CONNECTOR 2000 ASSOCIATION, INC.

ANNUAL REPORT

June 30, 2011

CUSIP Prefix 20786L

INTRODUCTION

This is the thirteenth report of annual financial information delivered pursuant to that certain Continuing Disclosure Agreement dated February 11, 1998 (the ñ***Disclosure Agreement***ò) between Connector 2000 Association, Inc., a South Carolina non-profit public benefit corporation (the ñ***Association***ò) and U. S. Bank, National Association, as successor to First Union National Bank (the ñ***Trustee***ò), 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 ñ***Amended and Restated Bonds***ò). 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 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.

At December 31, 2010, the Southern Connector had been open and collecting tolls for over nine and one-half years. 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 (ñ***ETC***ò) for the preceding five years which is set forth in the following table:

	2006	2007	2008	2009	2010
ETC Trans.	1,386,943	1,599,926	1,652,145	1,652,726	1,574,335
% of Total Trans.	26%	27%	29%	30%	34%
ETC Revenue	$1,018,130	$1,158,749	$1,208,608	$1,274,709	$1,540,310
% of Total Rev.	20%	21%	23%	24%	27%
Total Trans.	5,434,691	5,839,205	5,653,527	5,455,974	4,538,473
Total Revenue	$5,085,659	$5,448,214	$5,238,429	$5,254,463	$5,645,289

The toll rates for the Southern Connector Project have been set by the SCDOT pursuant to Section 57-5-1340 of the South Carolina Code of Laws, 1976, as amended and under Section 6.4 of the License Agreement for the entire 50-year term of the License Agreement. From time to time, the Association will offer discounts or incentives for the use of ETC transponders on the Southern Connector Project. Since November 1, 2009 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	$1.25	$1.25	$0.65	$0.65
2 axle discount rate	$1.00	$1.00	N/A	N/A
3 axles	$2.55	$2.55	$0.65	$0.65
3 axle discount rate	$2.10	$2.10	N/A	N/A
4 axles	$3.40	$3.40	$0.65	$0.65
4 axle discount rate	$2.80	$2.80	N/A	N/A
5 axles	$4.25	$4.25	$0.65	$0.65
5 axle discount rate	$3.50	$3.50	N/A	N/A
6 + axles	$5.10	$5.10	$0.65	$0.65
6 + axle discount rate	$4.20	$4.20	N/A	N/A

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 $1.25. 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 $.65 per vehicle, regardless of the number of axles, is charged at these ramps. Please refer to the Associationôs Annual Report for the year ending December 31, 2008 for the toll rates and discounts charged prior to November 1, 2009.

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.

Events of Default and Bankruptcy Restructuring. Due to persistent disappointing toll revenues, the Association had been in default of its obligations under the 1998 Original Bonds since January 2008. U.S. Bank National Association, as successor in trust to First Union National Bank (the ñ***1998 Senior Bonds Trustee***ò), was able to pay amounts owing on such indebtedness by supplementing net toll revenues with monies disbursed from its reserve accounts. On January 1, 2010, $9,018,502 of both senior and subordinated debt service was due to be paid; however, there were insufficient funds available in the Debt Service and Debt Service Reserve Funds to make that payment in full. Consequently, the Trustee advised the Association it would not pay any of the debt service then due. Therefore, a payment default on the Original Bonds occurred.

The Amended and Restated Bonds were delivered to bondholders on April 21, 2011 in exchange for the Associationôs Toll Road Revenue Bonds, Series 1998A, Series 1998B and Series 1998C (the ñ***Original Bonds***ò) which were issued by the Association on February 11, 1998 to finance substantially all of the costs of the Southern Connector. The exchange of the Amended and Restated Bonds completed the adjustment of the debts of the Association under the Associationôs First Amended Plan for Adjustment of Debts, the Addendum to First Amended Plan for Adjustment of Debts and the Debtorôs Modification to the First Amended Plan for Adjustment of Debts (collectively, the ñ***Plan***ò). On April 1, 2011 the U.S. Bankruptcy Court for the State of South Carolina (the ñ***Bankruptcy Court***ò) confirmed the Plan, which became effective April 21, 2011.

Please see the attached financial statements of the Association for more information concerning the defaults leading to the bankruptcy proceeding, the exchange of the Amended and Restated Bonds for the Original Bonds, and the terms of the Plan.

AUDITED FINANCIAL STATEMENTS

The financial statements of the Association for the period ended December 31, 2010 have been audited by Green Finney & Horton, LLP, Certified Public Accountants. Their examination report and the audited financial statements of the Association for its fiscal year ended December 31, 2010, 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, 2010. The Association exchanged the Amended and Restated Bonds for the Original Bonds during its fiscal year ended December 31, 2010. The Association did not issue or remarket any new bonded indebtedness during its fiscal year ended December 31, 2010.

The Association has determined that the issue price of the Amended and Restated Bonds at the Planǿs effective date of April 21, 2011 was $150,690,865.69, and reflected accretions on such bonds since April 1, 2011. The Association has been advised that the original issue discount on the Amended and Restated Bonds is excludable from gross income of the holders of the Amended and Restated Bonds for federal income tax purposes. Additional information concerning the tax treatment of the Amended and Restated Bonds may be obtained from our General Manager upon written request to Connector 2000 Association, Inc., at Post Office Box 408, Piedmont, South Carolina 29673 or by telephone at (864) 527-2150.

The Association has established a web site with the address: ñwww.southernconnector.comò. Additional information is posted from time to time on the Associationǿs 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

The Association has been advised that the Disclosure Agreement was terminated in connection with the exchange under the Plan. 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.

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, 2010.

[Attached]

CONNECTOR 2000 ASSOCIATION, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

TABLE OF CONTENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

GREENE FINNEY & HORTON
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net assets of Connector 2000 Association, Inc. (the "Association"), a component unit of the State of South Carolina and of the South Carolina Department of Transportation ("SCDOT"), for the years ended December 31, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended, which collectively comprise the Association's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 12 and 13 to the basic financial statements, the Association's unrestricted financial condition has continued to deteriorate over the past several years and it has been unable to comply with key provisions of its trust indenture and license agreement. The Association attempted to restructure its debt, but was unable to get a debt adjustment plan that was acceptable to both the bond holders and the SCDOT. As a result of the foregoing, on June 24, 2010, the Association filed a petition for adjustment of its obligations in the U.S. Bankruptcy Court for the State of South Carolina. After considerable negotiations, the Association's First Amended Plan for Adjustment of Debts, as amended, ("Plan") was confirmed by the U.S. Bankruptcy Court on April 1, 2011 and became effective on April 21, 2011. The basic financial statements do not include any adjustments that will result from the U.S. Bankruptcy Court's confirmed Plan.

The accompanying management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
June 24, 2011

211 E. Butler Road • Suite C-6
Mauldin, SC 29662
864.232.5204 Fax: 864-232-5532

4986 Calvin Street
North Charleston, SC 29418
864.232.5204

107 Hillcrest Avenue
Simpsonville, SC 29681
864-962-1040 Fax: 864-962-1044

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, 2010 and 2009. Our analysis includes comparisons of 2010, 2009 and 2008 information. We also include a summary of significant subsequent events that occurred in 2011 that will affect our operations and financial performance in 2011 and following years. We ask that you read this section of the report in conjunction with the basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- On April 1, 2011 the U.S. Bankruptcy Court for the State of South Carolina (the "Bankruptcy Court") confirmed the Association's First Amended Plan for Adjustment of Debts, the Addendum to First Amended Plan for Adjustment of Debts and the Debtor's Modification to the First Amended Plan for Adjustment of Debts (collectively, the "Plan"). The effective date of the Plan was April 21, 2011. Under the terms of the Plan, the Association has issued Amended and Restated Bonds in exchange for the Association's 1998 Toll Road Revenue Bonds and entered into a Revised License Agreement with the South Carolina Department of Transportation ("SCDOT"). The confirmation of the Association's Plan represents the culmination of many years spent by the Association investigating its options for restructuring its 1998 Bonds and obligations to SCDOT, and the Association's bankruptcy proceedings which began on June 24, 2010. A summary of the resulting Plan is included below in the "Subsequent Events" section of this management's discussion and analysis. At the date this management's discussion and analysis was written, our preliminary calculations indicate that the Association will recognize an extraordinary gain from the adjustment of debts totaling approximately $186,500,000, including approximately $175,800,000 from the exchange of the 1998 Bonds for the 2011 Bonds, approximately $10,400,000 from the forgiveness of liabilities owed to SCDOT, and approximately $300,000 from the settlement of the Lehman Brothers' excess collateral claim.

- Due to persistent disappointing toll revenues, the Association had been in default of its obligations under the 1998 Original Trust Indenture securing its bonded indebtedness since January 2008. U.S. Bank National Association, as successor in trust to First Union National Bank (the "1998 Senior Bonds Trustee"), was able to pay amounts owing on such indebtedness by supplementing net toll revenues with monies disbursed from its reserve accounts. On January 1, 2010, $9,018,502 of both senior and subordinated debt service was due to be paid; however, there were insufficient funds available in the Debt Service and Debt Service Reserve Funds to make that payment in full. Consequently, the Trustee advised the Association it would not pay any of the debt service then due. Therefore, a payment default on the 1998 Toll Road Revenue Bonds occurred. Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies* ("Statement No. 58"), as issued by the Governmental Accounting Standards Board ("GASB"), requires that debt subject to adjustment in a Chapter 9 bankruptcy proceeding be frozen as of the date of the bankruptcy petition. Accordingly at June 24, 2010 (the date of the Association's bankruptcy petition), the Association stopped recording interest on its 1998A Current Interest Toll Road Revenue Bonds, accretions on its 1998 Capital Appreciation Toll Road Revenue Bonds, and interest on the unpaid January 2010 debt service amounts. The next scheduled debt service payments (that would have come due in July 2010 and in January 2011) were not recorded as current liabilities. In addition, the 1998 Senior Bonds Trustee made no payments of debt service during 2010. At December 31, 2010, the total of both senior and subordinated debt service due but unpaid remained at the June 24, 2010 total of $10,925,194.

- Annual utilization of the Southern Connector declined approximately 16.8% during 2010 to 4,538,473 toll transactions. This decline reflected the decrease in utilization of the Southern Connector that resulted primarily from SCDOT's closure of the northbound lanes of Interstate 385 ("I-385"), south of the Southern Connector, for approximately 6.5 months during 2010. Utilization of the Southern Connector in 2010 was also negatively impacted by the November 2009 toll rate increase. Toll transactions in 2009 totaled 5,455,974, a decrease of approximately 3.5% from the 2008 total of 5,653,527. Daily average toll transactions were 12,434 in 2010 compared to 14,948 in 2009 and 15,447 in 2008. Since the opening of the Southern Connector Toll Road, both toll transactions and toll revenues have been significantly less than amounts projected in the 1997 Traffic and Revenue Study prepared by Wilbur Smith Associates (discussed in the "Purpose of the Association and Utilization and Toll Revenues of the Southern Connector" subsection of the "Economic Factors" section below).

- Despite the decline in traffic from 2009 to 2010, the Association's 2010 revenues from operations increased slightly over 2009 amounts due to an increase in toll rates that took effect in November 2009. In 2010, total operating revenues were $5,332,959, and consisted of toll revenues of $5,331,105 and other operating revenues of $1,854. Operating revenues in 2009 totaled $5,254,463 and consisted of toll revenues of $5,253,494 and other operating revenues of $969. Toll revenues increased approximately 1.5% in 2010 over 2009 amounts, and increased approximately 0.3% in 2009 over 2008 amounts.

- Total operating expenses increased by approximately 49.4% in 2010 to $5,973,664 from $3,998,310 in 2009. This increase was composed primarily of Trustee fees and costs (including Trustee counsel and advisor fees), and professional fees, which increased approximately 145.4%, and 15.4%, respectively, over 2009 amounts. Total 2009 operating expenses increased by approximately 28.4% over the 2008 total of $3,113,920. The 2009 increase was also composed primarily of Trustee fees and costs (including Trustee counsel and advisor fees) and professional fees, which increased approximately 523.3% and 28.8%, respectively, over 2008 amounts.

- Nonoperating expenses in 2010 decreased by approximately 41.8% to $13,872,247. The significant decrease in 2010 nonoperating expenses occurred because interest accruals and accretions on our 1998 Bonds, accruals of SCDOT license fees, maintenance expense reimbursements and interest thereon, and amortization of Bond issuance costs and underwriters' fees were suspended at June 24, 2010, in accordance with GASB Statement No. 58. In 2009, nonoperating expenses decreased approximately 4.6% to $23,817,428. The nonoperating expenses consisted primarily of interest expense on the Series 1998 Bonds, amortization expense related to the Association's interest in its Original License Agreement with SCDOT, accrued license fees related to the Association's Original License Agreement with SCDOT, and maintenance expense reimbursable under its Original License Agreement with SCDOT.

- Since operations began through 2009, the Association's revenues were sufficient each year to cover operating expenses; however, those revenues were not sufficient to cover all debt service payments due and other nonoperating expenses, such as amortization and SCDOT maintenance and license fees and related SCDOT interest. In 2009, our total net deficit increased by $22,181,833 over the course of the year's operations to $173,302,626. Of this increase, $18,515,580 was attributable to interest expense, which consisted of $1,718,498 July 2009 cash payments of interest on the 1998A Current Interest Toll Road Revenue Bonds, $1,718,502 of January 2010 accrued but unpaid interest on the 1998A Current Interest Toll Road Revenue Bonds, $14,583,483 of accreted interest on the 1998 Capital Appreciation Toll Road Revenue Bonds, $414,817 of accrued but unpaid interest on the SCDOT license fees and accrued maintenance expense reimbursements, and $80,280 of amortization of original issue discount. In 2010, although the Association's revenues were once again sufficient to cover its budgeted operating expenses, after taking 2010 Trustee fees and costs into consideration, an operating loss occurred. The Trustee fees and costs (which included Trustee counsel and advisor fees) were incurred in connection with the proceedings for adjustment of our obligations in the Bankruptcy Court, and were beyond the Association's control. The Association's 2010 increase in total net deficit was $14,200,622. Of the 2010 increase in the net deficit, $3,030,754 was attributable to operating Trustee fees and costs, and $9,469,330 was attributable to nonoperating interest expense. The nonoperating interest expense included $1,730,928 of interest accrued through June 24, 2010, but unpaid on the 1998A Current Interest Toll Road Revenue Bonds. This 1998A Bond interest consisted of $1,661,219 of scheduled accruals of interest plus $69,709 of interest accrued on the January 1, 2010 delinquent 1998A Bond debt service. Interest accreted/accrued through June 24, 2010, on the 1998 Capital Appreciation Toll Road Revenue Bonds totaled $7,460,627, and included scheduled accretions of $7,284,863 plus $175,764 of interest accrued on the January 1, 2010 delinquent 1998B and 1998C Bond debt service. Interest accrued through June 24, 2010, but unpaid on the SCDOT license fees and accrued maintenance expense reimbursements totaled $238,973. Amortization of original issue discount through June 24, 2010 was $38,802.

- Capital assets net of accumulated depreciation were $145,164,621 at December 31, 2010, a decrease of approximately 2.4% from December 31, 2009. At December 31, 2009, capital assets net of accumulated depreciation had decreased approximately 2.3% from December 31, 2008 to $148,705,967. The decreases resulted primarily from amortization of the Association's interest in its License Agreement with SCDOT of $3,570,909 in 2010 and $3,570,908 in 2009. (See the "Capital Assets" section of this management's discussion and analysis and Note 1, item I and Note 5 to the basic financial statements for information about the accounting treatment of the Association's interest in the Original License Agreement.)

- In order to meet portions of our debt service payments paid from January 2003 through July 2009, we used a total of $18,799,301 of monies from our 1998 Debt Service Reserve Accounts. At December 31, 2010, the balance remaining in the 1998 Senior Bonds Debt Service Reserve Account was $3,472,827. At December 31, 2009, the balance remaining in the 1998 Senior Bonds Debt Service Reserve Account was $3,250,892. The $221,935 increase in the 1998 Senior Bonds Debt Service Reserve Account during 2010 consisted of $153,478 of interest earned on the account and a $68,457 increase in the market value of the investments held in the account. Following 2008 year-end transfers to the 1998 Subordinate Bonds Debt Service Account, the 1998 Subordinate Bonds Debt Service Reserve Account at December 31, 2010 and 2009 was essentially depleted.

- During 2008, due to Lehman Brothers, Inc.'s default under a collateralized repurchase agreement, the Association's 1998 Senior Bonds Trustee received securities that were held in connection with investments of monies in the Association's 1998 Debt Service Reserve Accounts. The 1998 Senior Bonds Trustee informed the Association that Lehman Brothers, Inc. may have a claim for the return of a certain portion of the securities received, as "excess collateral." Accordingly, at December 31, 2008, the Association recorded a liability of $1,153,823 for its initial estimate of potential "excess collateral" liability. During 2009, that estimate was refined and reduced to $1,117,498. That estimate remained unchanged at December 31, 2010. In April 2011, a settlement was reached regarding this claim by consensual resolution, and $800,000 was returned to Lehman Brothers. The remaining monies will be transferred to the 2011 Senior Bonds Debt Service Reserve Account pursuant to the terms of the Association's Plan for Adjustment of Debts and the Amended Trust Indenture.

