Subordinate Bonds	33,889,616	2,829,491	1,484,303	-	35,234,804	1,760,574
Junior Subordinate Bonds:						
Series 2011C Retained Term Bonds	31,354	2,980	1,554	-	32,780	1,847
Series 2011C1 New Term Bonds	3,666,858	348,495	181,910	-	3,833,443	215,763
Total Junior Subordinate Bonds	3,698,212	351,475	183,464	-	3,866,223	217,610
Total Revenue Bonds Payable	$ 219,376,358	$ 15,163,127	$ 8,259,385	$ -	$ 226,280,100	$ 9,600,057

NOTE 8 – BONDS PAYABLE (CONTINUED)

None of the Association's 2011 Bonds represent direct borrowings from lenders or direct placements of debt securities with investors.

During 2021 and 2020, $15,727,805 and $15,163,127, respectively, of increases in bonds payable represented accretions on the Association's bonds and were recorded as interest expense. In 2021, decreases in bonds payable totaled $8,059,843 and included $7,621,873 of debt service paid in January on the 2011A Serial Bonds and $437,970 of partial debt service paid in February on the 2011B Retained Term Bonds and the 2011B1 New Term Bonds. The 2020 decreases in bonds payable totaled $8,259,385 and included $8,093,693 of debt service on the Senior, Senior Subordinate and Junior Subordinate Bonds paid in January and $165,692 of extraordinary mandatory prepayments/redemptions of accreted value of the respective 2011A Retained Term Bonds and the 2011A1 New Term Bonds paid in February.

On January 1 of 2020, the balance of the Association's 2011 Extraordinary Prepayment Fund exceeded $50,000. Therefore, on February 15, 2020, in accordance with provisions of the Trust Indenture, the Association made extraordinary mandatory prepayments/redemptions of accreted value to prepay certain of its 2011A Retained Term Bonds and to redeem certain of its 2011A1 New Term Bonds. Details of the extraordinary mandatory prepayments/redemptions are as follows.

	At February 15, 2020		
Bonds Prepaid/Redeemed	Accreted Value Paid	Premium Paid	Total Payments
Series 2011A Retained Term Bonds	$ 669	$ 34	$ 703
Series 2011A1 New Term Bonds	165,023	8,251	173,274
Total Senior Bonds Prepaid/Redeemed	$ 165,692	$ 8,285	$ 173,977

Had the above 2011A Retained Term Bonds and 2011A1 New Term Bonds that were prepaid/redeemed on February 15, 2020 remained outstanding until their scheduled maturity on July 22, 2051, their accreted value at such maturity date would have been $6,495 and $1,602,402, respectively.

Under the terms of the Trust Indenture, if Distributable Cash at any January 1 debt service due date is insufficient to pay all of the debt service then owed on any tier of 2011 Bonds, the debt service on the respective tier(s) of 2011 Bonds is deferred with no additional interest accretions until the following February 15. At that date, available Distributable Cash is used to pay as much as possible of the debt service still owed at February 15. Any unpaid debt service remaining following that February 15 partial payment or nonpayment carries forward and continues to accrete interest from the original January 1 due date. These amounts with interest thereon constitute Arrearages and carry forward until paid. The interest rate applicable to Arrearages is the same rate that is applicable to the tier of 2011 Bonds from which the Arrearages arose. At future debt service payment dates, Arrearages have priority over regularly scheduled debt service within a tier of 2011 Bonds; accordingly, any Distributable Cash is applied first to any Arrearages due on that tier of 2011 Bonds, then to regularly scheduled debt service on that tier of 2011 Bonds. The table below shows activity related to Arrearages from January 1, 2021 through February 15, 2022. For ease of tracking within the table, Arrearages are referred to by the year in which the Arrearages arose.

