CONNECTOR 2000 ASSOCIATION, INC.

ANNUAL REPORT

June 30, 2015

CUSIP Prefix 20786L

INTRODUCTION

This is the seventeenth report of annual financial information delivered pursuant to that certain Continuing Disclosure Agreement dated February 11, 1998 (the "***Disclosure Agreement***") between Connector 2000 Association, Inc., a South Carolina non-profit public benefit corporation (the "***Association***") and U. S. Bank, National Association, as successor to First Union National Bank (the "***Trustee***"), in its capacity as dissemination agent relating to the Connector 2000 Association, Inc. Toll Road Revenue Bonds (Southern Connector Project, Greenville, South Carolina), Series 2011A, Series 2011B and Series 2011C (the "***Amended and Restated Bonds***"). Capitalized terms not otherwise defined herein have the meaning set forth in the Disclosure Agreement, if defined therein.

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

OPERATION OF THE SOUTHERN CONNECTOR PROJECT

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

At December 31, 2014, the Southern Connector had been open and collecting tolls for over twelve 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 ("***ETC***") for the preceding five years which is set forth in the following table:

	2010	**2011**	**2012**	**2013**	**2014**
ETC Trans.	1,574,335	1,677,287	1,594,497	1,611,206	1,768,932
% of Total Trans.	34%	34%	35%	35%	34%
ETC Revenue	$1,540,310	$1,664,462	$2,155,414	$2,223,419	$2,341,850
% of Total Rev.	27%	29%	32%	32%	31%
Total Trans.	4,538,473	4,884,705	4,617,246	4,688,005	5,162,469
Total Revenue	$5,645,289	$5,782,063	$6,755,172	$6,963,035	$7,570,047

The toll rates for the Southern Connector Project are set pursuant to Section 6.4 of the License Agreement dated February 11, 1998 between the Association and the South Carolina Department of Transportation ("***SCDOT***") as amended by Section VIII of the First Amendment to License Agreement dated April 1, 2011 between the Association and SCDOT (the "***Revised License Agreement***"). From time to time, the Association will offer discounts or incentives for the use of ETC transponders ("***Pal Pass***") on the Southern Connector Project. Such toll rates were most recently adjusted January 1, 2012.

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	$1.50	$1.50	$0.75	$0.75
2 axle discount rate	$1.35	$1.35	$0.75	$0.75
3 axles	$3.00	$3.00	$0.75	$0.75
3 axle discount rate	$2.55	$2.55	$0.75	$0.75
4 axles	$4.00	$4.00	$0.75	$0.75
4 axle discount rate	$3.40	$3.40	$0.75	$0.75
5 axles	$5.00	$5.00	$0.75	$0.75
5 axle discount rate	$4.25	$4.25	$0.75	$0.75
6 + axles	$6.00	$6.00	$0.75	$0.75
6 + axle discount rate	$5.10	$5.10	$0.75	$0.75

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 $1.50. 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 $0.75 per vehicle, regardless of the number of axles, is charged at these ramps.

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

AUDITED FINANCIAL STATEMENTS

The financial statements of the Association for the period ended December 31, 2014 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, 2014, 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, 2014. The Association exchanged the Amended and Restated Bonds for the Original Bonds during its fiscal year ended December 31, 2014. The Association did not issue or remarket any other bonded indebtedness during its fiscal year ended December 31, 2014.

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

CONCLUDING STATEMENT

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, 2014.