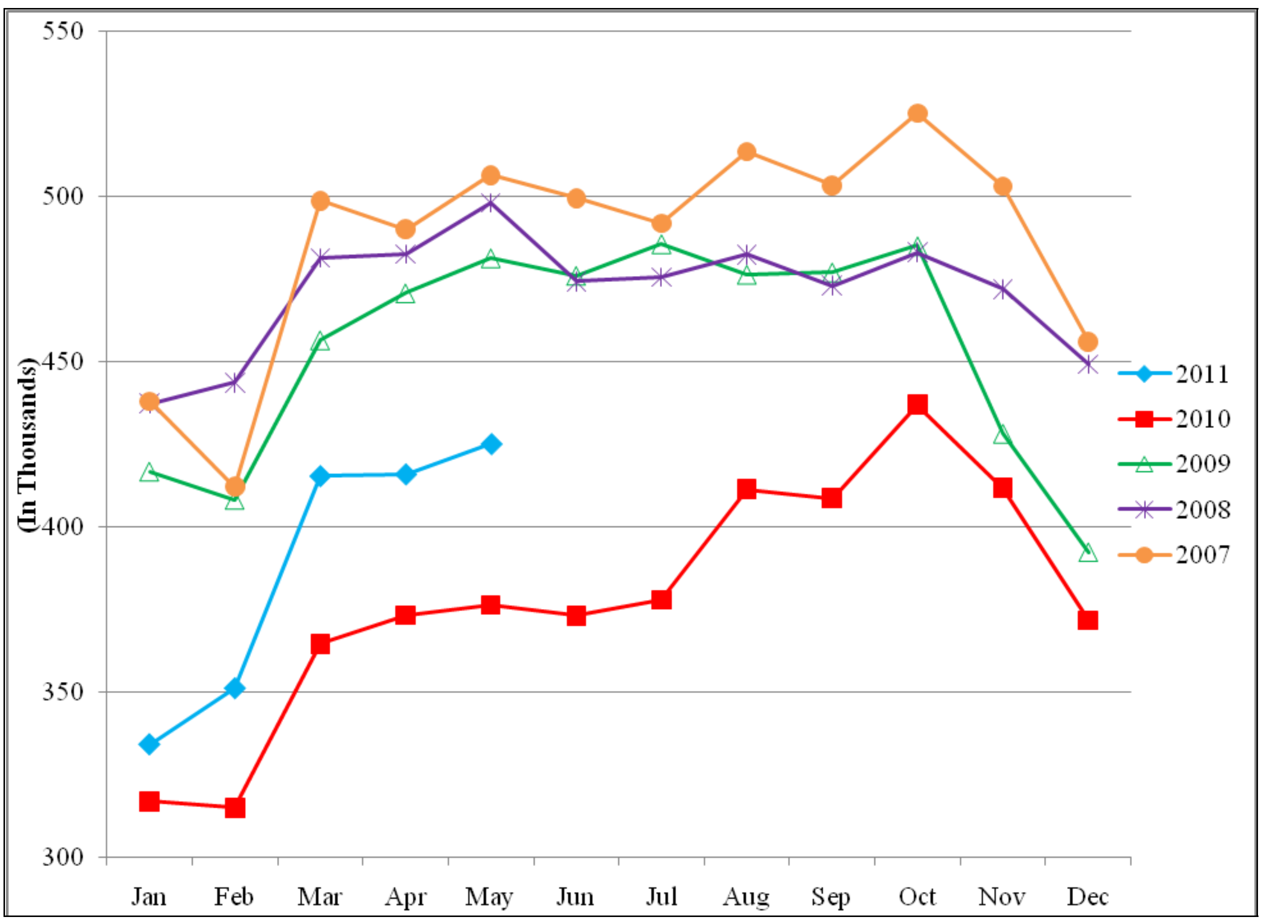
- The balance of 1998 Bonds payable increased by approximately 2.3% in 2010 to $326,338,954 due primarily to accretions on the capital appreciation bonds (the Senior Series 1998B Bonds and the Subordinate Series 1998C Bonds) and amortization of original issue discount on the Senior Series 1998A Bonds through June 24, 2010. The 2010 balance of bonds payable included $7,300,000 of principal due but not paid in January 2010. Since under GASB Statement No. 58, the 1998 Bonds payable liabilities were frozen at the bankruptcy petition date of June 24, 2010, the scheduled July 2010 and January 2011 debt service payments were not accrued as current liabilities at December 31, 2010. In 2009, the balance increased by approximately 2.6% to $319,015,289, again due to capital appreciation bond accretions and amortization of original issue discount on the Senior Series 1998A Bonds. The 2009 balance included $7,300,000 of principal due but not paid in January 2010.

ECONOMIC FACTORS

Purpose of the Association and Utilization and Toll Revenues of the Southern Connector

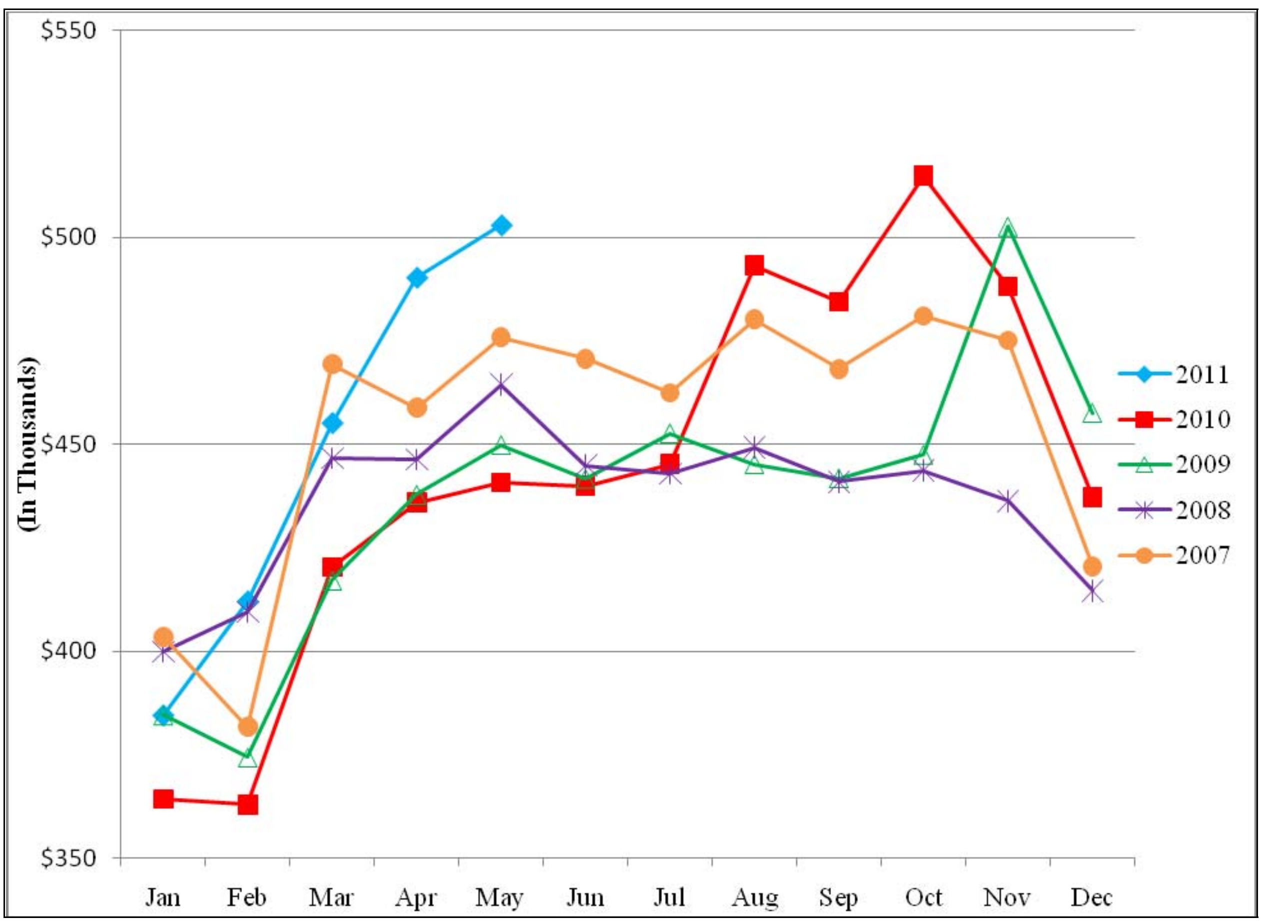
The Association was incorporated to design, finance, acquire, construct and operate the Southern Connector Toll Road. We issued $200,177,680 of Toll Road Revenue Bonds (Southern Connector Project, Greenville, South Carolina), Series 1998 ("1998 Bonds") on February 11, 1998, to finance substantially all of the costs of the Southern Connector. Wilbur Smith Associates ("Wilbur Smith") prepared a Traffic and Revenue Study (the "WS Study") in connection with the sale of the 1998 Bonds. The WS Study was undertaken in order to determine an estimate of the utilization of the road, the appropriate toll rates for the highway, an estimate of the costs of operation and the resulting revenue the Association could reasonably expect to receive from the operation of the Southern Connector. From the time that the Southern Connector Toll Road opened in February 2001, nine months earlier than projected, utilization of the Southern Connector has been significantly lower than the WS Study estimates. The Southern Connector was constructed in southern Greenville County in an area with no other similar roads, and was expected to further industrial and commercial development in that portion of Greenville County. However, the expected growth in the region has yet to materialize. Globalization of industrial production has adversely affected industrial development in the Southern Connector corridor. In addition, the recession, and consumer resistance to the payment of tolls (the Southern Connector Toll Road is the only toll road in Upstate South Carolina) have all contributed to the lower-than-forecasted traffic demands.

Transactions by Month



Since operations of the Southern Connector began, the Association has worked diligently to publicize the Southern Connector and promote traffic growth. We employ a management team that is experienced in toll road operations and we work with local entities to promote and publicize development opportunities along the Southern Connector corridor. We have worked with SCDOT to rectify signage deficiencies. We have undertaken aggressive, award-winning advertising campaigns to make the public aware of the highway and the additional convenience it offers. Our staff has met individually with most of the large trucking firms located in and around the Southern Connector corridor. We have implemented a discount program for trucks that use the electronic toll system and have extended incentives to passenger cars for the acquisition of transponders. In 2010, the South Carolina Secretary of Transportation approved an increase of the speed limit on the Southern Connector from 65 miles per hour to 70. The change became effective in May 2010. Our efforts to promote the Southern Connector and to operate the toll road in an efficient manner have been reflected in overall traffic demand and toll revenues. Average daily toll transactions grew each year from 2001 through 2004, declined slightly in 2005 following an increase in toll rates, and rebounded in 2006 and 2007. The general economic downturn in 2008 resulted in a decline in average daily toll transactions. The continued general economic downturn coupled with the November 2009 toll rate increase resulted in declines in average daily toll transactions of approximately 3.2% in 2009. The continuing effects of the recession and November 2009 toll rate increase were compounded during 2010 by SCDOT's complete closure of approximately 15 miles of the northbound lanes of I-385 for rehabilitation. I-385 is one of the main thoroughfares with which the Southern Connector intersects, and its closure in 2010 lasted approximately 6.5 months. All of these factors contributed to the 2010 decline in average daily toll transactions of approximately 16.8%.

Revenues by Month



Although lower in all years than forecasted in the WS Study, toll revenues rose steadily each year from the time the Southern Connector opened through 2007. The Southern Connector was unable to escape the effects of the recession on its toll revenues in 2008, and for the first time since operation of the toll road began, toll revenues declined. Although the decline in utilization of the Southern Connector continued in 2009 and 2010, the increase in toll rates effective in November 2009 more than compensated for the decrease in traffic, and toll revenues increased approximately 0.3% in 2009 and approximately 1.5% in 2010.

So far in 2011, both utilization of the Southern Connector and toll revenues are increasing. For the first five months of 2011, toll transactions increased approximately 11.2% over the first five months of 2010, while toll revenues for the first five months of 2011 increased approximately 10.9% over the same period in 2010.

Association Operations and Financial Obligations Prior to Confirmation of the Association's Plan for Adjustment of Debts in Bankruptcy

Although the Association was legally formed in 1996, our first financial activity occurred on or about February 1998. At that time, we entered into a License Agreement (the "Original License Agreement") with SCDOT that granted us certain rights and obligations to finance, acquire, construct, and operate the Southern Connector, and to construct the SC 153 Extension with financing provided by SCDOT. To finance construction of the Southern Connector, the Association issued $200,177,680 original principal amount of Connector 2000 Association, Inc. Toll Road Revenue Bonds, Series 1998A, 1998B and 1998C pursuant to a Master Indenture of Trust and a First Supplemental Indenture of Trust, both dated February 1, 1998 (collectively, the "Original Trust Indenture").

The terms of the Original Trust Indenture and the Original License Agreement have collectively governed the Association's operations of the Southern Connector, collection of tolls and distribution of net toll revenues since the issuance of the 1998 Bonds through April 21, 2011, the effective date of the Plan.

Through July 2007, the Association's debt service payment obligations on its 1998 Bonds consisted solely of interest payments due on the Senior Series 1998A Bonds. However, beginning in 2008, the Association's annual financial obligations began to increase significantly as the capital appreciation bonds began to mature and as sinking fund principal installments came due on the Series 1998A Bonds. Because actual traffic on the Southern Connector produced toll revenues less than the amounts necessary to meet our debt service obligations, we were required to withdraw monies from our 1998 Senior and Subordinate Bonds Debt Service Reserve Accounts in order to pay debt service obligations. By the end of December 2008, we had essentially depleted our reserves in our 1998 Subordinate Bonds Debt Service Reserve Account. By July 2009, our withdrawals from our 1998 Senior Bonds Debt Service Reserve Account reduced the balance in that account to a point where the remaining funds in that account, along with tolls collected and available for payment of debt service, were insufficient to pay the debt service due in January 2010. Since funds were insufficient to pay the entire debt service due in January 2010, the 1998 Senior Bonds Trustee made no payment on the 1998 Senior or Subordinate Bonds at that date, and our first payment default on the 1998 Bonds occurred. On January 11, 2010, the Association filed an event notice acknowledging that an event of default had occurred as a result of our failure to pay the debt service that came due on the 1998 Bonds in January 2010. Since that time, the continuing shortfall of toll revenues prevented us from meeting our debt service obligations, and we continued in default under the Original Trust Indenture.

The Original Trust Indenture required the Association to charge tolls in each calendar year sufficient to produce net revenues after the payment of operating expenses equal to or that exceed the greater of (a) 1.25 times the aggregate debt service on all outstanding 1998 Senior Bonds due in such year, and (b) the amount required to replenish all previous withdrawals from the reserve fund established for the 1998 Senior Bonds and to equal not less than 1.10 times the aggregate debt service on all outstanding 1998 Bonds due in such year. This 1998 Bond revenue covenant became effective January 1, 2005, and a failure to comply with the covenant for a period of 36 consecutive months constituted an event of default under the Original Trust Indenture. Since the Association has never been able to meet this covenant, we were also in default under this covenant of the Original Trust Indenture. In January 2008 and again in May 2009, we received notices of such default from the 1998 Senior Bonds Trustee in which the Trustee acknowledged and reserved its various remedies provided in the Original Trust Indenture, but did not identify which, if any, actions were to be taken on behalf of the holders of the 1998 Bonds.

The Original Trust Indenture required that toll rate studies be performed whenever the revenue covenant was not met. Although the Association hired a toll consultant to perform the required toll rate studies in each of years 2005, 2006 and 2007, each of those studies concluded that, even if the toll consultant's recommendations to maximize toll revenue were implemented, projected toll revenues would continue to be insufficient to pay principal and interest on the 1998 Bonds in full.

In 2008, the Association engaged Stantec Engineering as our new traffic and revenue consultant to perform an investment grade traffic and revenue study. The purpose of the study was to forecast traffic and revenue and revenue potential for a period of 50 years. The report on this study (the "Revised Traffic Study") was issued in May 2009 and set forth projections based on both the then-current toll rate schedule and a revised toll rate schedule. Based on the Revised Traffic Study, we petitioned SCDOT for a toll rate increase that was approved by SCDOT in August 2009 and implemented in November 2009.

The Association's operations through April 21, 2011, have been governed by its Original License Agreement with SCDOT. That Original License Agreement specified that the 1998 Bonds issued by the Association to finance construction of the Southern Connector are not and shall never constitute indebtedness of the State of South Carolina, SCDOT, or any agency, department or political subdivision of the State of South Carolina. The Original License Agreement required SCDOT to determine the toll rates to be charged by the Association. It obligated the Association to pay license fees and roadway maintenance amounts to SCDOT and to periodically repair, renew and replace the Southern Connector at the Association's cost.

The Original License Agreement provided that the Association's insolvency is an event of default which allowed SCDOT to terminate the Original License Agreement provided SCDOT complied with certain terms of the Original License Agreement. The Association received letters in June and October 2009 from SCDOT informing us that we were in default under the Original License Agreement and that SCDOT did not waive any claims it may have against the Association. SCDOT also agreed to our request for at least 90 days' prior notice of its intention to terminate the Original License Agreement.