NOTE 8 – BONDS PAYABLE (CONTINUED)

	Senior Subordinate Bonds			Junior Subordinate Bonds			Total Senior and Junior Subordinate Bonds
	2011B Retained Term Bonds	2011B1 New Term Bonds	Total 2011 B Bonds	2011C Retained Term Bonds	2011C1 New Term Bonds	Total 2011 C Bonds	
2021 Arrearage Activity:							
Debt Service originally due December 31, 2020	$ 7,293	$ 1,753,281	$ 1,760,574	$ 1,847	$ 215,763	$ 217,610	$ 1,978,184
February 15, 2021 Debt Service payments	(1,812)	(436,158)	(437,970)	-	-	-	(437,970)
2021 Amounts Unpaid at February 15, 2021 ("2021 Arrearages")	5,481	1,317,123	1,322,604	1,847	215,763	217,610	1,540,214
Interest Accretions on Arrearages during 2021	466	111,957	112,423	184	21,561	21,745	134,168
Total 2021 Arrearages due December 31, 2021	5,947	1,429,080	1,435,027	2,031	237,324	239,355	1,674,382
February 15, 2022 Arrearage Debt Service payments	(5,947)	(1,429,080)	(1,435,027)	-	-	-	(1,435,027)
Balance of 2021 Arrearages remaining at February 15, 2022	-	-	-	2,031	237,324	239,355	239,355
2022 Arrearage Activity:							
Debt Service originally due December 31, 2021	7,716	1,854,083	1,861,799	1,953	228,152	230,105	2,091,904
February 15, 2022 Debt Service payments	(4,618)	(1,110,896)	(1,115,514)	-	-	-	(1,115,514)
2022 Amounts Unpaid at February 15, 2022 ("2022 Arrearages")	3,098	743,187	746,285	1,953	228,152	230,105	976,390
Total Arrearages at February 15, 2022	$ 3,098	$ 743,187	$ 746,285	$ 3,984	$ 465,476	$ 469,460	$ 1,215,745

The following schedule summarizes the Association's debt service requirements to maturity as of December 31, 2021. Since all of the 2011 Bonds are capital appreciation bonds, accretions are accounted for as interest expense and additions to principal. For purposes of the following debt service schedule, all accretions are included as principal, and no interest is shown. (See Note 14 for additional information regarding the partial payments made of the 2021 scheduled debt service.)

Year Ending December 31	Principal	Interest	Totals
2022	$ 11,826,357	$ -	$ 11,826,357 *
2023	10,733,044	-	10,733,044
2024	11,345,072	-	11,345,072
2025	13,016,724	-	13,016,724
2026	13,576,673	-	13,576,673
2027 - 2031	77,994,849	-	77,994,849
2032 - 2036	98,818,191	-	98,818,191
2037 - 2041	125,426,062	-	125,426,062
2042 - 2046	148,035,227	-	148,035,227
2047 - 2051	181,628,097	-	181,628,097
Totals	$ 692,400,296	$ -	$ 692,400,296

* Amounts payable in 2022 include $134,168 of accretions on the 2021 Arrearages that arose on February 15, 2021 following the partial payments of the Series 2011B Retained Term Bonds and the 2011B1 New Term Bonds.

NOTE 8 – BONDS PAYABLE (CONTINUED)

As discussed in Note 1, item J, the terms of the Trust Indenture require the establishment of various 2011 Trust Fund accounts. The monies deposited into the 2011 Trust Fund Accounts are invested as provided in the Trust Indenture. The types of payments that may be made from the various 2011 Trust Fund Accounts are specified in the Trust Indenture. All of the 2011 Trust Fund Accounts established under the Trust Indenture except for the 2011 R&R Fund and the 2011 Rebate Fund are included in the 2011 Trust Estate, which the Association has pledged as security for payment of the 2011 Bonds. The 2011 Trust Estate also includes the Association's interest in Revenues as defined in the Trust Indenture, the Association's interest in its License Agreement with the SCDOT, and any other property pledged as security for the 2011 Bonds.

At December 31, 2021 and 2020, the following accounts established by the Trust Indenture were included in the Trust Estate and provided security for the 2011 Bonds. The 2020 account totals shown below include accruals of year-end interest and most year-end transfers prescribed by the Waterfall as discussed in Note 1, item J above. The 2020 balance of the 2011 Revenue Fund shown below includes $437,873 of monies applicable to the partial payments of the 2011 Senior Subordinate Bonds that were made February 15, 2021. The Trustee transferred such monies to the 2011 Debt Service Fund in early February 2021.