[Attached]

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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

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YEARS ENDED DECEMBER 31, 2014 AND 2013

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Connector 2000 Association, Inc. (the "Association"), a component unit of the State of South Carolina and of the South Carolina Department of Transportation ("SCDOT"), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

WWW.GFHLLP.COM · INFO@GFHLLP.COM
864.232.5204 PH · 864.232.5532 FAX · 211 EAST BUTLER ROAD, SUITE C-6 · MAULDIN, SC 29662
843.735.5805 PH · 1985 RIVIERA DRIVE, SUITE 103-203 · MT. PLEASANT, SC 29464
864.451.7381 PH · 800 EAST WASHINGTON STREET, SUITE D · GREENVILLE, SC 29601

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
June 24, 2015

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, 2014 and 2013. Our analysis includes comparisons of 2014, 2013 and 2012 information. We ask that you read this section of our annual report in conjunction with the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- In August 2012, following the Association's exchange of certain 2011 Pro-Rata Series A, B and C Term Bonds for certain 2011 By-Lot Series A1, B1 and C1 Term Bonds (the "Bond Exchange") and payment of outstanding issuance costs of the 2011 Bonds, the United States Bankruptcy Court for the State of South Carolina (the "Bankruptcy Court") issued the Final Decree closing the Association's Chapter 9 Bankruptcy case.

- Annual utilization of the Southern Connector increased 10.1% during 2014 to 5,162,469 toll transactions, while 2013 toll transactions increased to 4,688,005 from the 2012 total of 4,617,237. The 2013 increase in toll transactions was 1.5%, which represented a partial recovery of the decline in toll transactions that occurred in 2012 following an increase in toll rates. Average daily toll transactions were 14,144 in 2014, 12,950 in 2013 and 12,615 in 2012.

- Operating revenues in 2014 increased to $7,570,047, the highest level since the Southern Connector opened to traffic, and consisted of $7,566,536 of toll revenues and $3,511 of other operating revenues. In 2013, revenues from operations rose to $7,105,313, and consisted of toll revenues of $6,908,930 and other operating revenues of $196,383. Operating revenues in 2012 totaled $6,755,172 despite the decrease in utilization of the Southern Connector attributable to the January 2012 increase in toll rates, and consisted of toll revenues of $6,744,166 and other operating revenues of $11,006. Increases in the toll revenue portion of operating revenues were 9.5% and 2.4% in 2014 and 2013, respectively.

- In 2014, total operating expenses increased by 9.9%, or $266,357, over 2013 levels to $2,944,278 as certain expenses rose in conjunction with the increased utilization of the Southern Connector, as we made necessary equipment repairs and as we began our project to design and implement a new toll system. The increases occurred primarily in contract labor, miscellaneous expenses, credit card discount fees, repairs and maintenance and professional fees, which rose 254.3%, 86.5%, 28.5%, 154.6% and 21.7%, respectively. Our 2013 total operating expenses of $2,677,921 represented a 2.9% decrease from the 2012 operating expenses of $2,758,078. The 2013 reductions were attributable primarily to decreases of 78.5% in Trustee fees and costs, which returned to pre-bankruptcy levels.

- During 2014, the Association's net nonoperating expenses increased by 7.8% to $16,014,506 from $14,852,314 in 2013. The 2013 increase was 4.6% over the 2012 net nonoperating expenses of $14,196,222. The change in nonoperating expenses was attributable primarily to interest expense on our 2011 Bonds, which increased 5.4% in both years to $11,724,658 in 2014 and $11,126,574 in 2013. The balances of our 2011 Bonds Payable were $181,498,559 and $173,624,165 at December 31, 2014 and 2013, respectively. Those balances represented net increases of 4.5% in both years over the respective 2013 and 2012 amounts. The Bond Exchange that occurred in 2012 had no effect on our financial obligations under the 2011 Bonds.