Because of the factors discussed above, in 2005, the Association began actively investigating our options to restructure our 1998 Bonds. We interviewed international companies engaged in the acquisition of concessions for the financing and operation of toll facilities worldwide, but after over a year of negotiations, discontinued this effort. We hired Goldman Sachs & Co. ("Goldman") in early 2008 as our special financial advisor to investigate our ability to restructure our obligations outside of bankruptcy. Possibilities which were considered included consensual restructuring, conventional refunding, a tender and exchange of new securities for the 1998 Bonds, and a sale by SCDOT of a concession to operate the Southern Connector to a for-profit third party. Goldman advised us that any restructuring of our obligations within the remaining term of the Original License Agreement would require a substantial reduction in the principal amount of the 1998 Bonds, and that restructuring our debt outside of bankruptcy would be extremely difficult. Goldman also advised the Association that any successful restructuring of the 1998 Bonds, either as part of a bankruptcy proceeding or otherwise, would require an investment grade traffic and revenue study. Accordingly, we engaged Stantec Engineering to perform the Revised Traffic Study discussed above. Based on that study, we requested and received approval from SCDOT of a toll rate increase that was implemented in November 2009.

Our restructuring efforts and various negotiations with the 1998 Senior Bonds Trustee, the Subordinate Bonds Trustee, certain bondholders owning a majority of outstanding principal of our 1998 Senior Bonds (the "Restricted Owners") and SCDOT resulted in three potential debt adjustment plans. The first plan submitted by the Association was ultimately rejected by the 1998 Senior Bonds Trustee, the Subordinate

Bonds Trustee and the Restricted Owners. An alternate debt adjustment plan proposed by the 1998 Senior Bonds Trustee's counsel's financial advisor would have required extension of the term of the Association's Original License Agreement with SCDOT. This alternate debt adjustment plan failed when the South Carolina General Assembly adjourned its 2010 legislative session without enacting the legislation required to authorize SCDOT to extend the term of the Original License Agreement. We then in the spring of 2010 pursued discussions regarding a third debt adjustment plan that could be implemented over the term of the Original License Agreement without any extension, but SCDOT informed us that it would not agree to that debt adjustment plan, and subsequent offers to solicit or negotiate changes acceptable to SCDOT failed.

On January 20, 2010, the Association's Board of Directors had adopted a resolution authorizing our management, when management so deemed it appropriate, to file a petition for bankruptcy protection under the United States Bankruptcy Code and to take related actions in connection with the bankruptcy. On June 24, 2010, following the failure of the negotiations discussed above, the Association filed our Chapter 9 bankruptcy petition (the "Petition") in the U.S. Bankruptcy Court at the direction of our Executive Vice President and General Manager.

As of June 24, 2010, and through the effective date of the Association's Plan, the Association's liabilities subject to adjustment in bankruptcy (the 1998 Bonds payable liabilities, all amounts owed to SCDOT and the excess collateral liability) were frozen by the U.S. Bankruptcy law. Accordingly, under the terms of GASB Statement No. 58, no additional amounts were accrued in 2010 pertaining to these liabilities.

During the remainder of 2010 and during the pendency of the bankruptcy proceeding, we continued to operate the Southern Connector as usual and paid our non-Bondholder and non-SCDOT creditors in the ordinary course of business. As mentioned previously, payments were no longer made to the bondholders, although the 1998 Senior Bonds Trustee, the Subordinate Bonds Trustee, their respective counsel and advisors were paid their fees and expenses from the toll revenues collected. We continued our negotiations with the 1998 Senior Bonds Trustee, the Subordinate Bonds Trustee, the Restricted Owners and SCDOT, and filed a First Amended Plan for Adjustment of Debts in November 2010. That document, along with the Addendum to First Amended Plan for Adjustment of Debts filed in January 2011 and Debtor's Modification to the First Amended Plan for Adjustment of Debts filed in March 2011, form the Plan that was later confirmed by the U.S. Bankruptcy Court on April 1, 2011 and became effective on April 21, 2011. A summary of the terms of the Plan are discussed in the "Subsequent Events" section of this management's discussion and analysis.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Association's 2010 annual report consists of two parts – management's discussion and analysis (this section), and the basic financial statements, including the notes to the basic financial statements.

The basic financial statements provide short-term and long-term information about the Association's overall financial status. The basic financial statements also include disclosures that explain some of the information in the basic financial statements and provide more detailed data.

The Association follows governmental accounting principles generally accepted in the United States of America. We present our basic financial statements on an accrual basis of accounting that is similar to the accounting basis used by most private-sector companies. Under the accrual basis, the current year's revenues earned and expenses incurred are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets regardless of when cash is received or paid. All of the Association's assets and liabilities are included in the Statement of Net Assets. *Net assets* – the difference between assets and liabilities – are one measure of the Association's financial health or financial position. (Please note that we use the term *net deficit* throughout this section and in the basic financial statements to describe our situation, where liabilities exceed assets, and the resulting amount of net assets is negative.) Over time, increases in the Association's net deficit are one indicator that our financial health is deteriorating.

However, other factors such as transactions (including vehicle class and toll rates), development along the Southern Connector corridor and the physical condition of the Southern Connector, should be considered in order to assess the Association's overall financial position.

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 2010 and 2009. In this section, we discuss significant transactions that occurred during the years, and compare each year's activities with activities of the immediately preceding year.

Net Assets (Deficit)

In 2009 and prior years, although the Association collected enough revenues to pay our operating expenses each year, our revenues were not sufficient to cover all of our debt service payments and other nonoperating expenses, including amortization and SCDOT-related roadway maintenance fees, license fees and interest. However in 2010, primarily due to expenses incurred in connection with our bankruptcy proceedings, both operating and nonoperating expenses exceeded our operating revenues. (The 2010 operating expenses that exceeded operating revenues were attributable to Trustee fees and costs over which the Association had no control.) During the year ended December 31, 2010, the Association's net deficit increased by $14,200,622 to $187,503,248. Total assets decreased approximately 2.1% to $154,966,720 while total liabilities increased approximately 3.3% to $342,469,968. For the year ended December 31, 2009, the Association's net deficit increased by $22,181,833 to $173,302,626. Total assets decreased by approximately 7.2% to $158,362,486, and total liabilities increased by approximately 3.1% to $331,665,112.

The net decrease in total assets for 2010 occurred primarily because total revenues were not sufficient to completely offset such operating expenses as Trustee fees and costs incurred pursuant to our bankruptcy proceedings, as well as such nonoperating expenses as debt service interest accruals and amortization of the Association's interest in its Original License Agreement with SCDOT. The 2009 net decrease in total assets was due to revenues that were insufficient to cover the nonoperating debt service interest accruals and amortization of the Association's interest in its Original License Agreement with SCDOT.

The increase in total liabilities related to Bonds payable for both years 2010 and 2009 was due mainly to accretions on the capital appreciation bonds, which caused the Bonds payable (both current and noncurrent) portions of total liabilities to increase by approximately 2.3% in 2010 and by 2.6% in 2009. Capital appreciation bonds, or zero coupon bonds, are issued and initially recorded at amounts significantly less than their maturity values. Interest on capital appreciation bonds is not paid annually; instead, interest accretions increase the balance due on such bonds and are paid at maturity. Accordingly, such accretions are recorded as increases in interest expense and the corresponding liability for 1998 Bonds payable. Because GASB Statement No. 58 requires that liabilities subject to adjustment in a Chapter 9 bankruptcy be frozen at the date of the bankruptcy petition, we suspended our 2010 accretions on the 1998 Capital Appreciation Bonds at June 24, 2010.

In 2010, other liabilities increased by approximately 27.5%, mainly due to accruals of scheduled but unpaid interest on the Series 1998A Bonds, interest accrued on the unpaid January 2010 debt service amounts, and accruals for license fees, roadway maintenance costs and related interest payable to SCDOT. Our accruals of these liabilities were also suspended at June 24, 2010, since these liabilities were subject to adjustment in our bankruptcy proceedings. Other liabilities in 2009 increased by approximately 18.4%, primarily from accruals for license fees, maintenance costs and related interest payable to SCDOT. See the "Changes in Net Assets (Deficit)" subsection of this section of this management's discussion and analysis for a full discussion of the amounts due to SCDOT.

Table 1
Net Assets (Deficit)
December 31

	2010	2009	2008
Current and Other Assets	$ 9,802,099	$ 9,656,519	$ 18,350,020
Capital Assets	145,164,621	148,705,967	152,260,436
Total Assets	154,966,720	158,362,486	170,610,456
Long-term Liabilities (Bonds Payable):			
1998 Senior Bonds	(228,354,277)	(223,689,067)	(218,848,600)
1998 Subordinate Bonds	(90,684,677)	(88,026,222)	(85,502,926)
Total Long-Term Liabilities	(319,038,954)	(311,715,289)	(304,351,526)
Other Liabilities:			
1998 Senior Bonds, current portion	(4,400,000)	(4,400,000)	(4,000,000)
1998 Subordinate Bonds, current portion	(2,900,000)	(2,900,000)	(2,700,000)
Interest Payable to 1998 Bondholders	(3,625,194)	(1,718,502)	(1,742,127)
Potential Excess Collateral Liability	(1,117,498)	(1,117,498)	(1,153,823)
Accounts Payable, Deferred Revenue and Deposits	(946,128)	(375,417)	(352,104)
Amounts Payable to SCDOT	(10,442,194)	(9,438,406)	(7,431,669)
Total Other Liabilities	(23,431,014)	(19,949,823)	(17,379,723)
Total Liabilities	(342,469,968)	(331,665,112)	(321,731,249)
Net Assets (Deficit):			
Invested in Capital Assets, Net of Related Debt	(58,891,728)	(55,505,123)	(57,079,587)
Restricted for Debt Service	-	-	7,514,277
Unrestricted	(128,611,520)	(117,797,503)	(101,555,483)
Total Net Assets (Deficit)	$ (187,503,248)	$ (173,302,626)	$ (151,120,793)

Lehman Brothers, Inc. was obligated under a collateralized repurchase agreement (the "Repurchase Agreement") that it had with the 1998 Senior Bonds Trustee and Wells Fargo Bank as successor to Norwest Bank, N.A., as custodian (the "Custodian"). At the time the 1998 Bonds were issued, at the direction of the Association, the 1998 Senior Bonds Trustee invested monies in the 1998 Senior and Subordinate Bonds Debt Service Reserve Accounts pursuant to the Repurchase Agreement. After Lehman Brothers, Inc. filed for bankruptcy protection in September 2008 and defaulted under the Repurchase Agreement, the securities held by the Custodian under the Repurchase Agreement were transferred to the Trustee in December 2008 and deposited into the 1998 Debt Service Reserve Fund. Some of those securities were sold to pay a portion of the principal and interest due on the 1998 Bonds in January 2009. At December 31, 2008, the Association initially estimated that a maximum of $1,153,823 of the Repurchase Agreement securities held by the 1998 Senior Bonds Trustee may be subject to a claim for return to Lehman Brothers, Inc. This amount was included in the Association's December 31, 2008 balance sheet as a Potential Excess Collateral Liability, and in October 2009 the 1998 Senior Bonds Trustee established a separate Repurchase Agreement Suspense Account under the Original Trust Indenture and transferred to that account the Repurchase Agreement securities estimated to be subject to potential claim by Lehman Brothers, Inc. In 2009, upon further investigation of the December 2008 transfer, we refined our estimate of the maximum amount of such Repurchase Agreement securities that may be subject to a claim by Lehman Brothers, Inc., and decreased that estimate by approximately 3.1%.

Therefore, the amount shown in our December 31, 2009 and 2010 balance sheets as a Potential Excess Collateral Liability was $1,117,498. Lehman Brothers, Inc.'s claim was settled in April 2011, and is discussed below in the "Lehman Brothers, Inc. Claim for Return of Excess Collateral" subsection of the "Subsequent Events" section of this management's discussion and analysis.

U.S. Generally Accepted Accounting Principles ("GAAP") for governmental entities require the Association to classify its net assets in three categories as follows.

- The category "invested in capital assets, net of related debt" represents amounts invested in capital assets, less accumulated depreciation and amortization on those assets, less any liabilities attributable to those assets. At December 31, 2010, the balance of this category of net assets was a deficit of $58,891,728, a deterioration of $3,386,605 from the 2009 deficit. The 2009 balance of this category of net assets was a deficit of $55,505,123, a decrease of $1,574,464 from the 2008 deficit.

- The category "restricted net assets" represents the portion of net assets 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 GAAP does not allow this category of net assets to be negative; therefore, at December 31, 2010 and 2009, the Association reported no restricted net assets.

- The category "unrestricted net assets" represents the remainder of net assets – those that can be used to finance daily operations and that have no constraints imposed. The balance of unrestricted net assets at December 31, 2010 was a deficit of $128,611,520, while the 2009 deficit was $117,797,503. The net deficit in this category increased $10,814,017 in 2010 and $16,242,020 in 2009. These increases in the deficit represented deterioration of the Association's financial position.

A discussion of the changes in the net deficit for years 2010 and 2009 is presented below.

Changes in Net Assets (Deficit)

As presented in Table 2 on the following page, the Association's total revenues were not sufficient to cover its total expenses.

2010 Compared to 2009

In 2010, although operating revenues increased slightly over 2009 amounts due primarily to the November 2009 increase in toll rates, a significant increase in operating expenses caused a 2010 operating loss of $640,705, representing a swing of $1,896,858 from the 2009 operating income of $1,256,153. Total operating revenues increased approximately 1.5% in 2010, while operating expenses increased sharply, by approximately 49.4%. Nonoperating revenues, which consisted of interest earned on monies in bank accounts and investments and unrealized gains on investments, decreased approximately 17.7% in 2010 to $312,330. In 2010, the nonoperating revenues fell short of nonoperating expenses by $13,559,917.

In 2010, total operating expenses increased $1,975,354 over 2009 amounts. The increase consisted mainly of $1,795,878, or approximately 145.4%, of Trustee fees and costs and $107,877, or approximately 15.4%, of professional fees. The significant increase in 2010 Trustee fees and costs includes both amounts paid directly to the 1998 Senior Bonds Trustee for its services and costs, and amounts withdrawn by the 1998 Senior Bonds Trustee from toll revenues to pay its legal and financial advisory services and costs incurred pursuant to our default under the Original Trust Indenture and in connection with our bankruptcy proceedings. Payment of the 1998 Senior Bonds Trustee's reasonable expenses are required under the Original Trust Indenture, which provides that, upon the Association's default under the Original Trust Indenture, the Trustee may apply toll proceeds received (1) to the payment of the reasonable and proper expenses and liabilities of the Trustee, (2) to the payment of operating costs of the Southern Connector, and (3) to the payment of Bond debt service. The increase in our 2010 professional fees was attributable to legal and financial advisory services incurred to assist in the development of the Association's Plan for Adjustment of our obligations and other matters related to our bankruptcy proceedings.

Certain other operating expenses decreased in 2010 as we made every effort to cut costs without sacrificing service to our patrons. The most significant savings in 2010 was recognized in contract services, which decreased by $260,168, or approximately 87.1%, due to renegotiating our contract for maintenance of toll equipment to provide only monthly software support. Beginning in 2010, we have directly hired an individual to provide our hardware maintenance services.

Table 2
Changes in Net Assets
For the years ended December 31

	2010	2009	2008
Revenues:			
Operating revenues:			
Charges for Services (Toll Revenues)	$ 5,331,105	$ 5,253,494	$ 5,238,337
Other	1,854	969	92
Nonoperating Revenues:			
Interest and Investment Earnings	312,330	379,442	673,341
Total Revenues	5,645,289	5,633,905	5,911,770
Expenses:			
Operating Expenses	5,973,664	3,998,310	3,113,920
Nonoperating Expenses:			
Interest Expense on Bonds	9,230,357	18,100,763	17,636,712
Amortization	3,638,102	3,709,928	5,382,488
SCDOT Fees and Accrued Interest	1,003,788	2,006,737	1,934,831
Total Expenses	19,845,911	27,815,738	28,067,951
Decrease in Net Assets (Deficit)	(14,200,622)	(22,181,833)	(22,156,181)
Beginning Net Assets (Deficit)	(173,302,626)	(151,120,793)	(128,964,612)
Ending Net Assets (Deficit)	$ (187,503,248)	$ (173,302,626)	$ (151,120,793)

Due to lower average Trust Fund balances throughout the year, our nonoperating interest revenues for 2010 decreased by $32,864, or approximately 12.9%. We also recognized unrealized gains in the market price of investments held at year-end of $90,726. These unrealized gains were less than those recognized in 2009 by $34,248, or approximately 27.4%.

During 2010, none of our nonoperating expenses represented cash outlays. Noncash, nonoperating interest expense was $9,469,330 in 2010. This represented a decrease of approximately 43.6% from the 2009 noncash, nonoperating interest expense, due to the suspension of interest accruals and accretions on the 1998 Bonds at June 24, 2010. The 2010 noncash, nonoperating interest expense included $1,730,928 of interest that would have been paid in July 2010, had the Association not filed for bankruptcy protection and had sufficient monies to make its July 2010 debt service payment when due. Noncash, nonoperating

SCDOT deferred license fees and roadway maintenance expense for 2010 are discussed below. Noncash, nonoperating amortization expense for 2010 totaled $3,638,102, a decrease of approximately 1.9% from the 2009 amortization expense of $3,709,929, and decreased the book value of certain assets. The primary asset affected by amortization was the Association's interest in its Original License Agreement with SCDOT. The 2010 amortization expense decreased because amortization of the Association's 1998 Bond issuance costs and underwriters' fees were discontinued at June 24, 2010. (See the "Capital Assets" subsection of the "Capital Assets and Debt Administration" section of this management's discussion and analysis for more information.) The decrease in our total noncash, nonoperating expenses was approximately 37.2% in 2010.