	2021		
Trust Account	Account Balance	Accrued Interest	Total Security
2011 Revenue Fund	$ 13	$ -	$ 13
2011 Debt Service Fund	10,610,625	-	10,610,625
2011 Debt Service Reserve Fund	2,034,225	-	2,034,225
2011 Extraordinary Prepayment Fund	7,642	-	7,642
Total	$ 12,652,505	$ -	$ 12,652,505

	2020		
Trust Account	Account Balance	Accrued Interest	Total Security
2011 Revenue Fund	$ 437,883	$ 40	$ 437,923
2011 Debt Service Fund	7,621,985	1	7,621,986
2011 Debt Service Reserve Fund	2,034,225	11	2,034,236
2011 Extraordinary Prepayment Fund	7,513	-	7,513
Total	$ 10,101,606	$ 52	$ 10,101,658

During the years ended December 31, 2021 and 2020, payments from the various accounts were made pursuant to terms of the Trust Indenture. (See Note 1, item J for more details).

The 2011 Bonds are expressly nonrecourse to the State of South Carolina, SCDOT or any agency, department or political subdivision of the State of South Carolina. In addition, the 2011 Bonds are expressly nonrecourse against any Association assets other than the 2011 Trust Estate, from which the 2011 Bonds are solely payable. The 2011 Bonds are not rated by a national rating agency.

The 2011 Senior Subordinate Bonds are subordinated to the 2011 Senior Bonds in all respects, including in right of payment and priority of liens. The 2011 Junior Subordinate Bonds are subordinated to the 2011 Senior and Senior Subordinate Bonds in all respects, including in right of payment and priority of liens.

The 2011 Bonds are subject to certain bond covenants other than payment covenants. The bond covenants include, but are not limited to, the following:

- The Association is prohibited from taking any action, or omitting to take any action, that would cause the 2011 Bonds to lose their tax-exempt status.

NOTE 8 – BONDS PAYABLE (CONTINUED)

- By June 30 of each year, an Association Engineer (as defined) is required to inspect the toll road and submit a report documenting the Association Engineer's findings as to whether the Southern Connector has been maintained by SCDOT in good repair and any deficiencies in the physical condition of the toll road. The report shall identify any highway maintenance needs of the Southern Connector, an assessment of the materiality of such needs, and may estimate the cost and appropriate timing of such needs. The Association received the latest report from its Engineer in June 2021 and in turn submitted that report to the Association's Trustee and SCDOT. At the time these financial statements were issued, the 2022 Engineer's physical inspection was completed and the Association was awaiting the final report.

- On or before April 30, 2016, and once every five years thereafter as prescribed in the Trust Indenture, the Association shall retain an independent traffic and revenue consultant to perform a toll rate study to determine the optimum toll rates to be charged for the Southern Connector. In addition, a toll rate study will be required if (a) the Association fails to make any debt service payment on its 2011 Senior and/or Senior Subordinate Bonds, or (b) the Debt Service Coverage Ratio (as defined in the Trust Indenture) for the 2011 Senior Bonds is less than (i) 1.20 for periods ending on or before January 1, 2016 and (ii) 1.25 for periods ending after January 1, 2016, or (c) the Debt Service Coverage Ratio (as defined in the Trust Indenture) for the 2011 Senior Subordinate Bonds is less than 1.00 for any period. Despite the above provisions, the Association will not be required to have a toll rate study performed more frequently than once every two years.

  Copies of any toll rate study will be presented to SCDOT, the Trustee and the 2011 Bondholders. Unless the 2011 Bondholders submit an objection in accordance with the terms of the Trust Indenture, the toll rates on the Southern Connector will be set at the optimum toll rates as determined by the traffic and revenue consultant and reported in the toll rate study.

- The Association shall certify to the Trustee the actual Debt Service Coverage Ratios compared to the threshold ratios set forth above. Calculations of the actual Debt Service Coverage Ratios shall accompany such certification.

- Prior to the end of each fiscal year, the Association is required to file an annual budget for the next fiscal year with the Trustee.