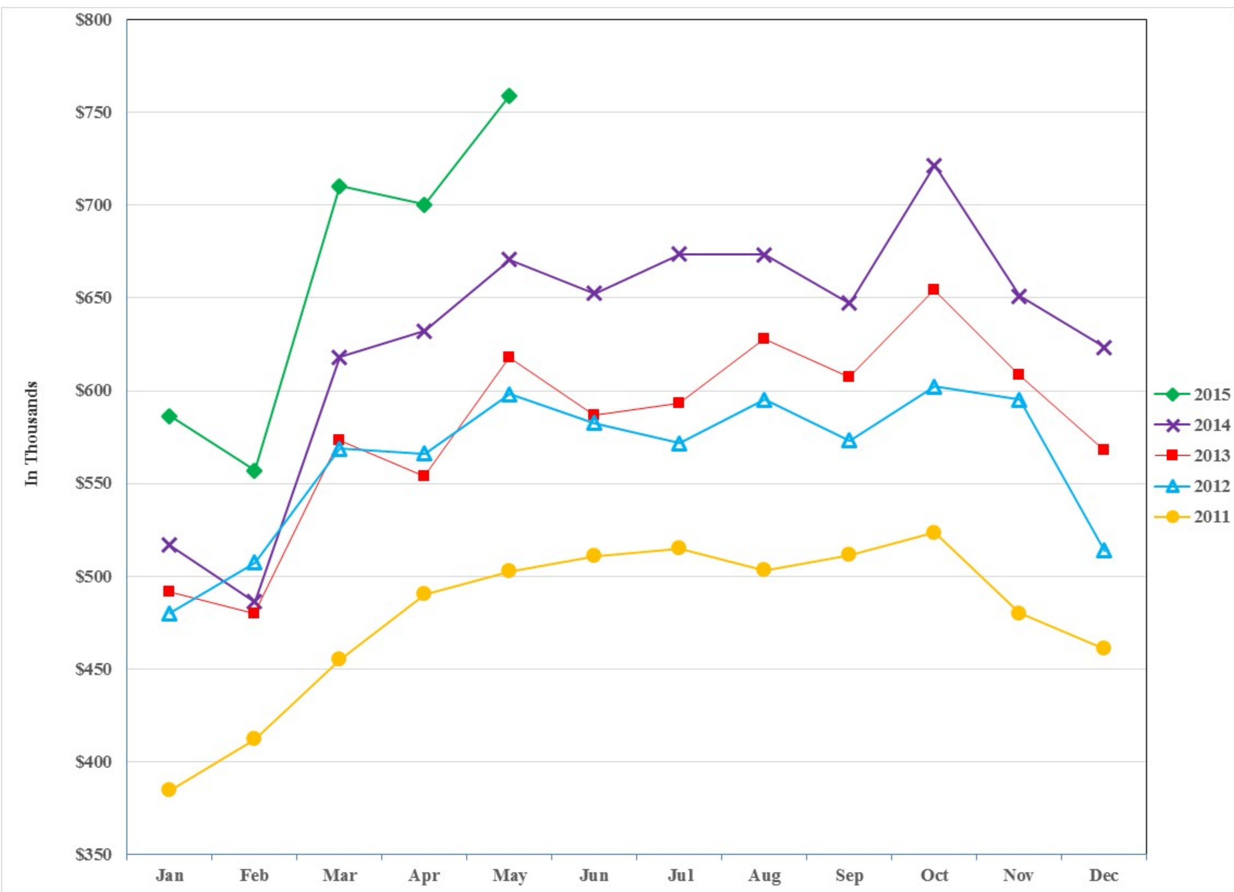
- In 2014, we received $340,000 in settlement of the Association's claim against Lehman Brothers, Inc. in Lehman's bankruptcy case. In accordance with governmental accounting standards, because this settlement was deemed to be unusual in nature and infrequent in occurrence, we recorded this gain as an extraordinary item in our 2014 financial statements.

- During 2012, we adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("Statement No. 65"). That standard requires that bond issuance costs be expensed as incurred, and requires any previously capitalized bond issuance costs to be written off. Accordingly in 2012, we recognized a cumulative adjustment to beginning net position of $238,705, the amount of our unamortized 2011 Bond issuance costs.