Under its Original License Agreement with the SCDOT, the Association was obligated to pay license fees and roadway maintenance amounts to SCDOT. The license fees were $125,000 per month for a period of twenty-five years and $1.00 per month for the remainder of the term of the license. The obligation to pay license fees began in 2005. The roadway maintenance amounts represent reimbursements to SCDOT for its actual costs of routine maintenance of the Southern Connector highway. The Original License Agreement stated that if toll revenues were not available to pay these fees and amounts when due, unpaid amounts were to accrue interest at 5% per year compounded annually. Payment of these fees and amounts was subordinate to payment of operating costs of the Southern Connector, payment of debt service on both the 1998 Senior and Subordinate Bonds, replenishment of both the 1998 Senior and Subordinate Debt Service Reserve Accounts and transfers to the 1998 Renewal and Replacement Fund. In 2010, since amounts payable to SCDOT were subject to adjustment in the Association's bankruptcy proceedings, accruals were suspended at June 24, 2010. The license fees and roadway maintenance amounts incurred in 2010 were $725,000 and $39,815, respectively. The license fees decreased by approximately 51.7% from 2009 amounts, while the roadway maintenance amounts decreased approximately 56.7% from the 2009 amounts. Interest accrued on the unpaid license fees and roadway maintenance amounts (also suspended at June 24, 2010) totaled $238,973 in 2010, a decrease of approximately 42.4% from 2009 amounts. We recorded these fees and amounts and the related interest as nonoperating expenses. The accumulated balances of license fees, maintenance expense and related interest payable to SCDOT were $8,225,000, $815,601 and $1,401,593, respectively, at December 31, 2010.

In addition to its obligation to reimburse SCDOT for maintenance of the Southern Connector, the Association was further required under its Original License Agreement with SCDOT to periodically repair, renew and replace the Southern Connector's roadway at the Association's cost. In accordance with the terms of the Original Trust Indenture, a renewal and replacement plan was filed with the Trustee upon Substantial Completion of the Southern Connector that presented in detail the projected dates and estimated cost of repairs, renewal and replacement of the toll road components. The Original Trust Indenture required that monies be transferred to a 1998 Renewal and Replacement Fund to pay for the projected costs of repairs and replacements. However, since the funding of this 1998 Fund was subordinate to payment of debt service on the 1998 Bonds, the Association was never been able to transfer monies to that 1998 Renewal and Replacement Fund.

2009 Compared to 2008

Operating revenues in 2009 increased slightly over 2008 amounts, mainly because of the November 2009 increase in toll rates. However, a significant increase in operating expenses caused 2009 operating income to decrease from the 2008 amount by $868,356, to $1,256,153. Total operating revenues increased approximately 0.3% in 2009, and operating expenses increased by approximately 28.4%. Nonoperating revenues, which consisted of interest earned on monies in bank accounts and investments and unrealized gains on investments, decreased approximately 43.6% in 2009 to $379,442. In 2009, the nonoperating expenses exceeded nonoperating revenues by $23,437,986.

In 2009, total operating expenses increased $884,390 over 2008 amounts. Operating expenses increased $1,036,745, or approximately 523.3%, in Trustee fees and costs incurred as a result of our default under the Original Trust Indenture and $156,712, or approximately 28.8%, in professional fees incurred as we continued our efforts to restructure our 1998 Bonds payable.

The increases in 2009 operating expenses discussed above were offset by $309,067, or approximately 13.0%, of net savings or gains incurred in other areas. Expenses incurred for contract services, repairs and maintenance, contract labor, toll highway inspection fees and advertising were trimmed or eliminated, saving $176,856 in 2009. During 2009, we also recognized a gain of $224,035 in spare parts inventory, partly due to recording as spare parts inventory, existing usable items that had been previously expensed and partly due to moving existing equipment to spare parts inventory when that equipment was replaced with new equipment by a vendor at no cost to the Association.

In 2009, we were required to tap further into our 1998 Debt Service Reserve Accounts in order to meet debt service payments. Accordingly, our nonoperating interest revenues decreased by $418,873, or approximately 62.2%. This decrease was partially offset by our 2009 recognition of unrealized gains in the market price of investments held at year-end of $124,974.

During 2009, most of our nonoperating expenses did not require any cash outlays. For 2009, the noncash portion totaled $22,098,930, an increase of approximately 2.9% over the 2008 noncash portion. Noncash, nonoperating interest expense was $16,797,082 in 2009, an approximate 16.1% increase from 2008. This increase was primarily due to the increase in the amount of interest accretions on the capital appreciation bonds under the 1998 Bonds' accretion schedule. Noncash, nonoperating interest expense for 2009 included $1,718,502 of interest that would have been paid in January 2010, had the Association had sufficient monies to make that debt service payment. The 2009 noncash, nonoperating SCDOT deferred license fees and roadway maintenance expense are discussed below. Noncash, nonoperating amortization expense was $3,709,928 for 2009, a decrease of approximately 31.1% from 2008 amounts. The Association's interest in its Original License Agreement with SCDOT was the main asset affected by amortization, and the decrease in amortization was due primarily to the change in the period over which we amortized our interest in the Original License Agreement. (See the "Capital Assets" subsection of the "Capital Assets and Debt Administration" section of this management's discussion and analysis for more information.)

In 2009, noncash, nonoperating SCDOT deferred license fees and maintenance expense were $1,500,000 and $91,920, respectively. SCDOT deferred license fees in 2009 remained unchanged from 2008 amounts. SCDOT 2009 roadway maintenance expense decreased approximately 20.9% from 2008 amounts. In 2009, interest accrued on the unpaid license fees and roadway maintenance amounts totaled $414,817, an increase of approximately 30.2% over the 2008 amount of interest accrued. At December 31, 2009, the accumulated balances of license fees, maintenance expense and related interest payable to SCDOT were $7,500,000, $775,786 and $1,162,620, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets at December 31, 2010 and 2009 consisted of equipment and an intangible asset, the Association's interest in its Original License Agreement with SCDOT. The Association's rights to acquire, construct, finance and operate the Southern Connector Toll Road were granted under the Original License Agreement. We valued our interest in the Original License Agreement at the cost of construction of the Southern Connector, including interest capitalized during the construction period.

The contractual term of the Original License Agreement was for 50 years. However, the Original License Agreement specified that it would terminate at an earlier date upon payment of all of the 1998 Bonds. Since the 1998 Bonds' scheduled payoff was to occur in 2038, we originally determined that it was appropriate to amortize our interest in the Original License Agreement over approximately 37 years, from opening of the Southern Connector Toll Road in 2001 to projected payoff of the 1998 Bonds in 2038.

The Association used this amortization period through 2008. However, in 2009, as payment default on the 1998 Bonds became imminent, the Association determined that it was more appropriate to amortize the Original License Agreement over its full contractual term. Therefore, beginning in 2009, we expensed the unamortized balance of the Original License Agreement over approximately 42 years, through contractual expiration of the Original License Agreement in 2051.

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

	2010	2009	2008
Equipment, Net	$ 245,371	$ 215,808	$ 199,369
Interest in License Agreement with SCDOT, Net	144,919,250	148,490,159	152,061,067
Total Capital Assets, Net	$ 145,164,621	$ 148,705,967	$ 152,260,436

At December 31, 2010, the Association had $145,164,621 invested in capital assets. This amount represented a net decrease of $3,541,346, or approximately 2.4%, from the 2009 amount. The amount invested at December 31, 2009, was $148,705,967, a net decrease of $3,554,469, or approximately 2.3%, from the 2008 amount. Our primary asset was our interest in the Original License Agreement with SCDOT. In 2010, its book value decreased by approximately 2.4% to $144,919,250. This decrease consisted of $3,570,909 of amortization taken during the year. The 2009 carrying amount of our interest in the Original License Agreement had decreased approximately 2.3% to $148,490,159. The decrease was composed of amortization of $3,570,908 taken during 2009.

In 2010, Equipment, Net increased by approximately 13.7%. During 2010, we purchased $60,692 of computer equipment and $49,100 of new transponders. We scrapped fully-depreciated transponders that originally cost $26,940. Depreciation expense for 2010 totaled $80,229. The 2009 increase in Equipment, Net was approximately 8.2%, and was composed of a $10,452 security system, computer equipment totaling $19,631, two $3,200 currency counters and $49,100 of new transponders, offset by 2009 depreciation expense of $69,144. We also scrapped $15,696 (original cost) of fully-depreciated transponders in 2009.

Debt Administration

Long-term debt at December 31, 2010 and 2009 included 1998 Toll Road Revenue Bonds with maturity dates ranging from 2010 to 2038. The balances of these 1998 Bonds payable at December 31, 2010 totaled $326,338,954. Of this amount, $7,300,000 represented principal/accreted maturities due January 2010. (In its 2010 financial statements, the Association followed the guidance in GASB Statement No. 58, which requires that liabilities subject to adjustment in bankruptcy be frozen as of the bankruptcy petition date. Therefore, we stopped accreting our 1998 Bonds payable liabilities at June 24, 2010, and amounts shown as current liabilities remained unchanged from the 2009 balances. The 2009 balances of these 1998 Bonds payable totaled $319,015,289, and included $7,300,000 of principal that was due January 2010. Because toll revenues collected were insufficient to pay the debt service payments due in January 2010, and because the Association had drawn down its 1998 Debt Service Reserve Accounts below the amount required to pay the full debt service amount due on that date, we defaulted on our 1998 Bond debt service payment at that time. The balances of the 1998 Bonds payable increased by $7,323,665, or approximately 2.3%, in 2010 because of accretions on the Series 1998B Senior Capital Appreciation Bonds and on the Series 1998C Subordinate Capital Appreciation Bonds. As discussed above, this increase reflected the suspension of accretion on our 1998 Capital Appreciation Bonds at June 24, 2010. In 2009, the balances of the 1998 Bonds payable increased by $7,963,763 (approximately 2.6%), because of accretions on the 1998 Capital Appreciation Bonds. All of the 1998 Bonds were payable solely by the Association from toll revenues. None were obligations of the State of South Carolina.

As discussed above and in the “Association Operations and Financial Obligations Prior to Confirmation of the Association’s Plan for Adjustment of Debts in Bankruptcy” subsection of the “Economic Factors” section of this management’s discussion and analysis, in order to meet our debt service requirements in 2009 and previous years, we periodically had to withdraw monies from our 1998 Senior and Subordinate Bonds Debt Service Reserve Accounts. From December 2002 through July 2009, a total of $18,799,301 was withdrawn from all 1998 Debt Service Reserve Accounts, including $13,499,301 withdrawn from the 1998 Senior Bonds Debt Service Reserve Account since December 31, 2002, and $5,300,000 withdrawn from the 1998 Subordinate Bonds Debt Service Reserve Account since December 2007. These withdrawals consisted of both principal and interest earned on the monies originally deposited into the 1998 Senior and Subordinate Bonds Debt Service Reserve Accounts. The 1998 Subordinate Bonds Debt Service Reserve Account was essentially depleted with the transfer of monies required to meet the January 2009 debt service requirements. In addition, through our use of 1998 Senior Bonds Debt Service Reserve Account monies to meet a portion of the Association’s July 2009 debt service obligations, that account was drawn down to a balance that, when considered along with toll revenues collected, was insufficient to pay our debt service obligations. Since no payment of 1998 Senior or Subordinate Bonds debt service has been made since July 2009, the Association has defaulted on all debt service payments scheduled under the Original Trust Indenture since January 2010.

Over the years, the deterioration of the Association’s financial position led to a series of downgrades in the ratings of our 1998 Senior Bonds. Initially, Standard and Poor’s Rating Service (“S&P”) rated our Series 1998A Bonds and Series 1998B Bonds as *BBB-*. S&P affirmed the *BBB-* rating in January 2002; however, with a negative outlook. As traffic counts remained at levels well below those projected in the 1997 WS Study and as we continued using monies from our 1998 Debt Service Reserve Accounts to meet debt service requirements, in January 2003, the ratings were downgraded to *B-* and the outlook revised from negative to stable. S&P affirmed these ratings in January 2004, 2005 and 2006. In August 2007, because of the escalating debt service requirements and the Association’s pending failure to meet the bond revenue covenant discussed above in the “Association Operations and Financial Obligations Prior to Confirmation of the Association’s Plan for Adjustment of Debts in Bankruptcy” subsection of the “Economic Factors” section of this management’s discussion and analysis, S&P lowered the ratings of the 1998 Senior Bonds to *CCC*. S&P’s outlook remained stable. In August 2008, after consideration of the Association’s ongoing deterioration of financial position and the expected debt service payment defaults in January 2010, S&P further downgraded the rating of our Series 1998A Bonds and Series 1998B Bonds to *CC* with a negative outlook. In November 2009, S&P lowered the rating to *C* from *CC* and placed the rating on CreditWatch with negative implications. Upon the payment default in January 2010, S&P downgraded the rating of our Series 1998A Bonds and Series 1998B Bonds from *C* to *D*. Our Series 1998C Subordinate Capital Appreciation Bonds have never been rated.

See the “Association Operations and Financial Obligations Prior to Confirmation of the Association’s Plan for Adjustment of Debts in Bankruptcy” subsection of the “Economic Factors” section of this management’s discussion and analysis for additional information regarding debt administration, including the notices of default under the Original Trust Indenture and the Original License Agreement issued by the 1998 Senior Bonds Trustee and SCDOT, respectively, and the Association’s efforts to restructure its debts.

SUBSEQUENT EVENTS

This section of our management’s discussion and analysis presents a summary of certain key provisions of the Association’s Plan that was confirmed by the U.S. Bankruptcy Court on April 1, 2011 and that became effective April 21, 2011. More detailed information regarding our bankruptcy proceedings may be found on our website, www.SouthernConnector.com. Specifically, complete copies of the

Association's Plan, the Plan documents and other bankruptcy filings, notices and Court Orders may be found on our website under the *Bankruptcy Filing* link under the *News & Filings* tab.

A confirmation hearing was held on March 25, 2011, and on April 1, 2011, the Bankruptcy Court entered its Confirmation Order approving and confirming the Plan. Since no appeals to the Bankruptcy Court's Confirmation Order were filed and the other conditions to effectiveness were satisfied, the Plan became effective April 21, 2011.

The Plan is implemented by the First Amended and Restated Master Indenture of Trust (the "Amended Trust Indenture"), and the First Amendment to the License Agreement between the Association and SCDOT (the "Revised License Agreement"). Under the Plan, Amended and Restated Bonds (the "2011 Bonds") were issued in exchange for the 1998 Bonds, the Association's prior obligations to SCDOT for license fees and roadway maintenance reimbursements were forgiven, and $800,000 of the excess collateral Repurchase Agreement securities was repaid to Lehman Brothers, Inc. The Amended Trust Indenture establishes new 2011 Trust Funds and Accounts into which commencing April 1, 2011 toll revenues will be deposited and from which debt service payments on the 2011 Bonds and certain payments for the benefit of SCDOT will be made. The Amended Trust Indenture also establishes a new flow of funds schedule (the "New Waterfall") that defines the order and priority in which amounts deposited into the 2011 Revenue Fund may be distributed. The Revised License Agreement with SCDOT eliminates our obligations to SCDOT for future highway maintenance, repair, renewal and replacement costs beyond making certain deposits into a 2011 Renewal and Replacement Fund (the "R&R Fund") as discussed below, and amends the manner in which toll rates for the Southern Connector are set.

Amended and Restated 2011 Bonds and Terms of the Amended Trust Indenture

On April 21, 2011, 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 2011 Bonds are dated April 1, 2011, and accrete interest from that date. The 2011 Bonds consist of Series 2011A Bonds and Series 2011B Bonds (exchanged for the 1998 Senior Bonds) and Series 2011C Bonds (exchanged for the 1998 Subordinate Bonds).

The Series 2011A Bonds total $126,899,826 aggregate original principal amount of Senior Capital Appreciation Toll Road Revenue Bonds (Southern Connector Project, Greenville, South Carolina), Series 2011A, consisting of serial bonds maturing January 1 of the years 2012 through 2022 (inclusive) and three term bonds, each subject to prior pro-rata paydown, maturing January 1, 2032, January 1, 2042 and July 22, 2051. The Series 2011A Bonds are secured by a lien on the 2011 Trust Estate, including the Revenues of the Southern Connector and a collateral assignment of the Association's rights under the Revised License Agreement. Payments on the Series 2011A Bonds are expected to equal approximately 71.5% of the Association's net revenues (after operating costs) in each year projected in accordance with the Revised Traffic Study.

The Series 2011B Bonds total $21,085,708 aggregate original principal amount of Senior Subordinate Capital Appreciation Toll Road Revenue Bonds (Southern Connector Project, Greenville, South Carolina), Series 2011B consisting of two term bonds, each subject to prior pro-rata paydown, maturing January 1, 2032 and July 22, 2051. The Series 2011B Bonds are secured by a lien on the 2011 Trust Estate. The Series 2011B Bonds are subordinated to the Series 2011A Bonds in all respects, including in right of payment and priority of liens. Payments on the Series 2011B Bonds are expected to equal approximately 16.5% of the Association's net revenues (after operating costs) in each year projected in accordance with the Revised Traffic Study.