The terms of the Trust Indenture provide that any of the following events will be considered an event of default under such Trust Indenture:

- The Association's failure to make any scheduled debt service payment or any mandatory prepayment/redemption of the 2011 Senior Bonds will constitute an event of default. Once all of the 2011 Senior Bonds have been paid, failure to make any scheduled debt service payment or any mandatory prepayment/redemption of the 2011 Senior Subordinate Bonds will constitute an event of default under the Trust Indenture. Once all of the 2011 Senior Bonds and all of the 2011 Senior Subordinate Bonds have been paid, failure to make any scheduled debt service payment or any mandatory prepayment/redemption of the 2011 Junior Subordinate Bonds will constitute an event of default under the Trust Indenture. The Trust Indenture clarifies that the occurrence of an event of default pertaining to any tier of 2011 Bonds as described in this bullet will not automatically cause an event of default with respect to any other tier of 2011 Bonds.

- The Association's failure to perform any covenant other than those relating to payment of the 2011 Bonds will constitute an event of default, if such failure continues 30 days after written notice of the failure has been provided to the Association by the Trustee or to the Association and the Trustee by not less than 25% of the 2011 Senior and/or 2011 Senior Subordinate Bondholders. However, if the Association has taken action to cure such failure within 30 days of receipt of the written notice, the duration of the cure period will be extended to 180 days following the date of the written notice, and no event of default will be deemed to occur, so long as the Association continues to diligently attempt to cure the failure within the 180-day cure period.

NOTE 8 – BONDS PAYABLE (CONTINUED)

- An event of default shall be deemed to occur if the Association (i) voluntarily files a bankruptcy petition or any petition seeking reorganization, readjustment or relief of its debts under federal or State bankruptcy or insolvency act or law; (ii) takes any action consenting to, approving, or acquiescing in any such petition or proceeding; (iii) applies for, or consents to or acquiesces in the appointment of, a receiver or trustee of the Association or for all or a substantial part of its property; (iv) makes an assignment for the benefit of its creditors; or (v) is unable to, or admits in writing its inability to, pay its debts as they come due (except for any inability to make payments due on its 2011 Senior Subordinate or 2011 Junior Subordinate Bonds that would not constitute an event of default under the first bullet above of this paragraph).

- Involuntary bankruptcy proceedings; involuntary petitions seeking reorganization, readjustment or relief of the Association's debts under federal or state bankruptcy or insolvency act or law; or petitions seeking the involuntary appointment of a receiver or trustee of the Association or for all or a substantial part of the Association's property will constitute an event of default if such proceedings or petitions continue undismissed or undischarged for 90 days, or if such proceedings or petitions result in a ruling of bankruptcy or insolvency.

The Trust Indenture does not provide any right to accelerate the maturity of the 2011 Bonds. If an event of default occurs, the Trustee shall have the right to retain, or cause the Association to retain, (i) an independent consultant to recommend the optimum toll rates for the Southern Connector, and (ii) a management consultant or other third party to examine and make recommendations regarding the Association's operations and operating costs. Unless certain 2011 Bondholders object to the recommendations made by such consultant or other third party, the Association will be required to implement those recommendations to the extent it is able to do so.

The Association monitors the above covenants for compliance throughout the year, and determined that its Debt Service Coverage Ratios at December 31, 2021 and 2020 for its 2011 Senior Bonds were 1.35 and 1.09 and for its 2011 Senior Subordinate Bonds were 0.93 and 0.86, respectively, and did not meet the thresholds required by the Trust Indenture as discussed above.

More detailed information pertaining to the Association's 2011 Bonds, including complete copies of the First Amended and Restated Master Indenture of Trust; the First Supplemental Indenture of Trust; and related filings, notices and Court Orders pertaining to the Bond Exchange, may be found on the Association's website, www.SouthernConnector.com under the *Bankruptcy Filings* link under the *Postings* arrow.

NOTE 9 – RISK MANAGEMENT

The Association is exposed to various types of risk including loss related to torts; theft of, damage to, and destruction of assets; injuries to construction workers and others; professional design; and damage to property of others. The Association obtained commercial insurance covering known risks of loss as follows:

Automobile Liability	Professional Design	Worker's Compensation
Crime	Directors and Officers	Force Majeure
Builder's Risk	General Liability	

No claim settlements have exceeded insurance coverage during the past three years. There were no materially significant reductions in insurance coverage during the years ended December 31, 2021 or 2020.