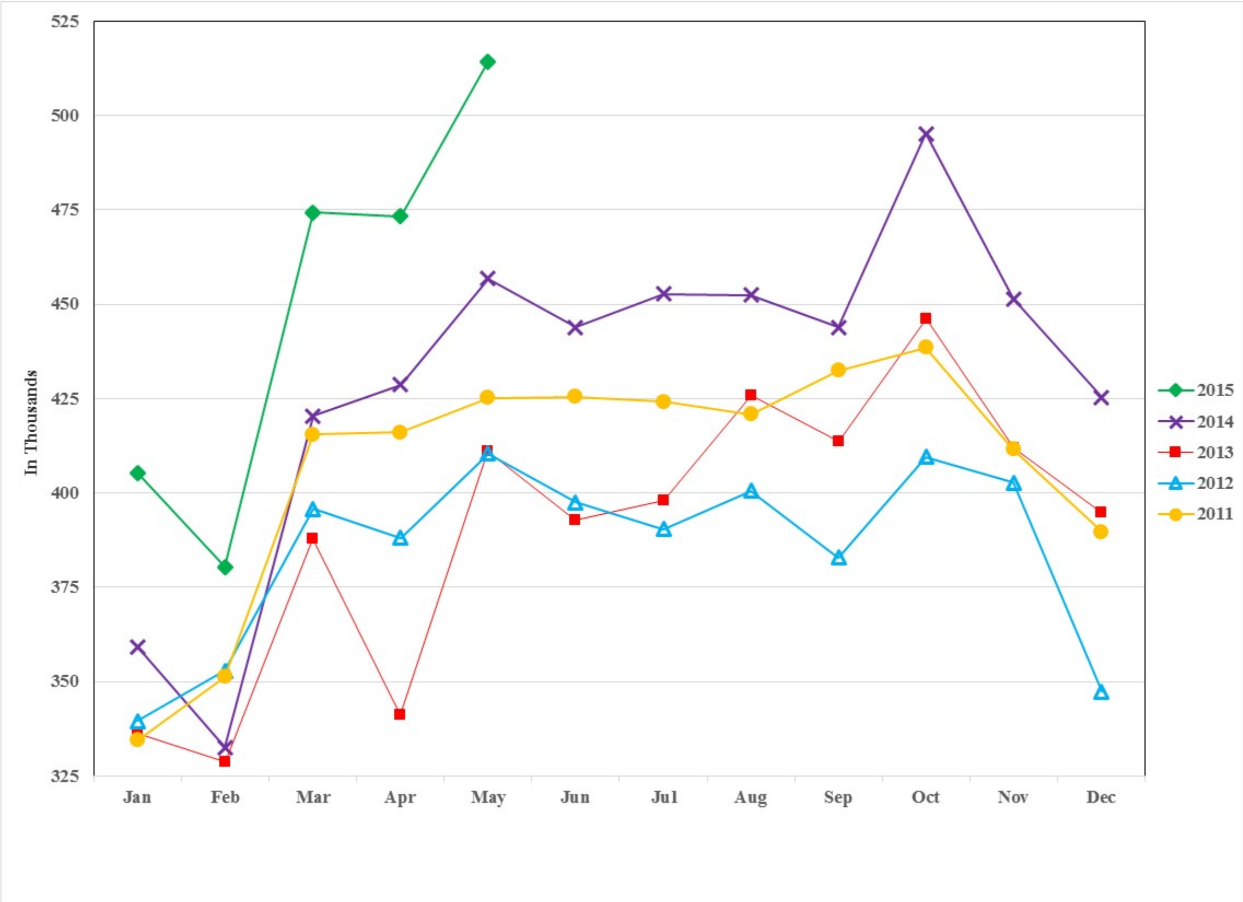
ECONOMIC FACTORS AND CURRENT CONDITIONS

During 2012, the Association completed the last few actions necessary to fully implement our Debt Adjustment Plan and close our bankruptcy case. In May 2012, we completed the Bond Exchange and paid outstanding issuance costs of the 2011 Bonds. On August 27, 2012, the Bankruptcy Court issued the Final Decree closing our Chapter 9 Bankruptcy case. (For detailed information regarding our bankruptcy case, Debt Adjustment Plan and the Bond Exchange, including complete copies of the Amended Trust Indenture and the Revised License Agreement, see the *Bankruptcy Filing* link of the *News & Filings* tab of our website, www.SouthernConnector.com. For a detailed discussion of the effects of the implementation of our Debt Adjustment Plan on the Association's operations and financial position, see our 2011 Annual Report under the *Official Filings* link of the *News & Filings* tab.)