The Series 2011C Bonds total $2,160,434 aggregate original principal amount of Junior Subordinate Capital Appreciation Toll Road Revenue Bonds (Southern Connector Project, Greenville, South Carolina), Series 2011C maturing, subject to prior pro-rata paydown, on July 22, 2051. The Association's obligations in respect of the Series 2011C Bonds are secured by a lien on the 2011 Trust

Estate. The Series 2011C Bonds are subordinated to the Series 2011A Bonds and Series 2011B Bonds in all respects, including in right of payment and priority of liens. Payments on the Series 2011C Bonds are expected to equal approximately 2.0% of the Association's net revenues (after operating costs) in each year projected in accordance with the Revised Traffic Study.

The Association has determined that the issue price of the 2011 Bonds at the Plan's effective date of April 21, 2011, was $150,690,865.69, and reflected accretions on such bonds since April 1, 2011. We have been advised that the original issue discount on the 2011 Bonds is excludable from gross income of the holders of our 2011 Bonds for federal income tax purposes. Additional information concerning the tax treatment of the 2011 Bonds may be obtained from our General Manager upon written request. (See the "Contacting the Connector 2000 Association, Inc." section of this management's discussion and analysis for contact information.)

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

The Amended Trust Indenture provides certain remedies if the Association fails to make any payment in respect of the Series 2011A Bonds or if another event of default occurs, but like the Original Trust Indenture, does not provide any right to accelerate the maturity of the 2011 Bonds. Also, only a payment default on the Series 2011A Bonds constitutes an event of default under the Amended Trust Indenture. Any payment defaults on the Series 2011B or 2011C Bonds cause those unpaid amounts to accrue interest at the respective 2011 Bond interest rate as "Arrearages" which are payable at a later date when distributable cash is sufficient. If an event of default occurs, the 2011 Bonds Trustee (the "New 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 Subordinate Bonds Trustee was eliminated under the Amended Trust Indenture.

Under the Amended Trust Indenture, the Association will maintain a 2011 Debt Service Reserve Fund (the "New Reserve Fund") to pay shortfalls in debt service on the Series 2011A Bonds (and, once all Series 2011A Bonds have been redeemed, on the Series 2011B Bonds, and once all Series 2011B Bonds have been redeemed, on the Series 2011C Bonds). The New Reserve Fund will initially be funded by amounts remaining (as defined in the Amended Trust Indenture) in the 1998 Revenue, 1998 Debt Service and 1998 Debt Service Reserve Funds established under the Original Trust Indenture after payment of costs of the bankruptcy proceeding. If any payments are made from the New Reserve Fund, the Amended Trust Indenture requires that the balance in the New Reserve Fund be restored before any payments may be made in respect of the 2011B or 2011C Bonds.

Under the terms of the Amended Trust Indenture, beginning April 1, 2011, the Association's revenues are delivered to the New Trustee for deposit into the 2011 Revenue Fund. The New Waterfall defined in the Amended Trust Indenture establishes the flow of funds schedule under which the New Trustee may withdraw amounts deposited into the 2011 Revenue Fund.

Whether an Event of Default has occurred and is then continuing or otherwise, in each fiscal year amounts in the Revenue Fund of the Amended Trust Indenture shall be applied for the purposes and in the priority set forth in Section 505 of the Amended Trust Indenture, which include payments to the R&R Fund to reimburse SCDOT for a portion of the highway maintenance costs as described below (some of which R&R Fund deposits are paid before transfers for Debt Service on the Amended and Restated Bonds) and to pay the Debt Service of the Amended and Restated Bonds as and to the extent specified therein. See, "VII. Discussion of the Plan, B. Summary of the Plan Terms, 2 Distribution of Net Revenues" beginning at page 38 of the Amended Disclosure Statement and Section 505 of the Amended

Trust Indenture, each of which are available for review on the Association's website. See "Contacting the Connector 2000 Association, Inc.", below.

At the date this management's discussion and analysis was written, our preliminary calculations indicate that, in 2011, we will recognize an extraordinary gain of approximately $175,800,000 from the adjustment of our bonds payable liabilities to reflect the exchange of the 1998 Bonds for the 2011 Bonds.

Revised License Agreement with SCDOT

Under the terms of the Plan, in exchange for the agreement of the Association under the Amended Trust Indenture to make transfers from the Revenue Fund to the R&R Fund equal to a percentage of the net revenues of the operation of the toll road, SCDOT entered into the Revised License Agreement and released all its claims against the Association that existed as of the Plan's effective date of April 21, 2011. Accordingly, in 2011, we will recognize an extraordinary gain of approximately $10,400,000 from the forgiveness of accrued license fees, roadway maintenance fees and accumulated interest payable to SCDOT.

The Association's Revised License Agreement with SCDOT became effective April 21, 2011. Under the Revised License Agreement, SCDOT has assumed the obligation for the future highway maintenance, repair, renewal and replacement and related costs of the Southern Connector in the same manner as any other State-owned interstate road. Neither the Association nor the New Trustee or 2011 Bondholders will be responsible for any highway maintenance, repair, renewal or replacement. Instead, the Association's sole obligation related to highway maintenance, repair, renewal or replacement will be to make certain deposits into the R&R Fund as required under the New Waterfall discussed above. The Association will not be responsible for maintaining insurance against any casualty or damage to the Southern Connector other than the toll facilities. The Association will be responsible for future toll facilities maintenance and related costs, which will be payable as an operating cost from the available toll revenues.

Monies will be deposited into the R&R Fund periodically in accordance with the New Waterfall. Upon request of SCDOT, the Association will requisition such funds from the New Trustee to be distributed to SCDOT as reimbursement for its costs of maintaining, repairing, renewing and replacing the Southern Connector. In addition, the Association agreed in the New License Agreement to reimburse SCDOT for its direct cost of such maintenance, repair, renewal and replacement in excess of the amount so distributed from the R&R Fund; however, any such additional reimbursement will only be payable after all of the 2011 Bonds are repaid and will require an extension of the term of the New License Agreement.

Under the Revised License Agreement, SCDOT has no right to terminate the Revised License Agreement based on insolvency of the Association.

Toll Rates

Toll rates under the Amended Trust Indenture and the Revised License Agreement are initially established at amounts equal to the revised rates set forth in the Revised Traffic Study. (See the "Association Operations and Financial Obligations Prior to Confirmation of the Association's Plan for Adjustment of Debts in Bankruptcy" subsection of the "Economic Factors" section of this management's discussion and analysis for more information regarding the Revised Traffic Study.) Toll rates may from time to time be revised to the optimum rates for the Southern Connector as then estimated by an independent toll rate consultant selected by the Association. The Amended Trust Indenture lists the circumstances under which we are required to retain a toll rate consultant to perform a new toll rate study. Although the Revised License Agreement contains provisions that allow SCDOT to approve the consultant hired by us to perform any new toll rate study, neither SCDOT nor the State of South Carolina will be responsible for the adequacy of any toll rates charged by the Association for purposes of satisfying our obligations to third parties.

Lehman Brothers, Inc. Claim for Return of Excess Collateral

Although the Lehman Brothers, Inc. claim (discussed in further detail above in the "Net Assets (Deficit)" subsection of the "Financial Analysis" section of this management's discussion and analysis) was identified as an impaired claim in the Plan, its resolution was settled consensually among the pertinent parties during April 2011. Under the terms of the resolution, we returned $800,000 to Lehman Brothers, Inc. The remaining monies held in the Repurchase Agreement Suspense Account are deemed to be the Association's property. Accordingly, in 2011, we will recognize an extraordinary gain of approximately $300,000 from the settlement of the Lehman Brothers' claim.

Permanent Injunction

The Plan contains an injunction that permanently enjoins all parties having a claim against the Association at or that arose prior to the Plan's effective date of April 21, 2011, from enforcing, levying, collecting or recovering such claim, except as provided in the terms of the Plan.

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 section 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 ASSETS - PROPRIETARY FUND

DECEMBER 31, 2010 AND 2009

	Business-Type Activities - Enterprise Fund	
ASSETS	**2010**	**2009**
Current Assets:		
Cash and Cash Equivalents	$ 611,972	$ 557,908
Investments	-	231,071
Prepaid Expenses	44,655	44,505
Inventory	318,964	320,904
Total Current Assets	975,591	1,154,388
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	947,534	536,906
Investments	4,374,092	4,393,150
Total Restricted Assets	5,321,626	4,930,056
Capital Assets:		
Equipment	902,074	819,222
Interest in License Agreement with SCDOT	192,486,826	192,486,826
Less: Accumulated Depreciation and Amortization	(48,224,279)	(44,600,081)
Total Capital Assets	145,164,621	148,705,967
Other Assets:		
Bond Issuance Costs (Net of Accumulated Amortization of $777,480 and $747,175, respectively)	1,580,650	1,610,955
Underwriters' Fees (Net of Accumulated Amortization of $946,368 and $909,480, respectively)	1,924,232	1,961,120
Total Other Assets	3,504,882	3,572,075
TOTAL ASSETS	**154,966,720**	**158,362,486**
LIABILITIES		
Current Liabilities:		
Accounts Payable	692,350	142,433
Potential Excess Collateral Liability	1,117,498	1,117,498
Deferred Toll Revenue	236,856	217,519
Transponder Deposits	16,922	15,465
Revenue Bonds Payable, Current Portion	7,300,000	7,300,000
SCDOT Deferred Maintenance Payable	815,601	775,786
SCDOT Deferred License Fee Payable	8,225,000	7,500,000
Accrued Interest on SCDOT Deferred Maintenance and License Fee	1,401,593	1,162,620
Amounts Payable from Restricted Assets:		
Accrued Interest Payable	3,625,194	1,718,502
Total Current Liabilities	23,431,014	19,949,823
Noncurrent Liabilities:		
Revenue Bonds Payable, Less Current Portion	319,038,954	311,715,289
Total Noncurrent Liabilities	319,038,954	311,715,289
TOTAL LIABILITIES	**342,469,968**	**331,665,112**
NET ASSETS (DEFICIT)		
Invested in Capital Assets, Net of Related Debt	(58,891,728)	(55,505,123)
Unrestricted	(128,611,520)	(117,797,503)
TOTAL NET ASSETS (DEFICIT)	**$ (187,503,248)**	**$ (173,302,626)**

The notes to the basic financial statements are an integral part of these statements.
See accompanying independent auditors' 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 ASSETS - PROPRIETARY FUND

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-Type Activities - Enterprise Fund	
OPERATING REVENUES	**2010**	**2009**
Toll Revenues	$ 5,331,105	$ 5,253,494
Other Toll Road Revenues	1,854	969
TOTAL OPERATING REVENUES	**5,332,959**	**5,254,463**
OPERATING EXPENSES		
Automobile	17,495	14,384
Bank Fees and Charges	3,056	3,150
Contract Labor	9,734	15,631
Contract Services	38,614	298,782
Credit Card Discount Fees	60,931	58,101
Employee Benefits	214,224	206,258
Miscellaneous	16,622	(204,483)
Office Supplies	26,086	27,524
Payroll Taxes	90,891	86,341
Repairs and Maintenance	104,011	49,034
Salaries	1,195,466	1,156,556
Telephone	27,141	26,481
Utilities	84,094	81,650
Advertising	400	-
Depreciation	80,229	69,144
Insurance	140,669	143,990
Marketing	25,166	30,687
Professional Fees	808,081	700,204
Trustee Fees and Costs	3,030,754	1,234,876
TOTAL OPERATING EXPENSES	**5,973,664**	**3,998,310**
OPERATING INCOME (LOSS)	**(640,705)**	**1,256,153**
NONOPERATING REVENUES (EXPENSES)		
Interest Earned on Cash Equivalents and Investments	221,604	254,468
Realized and Unrealized Gain (Loss) on Investments	90,726	124,974
Interest Expense	(9,469,330)	(18,515,580)
SCDOT Maintenance Expense	(39,815)	(91,920)
SCDOT License Fees	(725,000)	(1,500,000)
Amortization for:		
Interest in License Agreement with SCDOT	(3,570,909)	(3,570,908)
Bond Issuance Costs	(30,305)	(62,700)
Underwriters' Fees	(36,888)	(76,320)
TOTAL NONOPERATING REVENUES (EXPENSES)	(13,559,917)	(23,437,986)
DECREASE IN NET ASSETS	(14,200,622)	(22,181,833)
NET ASSETS (DEFICIT), Beginning of Year	(173,302,626)	(151,120,793)
NET ASSETS (DEFICIT), End of Year	**$ (187,503,248)**	**$ (173,302,626)**

The notes to the basic financial statements are an integral part of these statements.
See accompanying independent auditors' 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

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-Type Activities - Enterprise Fund	
CASH FLOWS FROM OPERATING ACTIVITIES	**2010**	**2009**
Receipts from:		
Toll Collections	$ 5,351,899	$ 5,263,536
Other Toll Road Operations	1,854	969
Payments for:		
Toll Road Employees and Contract Labor	(1,510,315)	(1,464,786)
Vendors and Service Providers	(3,831,413)	(2,690,696)
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,025	1,109,023
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(109,792)	(85,583)
Principal Paid on Bonds Payable	-	(6,700,000)
Interest Paid on Bonds Payable	-	(3,460,624)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(109,792)	(10,246,207)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Investments	340,855	325,036
Interest Received	221,604	254,519
NET CASH PROVIDED BY INVESTING ACTIVITIES	562,459	579,555
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**464,692**	**(8,557,629)**
CASH AND CASH EQUIVALENTS, Beginning of Year	1,094,814	9,652,443
CASH AND CASH EQUIVALENTS, End of Year	**$ 1,559,506**	**$ 1,094,814**

Reconciliation of Cash and Cash Equivalents - Statements of Cash Flows to Statements of Net Assets		
Unrestricted Cash and Cash Equivalents - Current Assets	$ 611,972	$ 557,908
Restricted Cash and Cash Equivalents - Noncurrent Assets	947,534	536,906
Total Cash and Cash Equivalents Shown on Statement of Net Assets	**$ 1,559,506**	**$ 1,094,814**

(CONTINUED)

The notes to the basic financial statements are an integral part of these statements.
See accompanying independent auditors' 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 **(CONTINUED)**

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-Type Activities - Enterprise Fund	
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES	**2010**	**2009**
Operating Income	$ (640,705)	$ 1,256,153
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	80,229	69,144
Change In:		
Prepaid Expenses	(150)	(6,973)
Inventory	1,940	(232,614)
Accounts Payable	549,917	13,271
Deferred Toll Revenue	19,337	9,697
Transponder Deposits	1,457	345
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 12,025	$ 1,109,023
NONCASH INVESTING, CAPITAL, AND FINANCING ITEMS		
Amortization of Interest in License Agreement with SCDOT	$ 3,570,909	$ 3,570,908
Amortization of Bond Issuance Costs	30,305	62,700
Amortization of Underwriters Fees on Bonds	36,888	76,320
Amortization of Original Issue Discount on Series 1998A Bonds	38,802	80,280
Interest Accreted on Series 1998B and 1998C Bonds	7,284,863	14,583,483
Accrual of Interest Payable	1,906,692	1,718,502
SCDOT Deferred Maintenance	39,815	91,919
SCDOT Deferred License Fees	725,000	1,500,000
Accrued Interest on SCDOT Deferred Maintenance and License Fee	238,973	414,818
TOTAL NONCASH INVESTING, CAPITAL, AND FINANCING ITEMS	$ 13,872,247	$ 22,098,930

The notes to the basic financial statements are an integral part of these statements.
See accompanying independent auditors' 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 has 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 "Code"). The Association was formed to assist the South Carolina Department of Transportation ("SCDOT") in the financing, acquisition, construction, and operation of turnpikes, highway projects, and other transportation facilities.

Although the Association was formed in 1996, its first financial activity occurred during February, 1998. At that time, the Association entered into a license agreement (the "Original 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") and to construct the South Carolina Highway 153 Extension (the "SC 153 Extension") (collectively, the "Projects"). Toll road revenue bonds (the "Bonds") were issued on February 11, 1998 pursuant to a Master Indenture of Trust and a First Supplemental Indenture of Trust, each dated as of February 1, 1998 (together, the "Original Trust Indenture") between the Association and U.S. Bank, National Association, as successor in trust to First Union National Bank, as trustee (the "Trustee"), to finance the construction of the Southern Connector. Capitalized terms not otherwise defined in these notes are intended to have the meaning assigned in the Original Trust Indenture, if defined therein.

The Association is only responsible for financing the Southern Connector portion of the Projects. The SCDOT provided financing for the SC 153 Extension portion of the Projects. The accompanying basic financial statements do not include any assets, liabilities or expenses related to the SC 153 Extension.

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 because of its fiscal dependence upon the SCDOT, and the fact that under the Original License Agreement the SCDOT also determines the toll rates that will be charged. The Association is governed by a Board of Directors approved by the SCDOT.

The basic 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 must be approved by the SCDOT, and (c) upon dissolution of the Association, all of the Association's net assets will revert to the SCDOT, the Association meets the criteria set forth in the definition of a governmental entity. Accordingly, the accompanying basic 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 basic financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of an entity (the "Primary Government").

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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-type activities.

Government-wide basic 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.

Since the Association is a special purpose entity engaged in only business-type activities, it is required to only present basic financial statement information as required for enterprise funds (not allowed to present government-wide basic 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. There are a minimum number of funds 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 based on the economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Association has implemented the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* during 2010 and thus the Association applies all applicable GASB pronouncements. 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 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Association generally follows the authoritative guidance in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Fund and Governmental Entities That Use Proprietary Fund Accounting,* to distinguish operating from nonoperating revenues and expenses. Thus, the principal operating revenues of the Association 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 of equipment, professional fees, and trustee fees and costs. Nonoperating revenues primarily include interest earned on cash equivalents and investments and realized and unrealized gains on investments. Nonoperating expenses primarily include (a) amortization of (i) the Association's intangible interest in the Original License Agreement with SCDOT, (ii) bond issuance costs and (iii) underwriters' fees, (b) interest expense on the Association's debt, (c) license fees to the SCDOT, (d) maintenance expenses to the SCDOT, (e) interest on unpaid license fees and maintenance expenses to SCDOT, and (f) realized and unrealized losses on investments.