NOTE 10 – 2011 R&R FUND ACTIVITY

The Association's sole obligation related to maintenance of the Southern Connector under its License Agreement with SCDOT is to make periodic deposits into the 2011 R&R Fund as prescribed by the Waterfall provisions of the Trust Indenture. As SCDOT incurs highway maintenance costs relating to the Southern Connector, the License Agreement permits SCDOT to submit quarterly to the Association, requisitions for reimbursement of such highway maintenance costs. Any SCDOT highway maintenance cost requisitions received by the Association will be paid from, and to the extent of, monies accumulated in the 2011 R&R Fund. (See Note 1, item J and Note 5 for additional information.)

NOTE 10 – 2011 R&R FUND ACTIVITY (CONTINUED)

At December 31, 2020, the balance of the Association's 2011 R&R Fund account was $2,791,880. During 2021, deposits into the 2011 R&R Fund consisted of $558,453 deposited in accordance with the Waterfall provisions of the Trust Indenture and $150 of interest income. In 2021, the Association paid $395,724 of highway maintenance expense incurred by SCDOT, of which $84,016 was accrued and expensed in 2020. At December 31, 2021, the Association accrued $173,297 of highway maintenance expense to be reimbursed from the 2011 R&R Fund in 2022. Total highway maintenance expense recognized by the Association for the year ended December 31, 2021 was $485,005. At December 31, 2021, the balance of the 2011 R&R Fund was $2,954,759 and the Fund's net position was $2,781,462.

At December 31, 2019, the balance of the Association's 2011 R&R Fund account was $2,578,193. During 2020, deposits into the 2011 R&R Fund consisted of $424,175 deposited in accordance with the Waterfall provisions of the Trust Indenture and $6,298 of interest income. The Association paid $216,787 of highway maintenance expense incurred by SCDOT, of which $81,564 was accrued and expensed in 2019. At December 31, 2020, the Association accrued $84,016 of highway maintenance expense to be reimbursed from the 2011 R&R Fund in 2021. Total highway maintenance expense recognized by the Association for the year ended December 31, 2020 was $219,239. At December 31, 2020, the balance of the 2011 R&R Fund was $2,791,880 and the Fund's net position was $2,707,864.

NOTE 11 – REALLOCATIONS OF 2020 NET POSITION (DEFICIT) BALANCE

The Association reallocated the balances of its 2020 net investment in capital assets and unrestricted categories of net position (deficit) as shown in the table below to correct an error noted in the prior year allocation calculation.

	2020 Balances			
	Net Investment in Capital Assets	Restricted for SCDOT Maintenance	Unrestricted	Total Net Position (Deficit)
Balances as originally allocated	$ (6,504,125)	$ 2,707,864	$ (98,872,593)	$ (102,668,854)
Reclassifications of:				
Payments of 2011 Bonds attributable to interest accretions since issuance	360,030	-	(360,030)	-
Balances as reallocated	$ (6,144,095)	$ 2,707,864	$ (99,232,623)	$ (102,668,854)

NOTE 12 – DEFINED CONTRIBUTION PENSION PLAN

The Association has established and administers a defined contribution pension plan, the Connector 2000 Association, Inc. 401(k) Profit Sharing Plan and Trust (the "Plan"). The Association's Board of Directors holds the authority for establishing and amending the Plan, its benefit terms and contribution rates.

Under the terms of the Plan, employees who are 21 years of age or older and who have completed 1,000 hours of service are eligible to participate in the Plan. Subject to applicable federal limitations, Plan participants may elect to contribute a percentage (up to 92%) of their compensation to the Plan under a salary reduction agreement. The Association matches 100% of employee deferrals less than or equal to three percent, and 50% of employee deferrals greater than three percent but less than or equal to five percent. The Association may also make additional discretionary profit sharing contributions to the Plan. Forfeitures may be used to pay Plan administrative expenses, restore the Plan account balances of certain re-employed Plan participants, reduce the Association's matching or discretionary profit sharing contributions, or may be allocated to Plan participants.

Plan participants are at all times 100% vested in their employee deferral contributions and in the Association's matching contributions to the Plan. Association profit sharing contributions are vested at a rate of 20% per year such that, with six years of service, Plan participants are 100% vested in any profit sharing contributions.