Revenues by Month



Transactions by Month



Traffic and Revenue Summary

Even though no significant industrial or commercial development occurred along the Southern Connector corridor during 2014 and 2013, the Association realized its highest levels of toll revenues since operation of the toll road began. In 2014 and 2013, toll rates remained unchanged from 2012 amounts. Accordingly, cash toll rates for two-axle vehicles were $1.50 and PalPass toll rates for two-axle vehicles were $1.35.

During 2013, overall utilization of the Southern Connector began to improve from the 2012 temporary decline in toll transactions that occurred due to our 2012 toll rate increase. Our 2013 toll revenues increased by 2.4% over 2012 amounts, while toll transactions increased 1.5% over 2012 levels. In addition, our 2013 other revenues included $60,000 received as compensation for the use of the Southern Connector during the filming of an action sequence for a Cinemax series. That amount represented the estimated tolls lost during the days the Southern Connector was closed to traffic. In 2014, toll revenues increased by 9.5% over 2013 amounts and toll transactions increased 10.1% over 2013 levels.

In 2015, as we continue our efforts to publicize and promote the Southern Connector and to operate the toll road in an efficient manner, our toll revenue and utilization levels continue their upward trend. So far through May 2015, average daily toll transactions for the first five months of the year have increased by 12.5% from 2014 levels, while average daily toll revenues have increased by 13.3% over amounts for the same period in 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Association's 2014 financial statements consist of two parts – management's discussion and analysis (this section) and the financial statements, including the notes to the financial statements.

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

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

During 2012, we implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that require reclassification of certain items that, in prior years, were properly reported as assets and liabilities. The only item in the Association's 2012 financial statements that was affected by the implementation of GASB Statement No. 65 was our unamortized bond issuance costs. Under that Statement, all bond issuance costs, excluding those related to prepaid insurance costs, are to be expensed in the period incurred rather than capitalized. Accordingly in 2012, we wrote off our unamortized bond issuance costs of $238,705 by restating 2012 beginning net position and recognizing a cumulative decrease in 2012 beginning net position.

Net position is one measure of the Association's financial health or financial position. It represents the difference between the Association's assets and liabilities. Because our liabilities exceeded our assets, the Association's net position at December 31, 2014 and 2013 was a deficit, or negative, balance. (See the *Net Position (Deficit)* subsection of the *Financial Analysis* section of this management's discussion and analysis below for more information.) Over time, decreases or increases in the Association's net position deficit provide an indicator that our financial health is improving or deteriorating. However, other factors such as transactions (including vehicle class and toll rates) and development along the Southern Connector corridor should also be considered in order to assess the Association's overall financial condition.

FINANCIAL ANALYSIS

This section of our management's discussion and analysis presents our analysis of the Association's overall financial position and results of operations for 2014 and 2013. In this section, we discuss significant transactions that occurred during the years, and compare each year's activities with those of the immediately preceding year.

Net Position (Deficit)

As stated above, the Association's net position was negative in 2014 and 2013. Although our total revenues covered our operating expenses for each year, such revenues were not sufficient to cover our nonoperating expenses, which included interest expense accretions on our 2011 Capital Appreciation Bonds and amortization of our interest in our License Agreement with SCDOT. Neither the interest expense accretions nor the amortization of our interest in our License Agreement represented cash outlays by the Association.

During the year ended December 31, 2014, the Association's total assets decreased by $2,826,758, or 2.0%, to $139,828,252, and total liabilities increased by $8,221,979, or 4.7%, to $182,268,365. In 2013, total assets decreased by $2,917,804, or 2.0%, to $142,655,010, while total liabilities increased by

$7,507,118, or 4.5%, to $174,046,386. The majority of the asset decreases represent amortization of the Association's Interest in the License Agreement, while the bulk of liability increases represent accretions on the 2011 Capital Appreciation Bonds.