In years prior to 2001, the Association was considered to be in the Development Stage since its activities consisted of construction of the Southern Connector. In 2001, upon commencement of toll road operations, the Association ceased development stage accounting for its activities.

C. Use of Estimates

The preparation of basic 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 basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 (as defined in the Original Trust Indenture) expenses. 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 basic 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 basic 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 basic financial statements as "cash and cash equivalents" of the Association represent cash on hand, deposits in banks, and funds invested in open ended money market mutual funds.

F. Investments

The Original Trust Indenture requires that all bond proceeds received by the Association be held in trust to be expended in accordance with its guidelines. All monies held in trust that are not insured by the Federal Deposit Insurance Corporation ("FDIC") must be secured by and/or invested in investment securities as defined in the Original 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 (Note 2). The Association's investments are stated at fair market value (quoted market price or the best available estimate thereof).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

All of the Association's receivables are reported net of any allowances for uncollectible amounts and any discounts.

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 basic financial statements. All inventories are valued at cost using the first-in/first-out method ("FIFO").

I. Interest in Original License Agreement with SCDOT

In the Original License Agreement, the SCDOT grants to the Association various rights and obligations pertaining to the financing, acquisition, construction, and operation of the Southern Connector and construction of the SC 153 Extension. The terms of the Original License Agreement provide that the Association finance and construct the Southern Connector and with financing provided by the SCDOT construct the SC 153 Extension. However, the SCDOT at all times retained fee simple title to the Southern Connector and to the SC 153 Extension, to all real property and improvements thereon, and to all rights-of-way acquired during construction.

The Southern Connector was opened for traffic on February 27, 2001, and began collecting tolls on March 14, 2001. In 2001, the Southern Connector attained Substantial Completion. On December 22, 2003, the Southern Connector attained Final Completion. Beginning one year after the date of Final Completion, the Association was required to begin to pay a monthly license fee to SCDOT (See Note 5 for further details).

The Association's interest in the Original License Agreement constitutes an intangible asset relating to the Southern Connector that began generating revenues upon commencement of operations. In order to account for its interest in the Original License Agreement, the Association capitalized all costs of acquisition and construction of the Southern Connector, including interest expense incurred during the construction period. (See Note 1, item P.) Upon commencement of operations, the Association began amortizing its interest in the Original License Agreement. See Note 5 for a description of this amortization.

The Association's basic financial statements do not reflect any of the costs of construction of the SC 153 Extension because those costs were directly financed and paid by the SCDOT.

J. Restricted Assets

Certain proceeds of the Bonds are restricted by applicable bond covenants for construction, payment of operating, and other expenses, or are set aside as reserves for repayment of the Bonds. Certain other assets are accumulated and restricted on a monthly basis in accordance with the Original Trust Indenture for the purposes of paying debt interest payments, due on a semiannual basis, and principal payments, due on an annual basis, and for the purpose of maintaining reserve funds at the required levels.

The Original Trust Indenture provisions govern payments from the restricted accounts. Limited types of expenses may be funded from these restricted accounts. The funds and accounts are established as follows:

The *Construction Fund* was established for purposes of holding bond proceeds and investment earnings, which were used to pay the costs of constructing the Southern Connector. As of December 31, 2010 and 2009, there were no funds on deposit in the Construction Fund.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Restricted Assets (Continued)

The Trustee is obligated to transfer money on a monthly basis from the Revenue Fund to the other various funds established under the Original Trust Indenture in the priority listed below:

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

2. The Association shall transfer amounts to the Rebate Fund so that the amounts deposited equal the required amounts (if any).

3. The Trustee shall transfer to the Senior Bonds Debt Service Account amounts which, when added to other amounts in the Senior Bonds Debt Service Account, and available for such purposes, will provide for the accumulation, in substantially equal monthly installments, of the amounts required to pay the sum of:

   a. any interest to become due and payable on each series of outstanding Senior Bonds on the next interest payment date (within the next six months) for such Series; and

   b. any principal installments to become due and payable on any series of outstanding Senior Bonds on or before the next date (within the next 12 months) on which such principal installment is payable.

4. If the Senior Bonds Debt Service Reserve Account contains less than the Senior Bonds Debt Service Reserve Account Requirement, the Trustee shall transfer into the Senior Bonds Debt Service Reserve Account, an amount equal to 1/24 of the Senior Bonds Debt Service Reserve Account Requirement or the amount needed to attain the Senior Bonds Debt Service Reserve Account Requirement, whichever is less. The transfers shall continue until the Senior Bonds Debt Service Reserve Account contains the Senior Bonds Debt Service Reserve Account Requirement.

5. The Trustee shall transfer to the Subordinate Bonds Debt Service Account amounts which, when added to other amounts in the Subordinate Bonds Debt Service Account and available for such purposes, will provide for the accumulation, in substantially equal monthly installments, or otherwise as may be provided in any Supplemental Indenture, of the amounts required to pay the sum of:

   a. any interest to become due and payable on each series of outstanding Subordinate Bonds (within the next six months) on the next interest payment date for such Series; and

   b. any principal installments to become due and payable on any series of outstanding Subordinate Bonds on or before the next date (within the next 12 months) on which such principal installment is payable.

6. If the Subordinate Bonds Debt Service Reserve Account contains less than the Subordinate Bonds Debt Service Reserve Account Requirement, the Trustee shall transfer into the Subordinate Bonds Debt Service Reserve Account, an amount equal to 1/60 of the Subordinate Bonds Debt Service Reserve Account Requirement or the amount needed to attain the Subordinate Bonds Debt Service Reserve Account Requirement, whichever is less. All transfers shall continue until the Subordinate Bonds Debt Service Reserve Account contains the Subordinate Bonds Debt Service Reserve Account Requirement.

7. After the date of Final Completion of the Southern Connector Project, the Trustee shall deposit into the Renewal and Replacement Fund the amounts included in the annual budget of the Association, which are required pursuant to the Renewal and Replacement Plan then in effect under the Original License Agreement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Restricted Assets (Continued)

8. The Trustee shall pay to SCDOT amounts certified by an Authorized Association Representative as being due SCDOT for (i.) the Maintenance Costs reimbursable to SCDOT under the Original License Agreement, together with any accruals from prior periods and interest owed thereon under the Original License Agreement and (ii.) any reimbursements to SCDOT for condemnation awards for rights of way for the Southern Connector Project in excess of the amounts reserved therefor on the Completion Date.

9. The Trustee shall pay amounts certified by an Authorized Association Representative as being due SCDOT for the License Fee owing to SCDOT under the Original License Agreement, together with any accruals from prior periods and any interest owed thereon under the Original License Agreement.

10. Money remaining in the Revenue Fund shall be used by the Trustee to make or provide for all deposits, payments, or transfers certified by an Authorized Association Representative as being required by any agreement or other instrument creating or evidencing any obligation of the Association which is not a Senior Bond or Subordinate Bond, at the time and in the amount provided for in such instrument.

11. The Trustee shall transfer any money remaining in the Revenue Fund at the end of any fiscal year to the Program Fund.

The *Debt Service Fund***,** consisting of the Senior Bonds Debt Service Account and the Subordinate Bonds Debt Service Account**,** was established as a sinking fund for the payment of interest and principal on the Bonds.

The *Debt Service Reserve Fund,* consisting of the Senior Bonds Debt Service Reserve Account and the Subordinate Bonds Debt Service Reserve Account, was established for the purpose of paying bond interest and maturing principal in the event that monies held in the Debt Service Fund and other funds would be insufficient for such purposes.

The *Renewal and Replacement Fund* was established for the purpose of holding monies in reserve to pay the costs of reconstruction, renewal, repair, and replacement of the Southern Connector. At December 31, 2010 and 2009, there were no funds on deposit in this Fund.

The *Program Fund,* consisting of the Retained Balance and the General Account, was established to hold monies in reserve to pay debt service if monies in other accounts are insufficient for such purpose and to pay other fees and costs as defined in the Original Trust Indenture. At December 31, 2010 and 2009, there were no funds on deposit in this Fund.

The *Rebate Fund* was established for the purpose of holding and paying arbitrage investment earnings to the U.S. Treasury. As a result of investing tax exempt bond proceeds at rates of return not exceeding the maximum amount that is permitted under the applicable tax code, at December 31, 2010 and 2009, there were no funds on deposit in this Fund.

K. Compensated Absences

The Association grants its regular full time employees 10 paid vacation days 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 year end there are no accumulating vacation or holiday benefits, thus there is no liability that must be recognized. At December 31, 2010 and 2009, no liability or expense was recorded in these basic financial statements for such items.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets

All capital assets, including the Association's intangible interest in its Original License Agreement with SCDOT, are stated at cost. The Association adopted asset capitalization policies recommended by the State of South Carolina's Office of Comptroller General.

Pursuant to this policy, equipment with costs greater than $5,000 and intangible assets with costs in excess of $100,000 are capitalized. Equipment depreciation is computed using the straight-line method over the equipment's estimated useful life between four and ten years. The Association's interest in its Original License Agreement with SCDOT is amortized as described in Note 5. When capital assets are disposed of, the cost and accumulated depreciation are removed from the books. The resulting gain or loss is included in operations.

M. Bonds Payable and Related Bond Issuance Costs, Discounts, and Fees

The current and non-current portions of bonds payable are recorded as liabilities in the accompanying Statements of Net Assets. Bond issuance costs, discounts, and underwriters' fees on all bonds are deferred and amortized over the terms of the Bonds. Bond discounts are amortized using the Bonds outstanding method, which approximates the effective interest method. Bond issuance costs and underwriters' fees are amortized using the straight-line method.

Bond discounts are presented as a reduction of the face amount of the related Bonds payable whereas bond issuance costs and underwriters' fees are recorded as other assets.

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, 2010 and 2009, the Association did not have any arbitrage liability.

O. Net Assets

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

Invested in capital assets, net of related debt — Consists of capital assets, including restricted capital assets, net of accumulated depreciation and amortization, and 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 (including the accreted interest liability that was capitalized during the Association's Development Stage).

Restricted net assets — Consists of net assets 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 asset categories are negative, the negative balance is eliminated and reclassified against unrestricted net assets.

Unrestricted net assets — All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Net Assets (Continued)

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

The Association's net deficit at December 31, 2010 and 2009 has resulted from shortfalls since commencement of operations due to lower than expected traffic and toll revenue.

P. Interest Capitalization

In accordance with FASB Statement No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, the Association capitalized the interest costs incurred during the construction of the Southern Connector. The amount of interest capitalized for assets constructed with tax-exempt borrowings consisted of the interest cost of the borrowings, including amortization of the original issue discount, less interest earned on the related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings, incurred prior to commencement of toll road operations.

Q. Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

The Association's Original Trust Indenture requires that all 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: obligations of, or 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 counter-party 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 Original Trust Indenture (as noted earlier). As of December 31, 2010 and 2009, approximately $698,000 and $222,000 of the Association's bank balances of approximately $1,550,000 and $1,239,000 (with a carrying value of $1,559,506 and $1,325,885), respectively, were uninsured and uncollateralized. None of the deposits noted above were held by the South Carolina State Treasurer.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

As of December 31, 2010 and 2009, the Association had the following investments as defined by GASB:

Investment Type	Credit Rating ^	Fair Value	Percentage of Total Investments	Weighted Average Maturity (In Years)
December 31, 2010:				
FNMA Securities *	NR	$ 4,374,092	100.0%	21.420
Total Fair Value/Weighted Average Maturity		$ 4,374,092		21.420
December 31, 2009:				
FNMA Securities *	NR	$ 4,393,150	100.0%	22.420
Total Fair Value/Weighted Average Maturity		$ 4,393,150		22.420

^ If available, credit ratings are from Standard & Poor's, Moody's Investors Service and Fitch Ratings.
* Fannie Mae guaranteed REMIC pass-through certificates.
NR – Not rated.

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 guidelines outlined in the Association's Original Trust Indenture (as noted earlier).

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, 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 Original Trust Indenture (as noted earlier). As of December 31, 2010 and 2009, 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 Original Trust Indenture (as noted earlier).

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.

As a result of Lehman Brothers' bankruptcy in 2008, Lehman Brothers defaulted on the repurchase agreement and thus the custodian transferred the collateral/securities (agency securities) to the Trustee. See Note 11 for more details.

The investment types listed in the preceding table include only the investment types in which monies were held as of December 31, 2010 and 2009. None of the investments above were with the South Carolina State Treasurer.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The following schedule reconciles deposits and investments within the footnotes to the amounts in the statement of net assets:

Statements of Net Assets			Notes		
	2010	2009		2010	2009
Unrestricted Current Assets:					
Cash and Cash Equivalents	$ 611,972	$ 557,908	Deposits	$ 1,559,506	$ 1,325,885
Investments	-	231,071	Investments	4,374,092	4,393,150
Restricted:					
Cash and Cash Equivalents	947,534	536,906			
Investments	4,374,092	4,393,150			
	$ 5,933,598	$ 5,719,035		$ 5,933,598	$ 5,719,035

See Note 1, item J and Note 8 for additional information about restrictions on deposits and balances of the various Trust Funds at December 31, 2010 and 2009.

NOTE 3 – RECEIVABLES

At December 31, 2010 and 2009, the Association had no interest 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, 2010 and 2009:

Description	Balance December 31, 2009	Additions	Disposals	Balance December 31, 2010
Capital Assets:				
Interest in License Agreement with SCDOT	$ 192,486,826	-	-	$ 192,486,826
Equipment	819,222	109,792	(26,940)	902,074
Subtotal Capital Assets	193,306,048	109,792	(26,940)	193,388,900
Less: Accumulated Depreciation/Amortization:				
Interest in License Agreement with SCDOT	43,996,667	3,570,909	-	47,567,576
Equipment	603,414	80,229	(26,940)	656,703
Subtotal Accum. Depreciation/Amortization	44,600,081	3,651,138	(26,940)	48,224,279
Totals	$ 148,705,967	(3,541,346)	-	$ 145,164,621

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Description	Balance December 31, 2008	Additions	Disposals	Balance December 31, 2009
Capital Assets:				
Interest in License Agreement with SCDOT	$ 192,486,826	-	-	$ 192,486,826
Equipment	749,335	85,583	(15,696)	819,222
Subtotal Capital Assets	193,236,161	85,583	(15,696)	193,306,048
Less: Accumulated Depreciation/Amortization:				
Interest in License Agreement with SCDOT	40,425,759	3,570,908	-	43,996,667
Equipment	549,966	69,144	(15,696)	603,414
Subtotal Accum. Depreciation/Amortization	40,975,725	3,640,052	(15,696)	44,600,081
Totals	$ 152,260,436	(3,554,469)	-	$ 148,705,967

For the years ended December 31, 2010 and 2009, depreciation and amortization expense related to capital assets was approximately $3,651,000 and $3,640,000, respectively. 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.

The Association had no significant construction commitments outstanding at December 31, 2010 and 2009.

NOTE 5 – INTEREST IN ORIGINAL LICENSE AGREEMENT WITH SCDOT

On February 11, 1998, the Association entered into the Original License Agreement with the SCDOT regarding the construction and operation of the Southern Connector and SC 153 Extension Projects (the "Projects"). The Original License Agreement grants to the Association, the exclusive right (1) to acquire, in the name of the SCDOT, rights-of-way and other real property necessary to the development and operation of the Projects, (2) to develop and construct the Projects, (3) to finance the Southern Connector, (4) to operate, repair, renew and replace the Southern Connector in accordance with the terms of the agreement, and (5) to collect tolls from the users of the Southern Connector.

In order to finance the Southern Connector, the Association issued the Bonds in three series pursuant to the Original Trust Indenture, more particularly described in Note 8. Interest on the Bonds is exempt from both federal income tax and South Carolina income tax. The Bonds are special limited obligations of the Association, payable solely from net revenues and monies held in certain accounts and other property included in the trust estate established by the Original Trust Indenture. The Bonds are not, and shall never constitute, indebtedness of the State of South Carolina, the SCDOT, or any agency, department or political subdivision of the State of South Carolina. (See Note 8 for additional information.)

The Original License Agreement specifies that, upon its termination, the Association is to convey to the SCDOT full title to all property and improvements acquired in whole, or in part, with proceeds of the Bonds. As stated in the Original License Agreement, the title to all real property and improvements thereon acquired or constructed during the term of the Original License Agreement is held by the SCDOT. The Original License Agreement specifies a termination date of 50 years after substantial completion of the Southern Connector. However, the Original License Agreement automatically terminates upon repayment, redemption, or defeasance of the Bonds and all other project debt. The Bonds are scheduled to mature on January 1, 2038.

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

Prior to 2009, management had deemed the maturity date on the bonds (January 1, 2038) to be the effective termination date of the Original License Agreement and thus had amortized the Association's interest in the Original License Agreement over approximately 36.5 years. Due to the developments described in Note 12, beginning in 2009 management believed that the Original License Agreement termination date of 50 years from the substantial completion date (July 2051) was a more appropriate period to amortize the Association's interest in the Original License Agreement.