NOTE 12 – DEFINED CONTRIBUTION PENSION PLAN (CONTINUED)

During the years ended December 31, 2021 and 2020, the Association contributed $25,859 and $24,625, respectively, to the Plan. These amounts are included in employee benefits in the accompanying statements of revenues, expenses and changes in net position – proprietary fund. Forfeitures were immaterial in both 2021 and 2020.

NOTE 13 – EXTRAORDINARY GAIN ON CLAIM AGAINST LEHMAN BROTHERS, INC.

During the year ended December 31, 2020, the Association received $6,210 as partial settlement of a $2,000,000 claim filed against Lehman Brothers, Inc. ("Lehman Brothers") for losses incurred by the Association in 2008 upon Lehman Brothers' default under a collateralized repurchase agreement held in connection with investments of monies in the Association's 1998 Bonds Debt Service Reserve Accounts.

In 2021, the Association entered into negotiations with the Lehman Brothers bankruptcy trustee regarding a final distribution to be made in settlement of the 2008 claim. However, at December 31 2021, the Association was unable to estimate either the amount or the payment date of that final distribution.

NOTE 14 – SUBSEQUENT EVENTS

Partial Payments of 2011 Senior Subordinate Bonds on February 15, 2022

At December 31, 2021, the balance of the Association's Distributable Cash was insufficient to cover all debt service due on the Association's 2021 Arrearages and on its 2011 Senior Subordinate and 2011 Junior Subordinate Bonds. Therefore, on February 15, 2022, in accordance with the terms of the Trust Indenture, the available Distributable Cash of $2,550,541 was used to pay the 2021 Arrearages (including interest accreted in 2021) and as much as possible of the debt service originally due January 1, 2022 on the Association's 2011 Senior Subordinate Bonds. Such payments comprised $5,947 on the 2021 2011B Retained Term Bond Arrearages, $1,429,080 on the 2021 2011B1 New Term Bond Arrearages, $4,618 on the 2011B Retained Term Bonds and $1,110,896 on the 2011B1 New Term Bonds. As required by the Trust Indenture, the partial payments on the 2011B Retained Term Bonds and 2011B1 New Term Bonds did not include additional interest accretions between December 31, 2021 and February 15, 2022. Following the February 15, 2022 payments of debt service, Arrearages totaled $1,215,745. Such Arrearages included the remaining unpaid debt service balances of $746,285 for the 2011 Senior Subordinate Bonds (the 2022 2011 Senior Subordinate Bond Arrearages), $239,355 for the 2021 2011 Junior Subordinate Bond Arrearages and $230,105 for the 2011 Junior Subordinate Bonds (the 2022 2011 Junior Subordinate Bond Arrearages).

Under the terms of the Trust Indenture, future payments of debt service on the Association's 2011 Senior Subordinate and 2011 Junior Subordinate Bonds will first apply to Arrearages (including interest), then to regularly scheduled debt service.

See Note 1, item J and Note 8 for more information.

Continuing Effects of COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

During 2020, local, state and federal governments recommended or mandated restrictions on travel in an effort to curb the COVID-19 outbreak by changing consumer behavior. Such restrictions resulted in significant decreases in utilization and revenues of the Southern Connector in 2020.

NOTE 14 – SUBSEQUENT EVENTS (CONTINUED)

Continuing Effects of COVID-19 (Continued)

During 2021, as U. S. health agencies nationwide began administering vaccinations against COVID-19 to individuals, the negative effects of the pandemic began to ease, and many of the restrictions placed on travel were lifted. Consequently, traffic on the Southern Connector began to recover some of the utilization lost in 2020. However, several new variants of the COVID-19 virus have emerged, and certain governmental officials and the U. S. Centers for Disease Control and Prevention continue to recommend that unvaccinated or ill individuals delay travel in 2022.

Accordingly, the impact of the COVID-19 pandemic continues to evolve as of the date of these financial statements. As such, the full magnitude that the pandemic will have on the Association’s net position, liquidity, and future results of operations remains uncertain. Management continues to actively monitor the repercussions of the situation on its financial condition, liquidity, operations, workforce and toll patrons.

Given the daily evolution of the COVID-19 outbreak, the Association cannot estimate the duration or gravity of its impact at this time. If the pandemic continues, it may have a material adverse effect on the Association’s results of operations, net position and liquidity in 2022.