The Association's most significant asset is our Interest in our License Agreement with SCDOT. In order to account for the Association's Interest in the License Agreement, the Association capitalized all costs of acquisition and construction of the Southern Connector, including interest expense incurred during the construction period. Upon commencement of toll road operations, the Association began amortizing its interest in the License Agreement. The net book value of that asset was $130,764,827 and $134,339,267 at December 31, 2014 and 2013, respectively. The Association's Interest in our License Agreement with SCDOT is included in current and other assets in Table 1, and represented 93.5% of our total assets at December 31, 2014, and 94.2% of our total assets at December 31, 2013. The net book value of that asset decreased by 2.7% and 2.5% in 2014 and 2013, respectively, from the previous year's net book value. The 2014 decrease of $3,574,440 consisted of amortization for the year, while the 2013 net decrease of $3,448,189 consisted of $126,251 of costs of new LED roadway lighting capitalized during the year offset by amortization of $3,574,440. The Association is amortizing the Interest in our License Agreement with SCDOT over the remaining term of the License Agreement, or a period of 36.5 years as of December 31, 2014.

The Association's Capital Appreciation Bonds Payable totaled $181,498,559 and $173,624,165 at December 31, 2014 and 2013, and comprised our most significant liabilities, representing 99.6% and 99.8% respectively, of total liabilities in 2014 and 2013. The balance of our Capital Appreciation Bonds Payable increased by 4.5% each year due to accretions during each year.

Table 1
Net Position (Deficit)
December 31

	2014	2013	2012
Current and Other Assets	$ 139,596,084	$ 142,346,866	$ 145,144,076
Capital Assets	232,168	308,144	428,738
Total Assets	139,828,252	142,655,010	145,572,814
Long-Term Liabilities (Bonds Payable):			
2011A Senior Capital Appreciation Bonds	(148,645,912)	(142,576,969)	(136,778,265)
2011B Senior Subordinate Capital Appreciation Bonds	(26,013,687)	(24,626,538)	(23,301,537)
2011C Junior Subordinate Capital Appreciation Bonds	(2,737,671)	(2,573,117)	(2,417,789)
Total Long-Term Liabilities	(177,397,270)	(169,776,624)	(162,497,591)
Other Liabilities:			
Current Portion of:			
2011A Senior Capital Appreciation Bonds	(3,256,189)	(3,065,969)	(2,879,119)
2011B Senior Subordinate Capital Appreciation Bonds	(752,145)	(695,607)	(665,029)
2011C Junior Subordinate Capital Appreciation Bonds	(92,955)	(85,965)	(82,200)
Accounts Payable, Unearned Revenue and Deposits	(368,077)	(357,976)	(397,329)
Amounts Payable to SCDOT	(401,729)	(64,245)	(18,000)
Total Other Liabilities	(4,871,095)	(4,269,762)	(4,041,677)
Total Liabilities	(182,268,365)	(174,046,386)	(166,539,268)
Net Position (Deficit):			
Net Investment in Capital Assets	232,168	308,144	428,738
Restricted for:			
SCDOT Maintenance	487,268	744,872	471,793
Unrestricted	(43,159,549)	(32,444,392)	(21,866,985)
Total Net Position (Deficit)	$ (42,440,113)	$ (31,391,376)	$ (20,966,454)

In 2014, the deficit increased by $11,048,737, or 35.2%, to $42,440,113, while the 2013 deficit increased by $10,424,922, or 49.7%, to $31,391,376. The Association's net position was classified in three categories as follows:

- The "net investment in capital assets" category of net position represents amounts invested in capital assets, less accumulated depreciation on those assets, less any liabilities attributable to those assets. At December 31, 2014, the balance of this category of net position was $232,168, a decrease of $75,976, or 24.7%, from the 2013 balance. The December 31, 2013 balance of this category of net position totaled $308,144. That balance represented a decrease of $120,594, or 28.1%, from the 2012 balance.