In order to fulfill its responsibilities under the Original License Agreement, the Association entered into an agreement (the "Development Agreement") with Interwest Carolina Transportation Group, LLC (the "Developer") whereby the Developer agreed to perform the obligations of the Association under the Original License Agreement with respect to construction of the Southern Connector and the SC 153 Extension and assumed various additional responsibilities. In order to fulfill its responsibilities under the Development Agreement, the Developer in turn entered into contracts with various subcontractors for the performance of certain obligations. The Developer agreed to complete the construction of the Southern Connector at a guaranteed price of $173,802,263, which included acquisition of all rights-of-way, relocation of utilities and railroads, and all design and construction activities, including toll plazas, toll collection equipment, operations systems and other costs. The Developer commenced construction on February 27, 1998. On February 23, 2001, the Association received notification from the SCDOT of its acceptance of the roadways and bridges, thereby permitting the Association to commence operations of the Southern Connector. On February 27, 2001, the Southern Connector was opened to the public. At that time, traffic was allowed on the Southern Connector free for a two-week introductory period. Toll collection operations began on March 14, 2001. Substantial completion was reached in July 2001. On December 22, 2003, the Southern Connector attained Final Completion.

The Association is required to pay a license fee to the SCDOT in the amount of $125,000 per month for a period of 25 years, commencing twelve months (first payment was due January 1, 2005) after Final Completion of the Southern Connector and of $1 per month thereafter for the remainder of the term of the Original License Agreement. Payment of the monthly license fees was to commence on the first day of the calendar month following the first anniversary of the Final Completion date of the Southern Connector. Payment of the license fee is ninth in priority according to the flow of funds set forth in Note 1, Item J. So long as any Bonds remain outstanding, any license fees not paid when due will be deferred and will accrue interest at a rate of 5% per annum compounded annually. As a result of the Association's bankruptcy petition on June 24, 2010 (see Note 12 for more details), all prepetition debt and liabilities which are subject to the Plan of Adjustment were frozen and thus no additional license fees, including interest, have been accrued since that date. At December 31, 2010 and 2009, the Association has unpaid SCDOT deferred license fees of $8,225,000 and $7,500,000, respectively, and related interest of $1,228,967 and $1,012,926, respectively.

The SCDOT is responsible for maintaining the Southern Connector (costs of maintenance are to be reimbursed by the Association in eighth priority in the flow of funds set forth in Note 1, item J.) So long as any Bonds remain outstanding, any maintenance costs of SCDOT not paid by the Association when due will be deferred and will accrue interest at a rate of 5% per annum compounded annually. As a result of the Association's bankruptcy petition on June 24, 2010 (see Note 12 for more details), all prepetition debt and liabilities which are subject to the Plan of Adjustment were frozen and thus no additional maintenance fees, including interest, have been accrued since that date. At December 31, 2010 and 2009, the Association has unpaid SCDOT deferred maintenance of $815,601 and $775,786, respectively, and related interest of $172,626 and $149,694, respectively. The SCDOT is responsible for setting the toll rates in accordance with the terms of the Original License Agreement. The SC 153 Extension, the costs of which are not included in the accompanying basic financial statements, is operated, maintained, renewed, and replaced by the SCDOT as part of the South Carolina Highway System.

The Association's rights under the Original License Agreement, as described above, constitute an intangible asset that is valued and recorded at an amount equal to the cost of construction of the Southern Connector, including related capitalized interest, less cumulative amortization (See Note 1, item I for additional information).

NOTE 6 – ACCRUED INTEREST PAYABLE

At December 31, 2010 and 2009, accrued interest payable was $3,625,194 and $1,718,502, respectively. Interest is payable January 1 and July 1 of each year to holders of the Senior Bonds at rates of 5.250% and 5.375% per annum. As a result of the Association's bankruptcy petition on June 24, 2010 (see Note 12 for more details), all prepetition debt and liabilities which are subject to the Plan of Adjustment were frozen and thus no additional interest has been accrued since that date. The accrued interest payable at December 31, 2010 consisted of the unpaid Senior Current Interest Bond (Series 1998A) payment which was due January 1 of 2010 plus accrued interest on the unpaid portions of both principal and interest for the Bonds of $245,474. The accrued interest payable at December 31, 2009 consisted of the Senior Current Interest Bond (Series 1998A) payment which was due January 1, 2010.

NOTE 7 – INTEREST COSTS INCURRED

Interest costs expensed during the years ended December 31, 2010 and 2009, totaled $9,469,330 and $18,515,580, respectively. Interest costs expensed during the year ended December 31, 2010 was significantly less due to the Association's bankruptcy petition on June 24, 2010 (see Note 12 for more details) which resulted in all prepetition debt and liabilities which are subject to Plan of Adjustment being frozen and thus no additional interest was accrued since that date.

NOTE 8 – BONDS PAYABLE

As discussed in Notes 1 and 5, the Association issued the Bonds as three series of tax-exempt toll road revenue bonds pursuant to the Original Trust Indenture. All of the Bonds were issued on February 11, 1998. The Bonds are special limited obligations of the Association that are not, and shall never constitute, indebtedness of the State of South Carolina, the SCDOT, or any agency, department or political subdivision of the State of South Carolina, including the County of Greenville, South Carolina and the City of Greenville, South Carolina. As a result of the Association's bankruptcy petition on June 24, 2010 (see Note 12 for more details), all prepetition debt and liabilities which are subject to the Plan of Adjustment were frozen and thus no additional payments, accruals, amortization, etc., have been required or recorded since that date. Following is a brief description of each bond issue:

Series 1998A: Series 1998A Senior Current Interest Toll Road Revenue Bonds which were dated 2/1/98 - $66,200,000 original principal amount at issuance; interest payable semi-annually on January 1 and July 1 at rates of 5.250% and 5.375%; $21,400,000 of bonds mature January, 2023; $44,800,000 of bonds mature January, 2038. There was an original issue discount on the Series 1998A bonds at issuance of $2,693,952. Mandatory sinking fund installments began January 1, 2008 and continue until January 1, 2038 in varying amounts from $900,000 to $4,200,000.

Series 1998B: Series 1998B Senior Capital Appreciation Toll Road Revenue Bonds which were dated 2/11/98 - $87,385,622 original principal amount at issuance; interest accretes at various rates ranging from 5.30% to 5.85%; $438,100,000 of bonds mature serially from January 1, 2008 to January 1, 2038.

Series 1998C: Series 1998C Subordinate Capital Appreciation Toll Road Revenue Bonds which were dated 2/11/98 - $46,592,058 original principal amount at issuance; interest accretes at various rates ranging from 6.15% to 6.30%; $241,800,000 of bonds mature serially from January 1, 2008 to January 1, 2038.

NOTE 8 – BONDS PAYABLE (CONTINUED)

Bonds payable changes during 2010 (up to the bankruptcy petition date of June 24, 2010) and 2009 and balances at December 31, 2010 and 2009, were as follows:

	Balance December 31, 2009	Increases	Decreases	Balance December 31, 2010
Senior Bonds				
Series 1998A	$ 64,400,000	-	-	$ 64,400,000
Original Issue Discount on Series 1998A	(1,737,282)	38,802	-	(1,698,480)
Subtotal Series 1998A	62,662,718	38,802	-	62,701,520
Series 1998B	165,426,349	4,626,408	-	170,052,757
Subordinate Bonds:				
Series 1998C	90,926,222	2,658,455	-	93,584,677
Totals	**$ 319,015,289**	**7,323,665**	**-**	**$ 326,338,954**

	Balance December 31, 2008	Increases	Decreases	Balance December 31, 2009
Senior Bonds				
Series 1998A	$ 65,300,000	-	900,000	$ 64,400,000
Original Issue Discount on Series 1998A	(1,817,562)	80,280	-	(1,737,282)
Subtotal Series 1998A	63,482,438	80,280	900,000	62,662,718
Series 1998B	159,366,162	9,160,187	3,100,000	165,426,349
Subordinate Bonds:				
Series 1998C	88,202,926	5,423,296	2,700,000	90,926,222
Totals	**$ 311,051,526**	**14,663,763**	**6,700,000**	**$ 319,015,289**

Additions to bonds payable represent the amortization of original issue discount on the Series 1998A Senior Current Interest Toll Road Revenue Bonds, and accretions on the Series 1998B Senior Capital Appreciation Toll Road Revenue Bonds and 1998C Subordinate Capital Appreciation Toll Road Revenue Bonds. At December 31, 2010 and 2009, $7,300,000 in principal payments on bonds was due within one year. The next scheduled debt service payments (that would have come due in July 2010 and in January 2011) were not recorded as current liabilities as of December 31, 2010 since all debt became frozen at the bankruptcy petition debt of June 24, 2010 (see Note 12 for more details).

NOTE 8 – BONDS PAYABLE (CONTINUED)

The following schedule summarizes the Association's debt service requirements to maturity as of December 31, 2010 as if the Association had not filed a petition for bankruptcy protection on June 24, 2010. The Association's debt service requirements by year are based on the normal scheduled maturities per the Original Trust Indenture except for the year ending December 31, 2011, which includes any outstanding and unpaid principal and interest at December 31, 2010 related to the Bonds:

Year Ending December 31	Principal	Interest	Totals
2011	$ 15,400,000	6,983,444	$ 22,383,444
2012	9,900,000	3,303,125	13,203,125
2013	10,500,000	3,242,750	13,742,750
2014	11,000,000	3,179,750	14,179,750
2015	11,700,000	3,114,125	14,814,125
2016-2020	78,900,000	14,470,750	93,370,750
2021-2025	115,200,000	12,258,063	127,458,063
2026-2030	154,000,000	9,333,688	163,333,688
2031-2035	187,100,000	5,493,251	192,593,251
2036-2038	139,500,000	989,000	140,489,000
Totals	$ 733,200,000	62,367,946	$ 795,567,946

As discussed in Note 1, item J, the terms of the Original Trust Indenture require the establishment of bank fund accounts. The proceeds of the Bonds were allocated among, and deposited into, certain of these accounts. The monies deposited into these accounts were invested as provided in the Original Trust Indenture. Authorized payments of construction costs, debt service, arbitrage rebates, operating costs, and renewal and replacement costs may only be paid from certain funds as specified in the Original Trust Indenture. Payment of debt service of the Bonds is secured by the Trust Estate, which includes all monies deposited into these various funds, excluding amounts in the rebate fund and in the renewal and replacement fund. The Trust Estate also includes the Association's interest in Revenues as defined in the Original Trust Indenture, the Association's interest in the Original License Agreement with the SCDOT, and any other property pledged as security for the Bonds.

The accounts established by the Original Trust Indenture and their balances at December 31, 2010 and 2009, were as follows:

Fund	Amount	
	2010	2009
Revenue	$ 487,757	$ 407,101
Debt Service	4	4
Debt Service Reserve *	3,716,367	3,405,453
Total	$ 4,204,128	$ 3,812,558

* Net of the potential excess collateral liability balance of $1,117,498.

During the year ended December 31, 2009, payments from the various accounts were made in accordance with the terms of the Original Trust Indenture. Since funds were insufficient to pay the entire debt service due in January 2010, the 1998 Senior Bonds Trustee made no payment on the 1998 Senior or Subordinate Bonds at that date, and the Association's first payment default on the 1998 Bonds occurred (see Note 12 for more details).

NOTE 8 – BONDS PAYABLE (CONTINUED)

In addition to payment covenants, the Original Trust Indenture contains certain other bond covenants including, but not limited to, the following:

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

- After the Southern Connector is completed and operational, an Engineer (as defined) must inspect the toll road annually and submit a report documenting, among other matters, the physical condition of the toll road. The latest report was completed by the Association's Engineer and will be delivered to the Trustee by June 30, 2011. The Association has notified the trustee that funding of the Renewal and Replacement Fund was seventh in the flow of funds listing in the Original Trust Indenture and to the extent that revenues are insufficient to make any such deposits, the amounts to be transferred to the Renewal and Replacement Funds are to be deferred.

- Beginning on the first day of the second full fiscal year immediately following the later of (i) the Final Completion date of the Southern Connector, and (ii) the last date through which interest on any of the Bonds is to be paid from proceeds of the Bonds, the tolls charged by the Association shall equal or exceed the greater of (a) 1.25 times the aggregate debt service on all outstanding Senior Bonds due in that fiscal year, and (b) the amount required to fund all transfers to the Senior Bonds Debt Service Reserve Fund as defined in the Original Trust Indenture, and to equal not less than 1.10 times the aggregate debt service on all outstanding Bonds due in that fiscal year ("Revenue Covenant"). In addition, before the beginning of each fiscal year, the Association is required to review its financial status in order to estimate and determine whether Net Revenues (as defined) for the current and following fiscal year will be sufficient to comply with the Revenue Covenant. The Original Trust Indenture also specifies actions (i.e. toll rate study, etc.) to be taken if the Association determines that revenues may be inadequate to meet this Revenue Covenant. The Revenue Covenant also states that failure to comply with the covenant for a period of 36 consecutive months will constitute an event of default under the Original Trust Indenture.

  The net toll revenues have been insufficient to meet the Revenue Covenant. In compliance with its obligations under the Original Trust Indenture, the Association hired a Toll Rate Consultant that studied the traffic and toll rates charged by the Association and advised the Association on changes to the toll rates. The Toll Rate Consultant issued reports on studies it conducted in 2005, 2006, and 2007, each of which concluded that revising the toll rates would not, in the opinion of the Toll Rate Consultant, permit the Association to meet the Revenue Covenant. Certain of the reports contained suggested modifications to the toll rates and Association policies regarding discounts for electronic toll customers which would, in the opinion of the Toll Rate Consultant, increase net revenues, although by an amount insufficient to meet the Revenue Covenant.

  The Association was unable to comply with the Revenue Covenant for 36 consecutive months and was thus in default (See Note 12 for more details).

- 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 Association monitors the above covenants for compliance throughout the year. Except for the Revenue Covenant and bond payment default noted above, the Association has not received any notice of non-compliance with the bond covenants for the applicable periods for 2010 and 2009.

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, 2010 and 2009.

NOTE 10 – CONTINGENCIES

The Association has several outstanding contingencies. These matters are discussed in more detail in the following notes.

NOTE 11 – POTENTIAL EXCESS COLLATERAL RECEIVED

At the time the Bonds were issued, the Association directed the Trustee to invest monies in the Senior Bonds Debt Service Reserve Account and the Subordinate Bonds Debt Service Reserve Account in a long-term collateralized repurchase agreement ("REPO") with Lehman Brothers, with Norwest Bank serving as custodian and collateral agent. As a result of Lehman Brothers' bankruptcy in 2008, Lehman Brothers defaulted on the REPO and thus the custodian transferred the collateral/securities to the Trustee. The amount of collateral/securities received by the Trustee was greater than the amount of collateral/securities required to be maintained by Lehman Brothers under the REPO. The maximum amount of the securities received by the Trustee that may be subject to a claim by Lehman Brothers under the REPO has been recorded as a liability by the Association of $1,117,498 at December 31, 2010 and 2009. See Note 13 – Subsequent Events for a description of the settlement of this matter.

NOTE 12 – BANKRUPTCY AND RELATED MATTERS

At the time the Bonds were issued, Wilbur Smith Associates prepared a Traffic and Revenue Study (the "WS Study" or "Original Study") to estimate the future utilization of the road and toll revenues for the Association. The actual traffic on the highway and toll revenues received by the Association have been substantially less than projected in the WS Study.

Through July 2007, the Association's debt service payment obligations on its 1998 Bonds consisted solely of interest payments due on the Senior Series 1998A Bonds. However, beginning in 2008, the Association's annual financial obligations began to increase significantly as the capital appreciation bonds began to mature and as sinking fund principal installments came due on the Series 1998A Bonds. Because actual traffic on the Southern Connector produced toll revenues less than the amounts necessary to meet the Association's debt service obligations, the Association was required to withdraw monies from the 1998 Senior and Subordinate Bonds Debt Service Reserve Accounts in order to pay debt service obligations. By the end of December 2008, the Association had essentially depleted the reserves in its 1998 Subordinate Bonds Debt Service Reserve Account. By July 2009, the Association's withdrawals from the 1998 Senior Bonds Debt Service Reserve Account reduced the balance in that account to a point where the remaining funds in that account, along with tolls collected and available for payment of debt service, were insufficient to pay the debt service due in January 2010. Since funds were insufficient to pay the entire debt service due in January 2010, the 1998 Senior Bonds Trustee made no payment on the 1998 Senior or Subordinate Bonds at that date, and the Association's first payment default on the 1998 Bonds occurred. On January 11, 2010, the Association filed an event notice acknowledging that an event of default had occurred as a result of its failure to pay the debt service that came due on the 1998 Bonds in January 2010. Since that time, the continuing shortfall of toll revenues prevented the Association from meeting its debt service obligations, and the Association continued in default under the Original Trust Indenture.

NOTE 12 – BANKRUPTCY AND RELATED MATTERS (CONTINUED)

The Original Trust Indenture required the Association to meet a Revenue Covenant (see Note 8 for more details). The Revenue Covenant became effective January 1, 2005, and a failure to comply with the covenant for a period of 36 consecutive months constituted an event of default under the Original Trust Indenture. Since the Association has never been able to meet this covenant, it was also in default under this covenant of the Original Trust Indenture. In January 2008 and again in May 2009, the Association received notices of such default from the 1998 Senior Bonds Trustee in which the Trustee acknowledged and reserved its various remedies provided in the Original Trust Indenture, but did not identify which, if any, actions were to be taken on behalf of the holders of the 1998 Bonds.

The Original Trust Indenture required that toll rate studies be performed whenever the revenue covenant was not met. Although the Association hired a toll consultant to perform the required toll rate studies in each of years 2005, 2006 and 2007, each of those studies concluded that, even if the toll consultant's recommendations to maximize toll revenue were implemented, projected toll revenues would continue to be insufficient to pay principal and interest on the 1998 Bonds in full.

In 2008, the Association engaged Stantec Engineering as its new traffic and revenue consultant to perform an investment grade traffic and revenue study. The purpose of the study was to forecast traffic and revenue and revenue potential for a period of 50 years. The report on this study (the "Revised Traffic Study") was issued in May 2009 and set forth projections based on both the then-current toll rate schedule and a revised toll rate schedule. Based on the Revised Traffic Study, the Association petitioned SCDOT for a toll rate increase that was approved by SCDOT in August 2009 and implemented in November 2009.

The Association's operations through December 31, 2010 have been governed by its Original License Agreement with SCDOT (See Note 5 for more details). That Original License Agreement specified that the 1998 Bonds issued by the Association to finance construction of the Southern Connector are not and shall never constitute indebtedness of the State of South Carolina, SCDOT, or any agency, department or political subdivision of the State of South Carolina. The Original License Agreement required SCDOT to determine the toll rates to be charged by the Association. It obligated the Association to pay license fees and roadway maintenance amounts to SCDOT and to periodically repair, renew and replace the Southern Connector at the Association's cost.

The Original License Agreement provided that the Association's insolvency is an event of default which allowed SCDOT to terminate the Original License Agreement provided SCDOT complied with certain terms of the Original License Agreement. The Association received letters in June and October 2009 from SCDOT informing it that the Association was in default under the Original License Agreement and that SCDOT did not waive any claims it may have against the Association. SCDOT also agreed to the Association's request for at least 90 days' prior notice of its intention to terminate the Original License Agreement.

Because of the factors discussed above, in 2005, the Association began actively investigating its options to restructure the 1998 Bonds. The Association interviewed international companies engaged in the acquisition of concessions for the financing and operation of toll facilities worldwide, but after over a year of negotiations, discontinued this effort. The Association hired Goldman Sachs & Co. ("Goldman") in early 2008 as its special financial advisor to investigate its ability to restructure its obligations outside of bankruptcy. Possibilities which were considered included consensual restructuring, conventional refunding, a tender and exchange of new securities for the 1998 Bonds, and a sale by SCDOT of a concession to operate the Southern Connector to a for-profit third party. Goldman advised the Association that any restructuring of its obligations within the remaining term of the Original License Agreement would require a substantial reduction in the principal amount of the 1998 Bonds, and that restructuring its debt outside of bankruptcy would be extremely difficult. Goldman also advised the Association that any successful restructuring of the 1998 Bonds, either as part of a bankruptcy proceeding or otherwise, would require an investment grade traffic and revenue study. Accordingly, the Association engaged Stantec Engineering to perform the Revised Traffic Study discussed above. Based on that study, the Association requested and received approval from SCDOT of a toll rate increase that was implemented in November 2009.

NOTE 12 – BANKRUPTCY AND RELATED MATTERS (CONTINUED)

The Association's restructuring efforts and various negotiations with the 1998 Senior Bonds Trustee, the Subordinate Bonds Trustee, certain bondholders owning a majority of outstanding principal of the Association's 1998 Senior Bonds (the "Restricted Owners") and SCDOT resulted in three potential debt adjustment plans. The first plan submitted by the Association was ultimately rejected by the 1998 Senior Bonds Trustee, the Subordinate Bonds Trustee and the Restricted Owners. An alternate debt adjustment plan proposed by the 1998 Senior Bonds Trustee's counsel's financial advisor would have required extension of the term of the Association's Original License Agreement with SCDOT. This alternate debt adjustment plan failed when the South Carolina General Assembly adjourned its 2010 legislative session without enacting the legislation required to authorize SCDOT to extend the term of the Original License Agreement. The Association then in the spring of 2010 pursued discussions regarding a third debt adjustment plan that could be implemented over the term of the Original License Agreement without any extension, but SCDOT informed the Association that it would not agree to that debt adjustment plan, and subsequent offers to solicit or negotiate changes acceptable to SCDOT failed.

On January 20, 2010, the Association's Board of Directors had adopted a resolution authorizing Association's management, when management so deemed it appropriate, to file a petition for bankruptcy protection under the United States Bankruptcy Code and to take related actions in connection with the bankruptcy. On June 24, 2010, following the failure of the negotiations discussed above, the Association filed its Chapter 9 bankruptcy petition (the "Petition") in the U.S. Bankruptcy Court at the direction of its Executive Vice President and General Manager.

Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies* ("Statement No. 58"), as issued by the GASB, requires that liabilities subject to adjustment in a Chapter 9 bankruptcy proceeding be frozen as of the date of the bankruptcy petition. As of June 24, 2010, and through the effective date of the Association's Plan, the Association's liabilities subject to adjustment in bankruptcy (the 1998 Bonds payable liabilities, all amounts owed to SCDOT and the excess collateral liability) were frozen by the U.S. Bankruptcy Law. Accordingly, under the terms of GASB Statement No. 58, no additional amounts were accrued after June 24, 2010 pertaining to these liabilities.

During the remainder of 2010 and during the pendency of the bankruptcy proceeding, the Association continued to operate the Southern Connector as usual and paid its non-Bondholder and non-SCDOT creditors in the ordinary course of business. As mentioned previously, payments were no longer made to the bondholders, although the 1998 Senior Bonds Trustee, the Subordinate Bonds Trustee, their respective counsel and advisors were paid their fees and expenses from the toll revenues collected. The Association continued its negotiations with the 1998 Senior Bonds Trustee, the Subordinate Bonds Trustee, the Restricted Owners and SCDOT, and filed a First Amended Plan for Adjustment of Debts in November 2010. That document, along with the Addendum to First Amended Plan for Adjustment of Debts filed in January 2011 and Debtor's Modification to the First Amended Plan for Adjustment of Debts filed in March 2011, form the Plan that was later confirmed by the U.S. Bankruptcy Court on April 1, 2011 and became effective on April 21, 2011. A summary of the terms of the Plan are discussed in the following "Subsequent Events" note.

NOTE 13 – SUBSEQUENT EVENTS

This note and Note 12 present a summary of certain key provisions of the Association's Plan that was confirmed by the U.S. Bankruptcy Court on April 1, 2011 and that became effective April 21, 2011. More detailed information regarding the Association's bankruptcy proceedings may be found on the Association's website, www.SouthernConnector.com. Specifically, complete copies of the Association's Plan, the Plan documents and other bankruptcy filings, notices and Court Orders may be found on the Association's website under the *Bankruptcy Filing* link under the *News & Filings* tab.

A confirmation hearing was held on March 25, 2011, and on April 1, 2011, the Bankruptcy Court entered its Confirmation Order approving and confirming the Plan. Since no appeals to the Bankruptcy Court's Confirmation Order were filed and the other conditions to effectiveness were satisfied, the Plan became effective April 21, 2011.

NOTE 13 – SUBSEQUENT EVENTS (CONTINUED)

The Plan is implemented by the First Amended and Restated Master Indenture of Trust (the "Amended Trust Indenture"), and the First Amendment to the License Agreement between the Association and SCDOT (the "Revised License Agreement"). Under the Plan, Amended and Restated Bonds (the "2011 Bonds") were issued in exchange for the 1998 Bonds, the Association's prior obligations to SCDOT for license fees and roadway maintenance reimbursements were forgiven, and $800,000 of the excess collateral Repurchase Agreement securities was repaid to Lehman Brothers, Inc. The Amended Trust Indenture establishes new 2011 Trust Funds and Accounts into which commencing April 1, 2011 toll revenues will be deposited and from which debt service payments on the 2011 Bonds and certain payments for the benefit of SCDOT will be made. The Amended Trust Indenture also establishes a new flow of funds schedule (the "New Waterfall") that defines the order and priority in which amounts deposited into the 2011 Revenue Fund may be distributed. The Revised License Agreement with SCDOT eliminates the Association's obligations to SCDOT for future highway maintenance, repair, renewal and replacement costs beyond making certain deposits into a 2011 Renewal and Replacement Fund (the "R&R Fund") as discussed below, and amends the manner in which toll rates for the Southern Connector are set.

Based on the key changes (see following sections for details) brought about by the Plan, management believes that traffic on the highway and the resulting toll revenues received by the Association in future years should be sufficient to meet its ongoing operating and debt service requirements.

Amended and Restated 2011 Bonds and Terms of the Amended Trust Indenture

On April 21, 2011, 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 2011 Bonds are dated April 1, 2011, and accrete interest from that date. The 2011 Bonds consist of Series 2011A Bonds and Series 2011B Bonds (exchanged for the 1998 Senior Bonds) and Series 2011C Bonds (exchanged for the 1998 Subordinate Bonds).

The Series 2011A Bonds total $126,899,826 aggregate original principal amount of Senior Capital Appreciation Toll Road Revenue Bonds (Southern Connector Project, Greenville, South Carolina), Series 2011A, consisting of serial bonds maturing January 1 of the years 2012 through 2022 (inclusive) and three term bonds, each subject to prior pro-rata paydown, maturing January 1, 2032, January 1, 2042 and July 22, 2051. The Series 2011A Bonds are secured by a lien on the 2011 Trust Estate, including the Revenues of the Southern Connector and a collateral assignment of the Association's rights under the Revised License Agreement. Payments on the Series 2011A Bonds are expected to equal approximately 71.5% of the Association's net revenues (after operating costs) in each year projected in accordance with the Revised Traffic Study.

The Series 2011B Bonds total $21,085,708 aggregate original principal amount of Senior Subordinate Capital Appreciation Toll Road Revenue Bonds (Southern Connector Project, Greenville, South Carolina), Series 2011B consisting of two term bonds, each subject to prior pro-rata paydown, maturing January 1, 2032 and July 22, 2051. The Series 2011B Bonds are secured by a lien on the 2011 Trust Estate. The Series 2011B Bonds are subordinated to the Series 2011A Bonds in all respects, including in right of payment and priority of liens. Payments on the Series 2011B Bonds are expected to equal approximately 16.5% of the Association's net revenues (after operating costs) in each year projected in accordance with the Revised Traffic Study.

The Series 2011C Bonds total $2,160,434 aggregate original principal amount of Junior Subordinate Capital Appreciation Toll Road Revenue Bonds (Southern Connector Project, Greenville, South Carolina), Series 2011C maturing, subject to prior pro-rata paydown, on July 22, 2051. The Association's obligations in respect of the Series 2011C Bonds are secured by a lien on the 2011 Trust Estate. The Series 2011C Bonds are subordinated to the Series 2011A Bonds and Series 2011B Bonds in all respects, including in right of payment and priority of liens. Payments on the Series 2011C Bonds are expected to equal approximately 2.0% of the Association's net revenues (after operating costs) in each year projected in accordance with the Revised Traffic Study.

NOTE 13 – SUBSEQUENT EVENTS (CONTINUED)

Amended and Restated 2011 Bonds and Terms of the Amended Trust Indenture (Continued)

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

The Amended Trust Indenture provides certain remedies if the Association fails to make any payment in respect of the Series 2011A Bonds or if another event of default occurs, but like the Original Trust Indenture, does not provide any right to accelerate the maturity of the 2011 Bonds. Also, only a payment default on the Series 2011A Bonds constitutes an event of default under the Amended Trust Indenture. Any payment defaults on the Series 2011B or 2011C Bonds cause those unpaid amounts to accrue interest at the respective 2011 Bond interest rate as "Arrearages" which are payable at a later date when distributable cash is sufficient. If an event of default occurs, the 2011 Bonds Trustee (the "New 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 Subordinate Bonds Trustee was eliminated under the Amended Trust Indenture.

Under the Amended Trust Indenture, the Association will maintain a 2011 Debt Service Reserve Fund (the "New Reserve Fund") to pay shortfalls in debt service on the Series 2011A Bonds (and, once all Series 2011A Bonds have been redeemed, on the Series 2011B Bonds, and once all Series 2011B Bonds have been redeemed, on the Series 2011C Bonds). The New Reserve Fund will initially be funded by amounts remaining (as defined in the Amended Trust Indenture) in the 1998 Revenue, 1998 Debt Service and 1998 Debt Service Reserve Funds established under the Original Trust Indenture after payment of costs of the bankruptcy proceeding. If any payments are made from the New Reserve Fund, the Amended Trust Indenture requires that the balance in the New Reserve Fund be restored before any payments may be made in respect of the 2011B or 2011C Bonds.

Under the terms of the Amended Trust Indenture, beginning April 1, 2011, the Association's revenues are delivered to the New Trustee for deposit into the 2011 Revenue Fund. The New Waterfall defined in the Amended Trust Indenture establishes the flow of funds schedule under which the New Trustee may withdraw amounts deposited into the 2011 Revenue Fund.

Whether an Event of Default has occurred and is then continuing or otherwise, in each fiscal year amounts in the Revenue Fund of the Amended Trust Indenture shall be applied for the purposes and in the priority set forth in Section 505 of the Amended Trust Indenture, which include payments to the R&R Fund to reimburse SCDOT for a portion of the highway maintenance costs as described below (some of which R&R Fund deposits are paid before transfers for Debt Service on the Amended and Restated Bonds) and to pay the Debt Service of the Amended and Restated Bonds as and to the extent specified therein. See, "VII. Discussion of the Plan, B. Summary of the Plan Terms, 2 Distribution of Net Revenues" beginning at page 38 of the Amended Disclosure Statement and Section 505 of the Amended Trust Indenture, each of which are available for review on the Association's website.

Revised License Agreement with SCDOT

Under the terms of the Plan, in exchange for the agreement of the Association under the Amended Trust Indenture to make transfers from the Revenue Fund to the R&R Fund equal to a percentage of the net revenues of the operation of the toll road, SCDOT entered into the Revised License Agreement which released all its claims against the Association that existed as of the Plan's effective date of April 21, 2011.

NOTE 13 – SUBSEQUENT EVENTS (CONTINUED)

Revised License Agreement with SCDOT (Continued)

The Association's Revised License Agreement with SCDOT became effective April 21, 2011. Under the Revised License Agreement, SCDOT has assumed the obligation for the future highway maintenance, repair, renewal and replacement and related costs of the Southern Connector in the same manner as any other State-owned interstate road. Neither the Association nor the New Trustee or 2011 Bondholders will be responsible for any highway maintenance, repair, renewal or replacement. Instead, the Association's sole obligation related to highway maintenance, repair, renewal or replacement will be to make certain deposits into the R&R Fund as required under the New Waterfall discussed above. The Association will not be responsible for maintaining insurance against any casualty or damage to the Southern Connector other than the toll facilities. The Association will be responsible for future toll facilities maintenance and related costs, which will be payable as an operating cost from the available toll revenues.

Monies will be deposited into the R&R Fund periodically in accordance with the New Waterfall. Upon request of SCDOT, the Association will requisition such funds from the New Trustee to be distributed to SCDOT as reimbursement for its costs of maintaining, repairing, renewing and replacing the Southern Connector. In addition, the Association agreed in the Revised License Agreement to reimburse SCDOT for its direct cost of such maintenance, repair, renewal and replacement in excess of the amount so distributed from the R&R Fund; however, any such additional reimbursement will only be payable after all of the 2011 Bonds are repaid and will require an extension of the term of the Revised License Agreement.

Under the Revised License Agreement, SCDOT has no right to terminate the Revised License Agreement based on insolvency of the Association.

Toll Rates

Toll rates under the Amended Trust Indenture and the Revised License Agreement are initially established at amounts equal to the revised rates set forth in the Revised Traffic Study. Toll rates may from time to time be revised to the optimum rates for the Southern Connector as then estimated by an independent toll rate consultant selected by the Association. The Amended Trust Indenture lists the circumstances under which the Association is required to retain a toll rate consultant to perform a new toll rate study. Although the Revised License Agreement contains provisions that allow SCDOT to approve the consultant hired by the Association to perform any new toll rate study, neither SCDOT nor the State of South Carolina will be responsible for the adequacy of any toll rates charged by the Association for purposes of satisfying its obligations to third parties.

Lehman Brothers, Inc. Claim for Return of Excess Collateral

Although the Lehman Brothers, Inc. claim (discussed in further detail above and in Note 11) was identified as an impaired claim in the Plan, its resolution was settled consensually among the pertinent parties during April 2011. Under the terms of the resolution, the Association returned $800,000 to Lehman Brothers, Inc. The remaining monies held in the Repurchase Agreement Suspense Account are deemed to be the Association's property.

Permanent Injunction

The Plan contains an injunction that permanently enjoins all parties having a claim against the Association at or that arose prior to the Plan's effective date of April 21, 2011, from enforcing, levying, collecting or recovering such claim, except as provided in the terms of the Plan.

NOTE 13 – SUBSEQUENT EVENTS (CONTINUED)

Extraordinary Gain on Adjustment of Debts

In accordance with Statement No. 58, preliminary calculations indicate that the Association will recognize an extraordinary gain from the adjustment of debts totaling approximately $186,500,000, including approximately $175,800,000 from the exchange of the 1998 Bonds for the 2011 Bonds, approximately $10,400,000 from the forgiveness of liabilities owed to SCDOT, and approximately $300,000 from the settlement of the Lehman Brothers' excess collateral claim.