- The "restricted" category represents the portion of net position with attached constraints on the use of the assets. The constraints are externally imposed by such means or parties as debt covenants, laws, enabling legislation or creditors. The restricted assets in this category are offset by any related liabilities. Governmental generally accepted accounting principles does not allow this category of net position to be negative. At December 31, 2014 and 2013, amounts in this category of net position were restricted for reimbursement of SCDOT maintenance costs and totaled $487,268 and $744,872, respectively. The 2014 balance represented a decrease of $257,604, or 34.6%, from the 2013 balance, while the 2013 balance increased by $273,079, or 57.9%, over the 2012 balance. Such 2014 and 2013 balances represented amounts transferred to the Association's Renewal & Replacement Fund offset by amounts accrued for any SCDOT maintenance expense reimbursement requisitions.

- The "unrestricted" category represents the residual net position that is not included in the net investment in capital assets or restricted net position categories as defined above. This category includes assets offset by liabilities, and may be used to finance daily operations. No constraints have been imposed upon this category of net position. At December 31, 2014, unrestricted net position was a deficit balance of $43,159,549, while the balance at December 31, 2013 was a deficit of $32,444,392. The 2014 change in unrestricted net position deficit totaled $10,715,157, which represented a 33.0% increase from the 2013 balance. The 2013 change in unrestricted net position deficit was $10,577,407, an increase of 48.4% over the 2012 balance.

<u>Operating Revenues and Expenses</u>

The Association's operating revenues far exceeded its operating expenses in both years 2014 and 2013, and operating income of $4,625,769 and $4,427,392, respectively, was realized. The 2014 operating income represented an increase of $198,377, or 4.5%, over 2013 operating income. The 2013 operating income increased 10.8%, or $430,298, over 2012 operating income.

The year 2014 marked the fourth consecutive year that the Association's total operating revenues increased to record levels since operation of the Southern Connector toll road commenced. The Association's 2014 total operating revenues increased by $464,734, or 6.5%, over 2013 amounts to $7,570,047. Those 2014 total operating revenues consisted of both toll revenues, which increased by $657,606, or 9.5%, to $7,566,536, and other revenues, which decreased by $192,872, or 98.2%, to $3,511. In 2013, total operating revenues increased over 2012 amounts by $350,141, or 5.2%, to $7,105,313. The 2013 toll revenue portion of our operating revenues increased by $164,764, or 2.4%, to $6,908,930, while the 2013 other revenue portion increased by $185,377, or 1,684.3%, to $196,383. The significant increase in our 2013 other revenues consisted of $60,000 of compensation for the April closure of the Southern Connector for the filming of a Cinemax action sequence (which represented the estimated tolls lost during the closure) and $136,383 of toll road equipment inventory donated to the Association by the Georgia 400 Tollway Demolition Project.

For the first time in four years, the Association's total operating expenses increased during 2014. Increases in our 2014 operating expenses were primarily attributable to three factors – the 2014 increase in utilization of the Southern Connector, various repairs that were made during the year and a project that we began in 2014 to develop and implement a new toll system. Accordingly, total operating expenses increased over 2013 amounts by $266,357, or 9.9%, to $2,944,278. Our most significant individual increase was realized in contract labor, which rose 254.3%, or $63,851, to $88,959. We began using contract labor to staff our tollbooths in mid-2013, so a portion of the contract labor increase was due to recognizing a full year of expense in 2014 versus a half-year of expense in 2013. However, the 2014 increase in traffic on the Southern Connector also impacted contract labor, and we found it necessary to open additional lanes at tollbooths during the year in order to accommodate our patrons. Miscellaneous expenses increased in 2014 by $57,923, or 86.5%, to $124,899. That change was attributable mainly to increases in the issuance of sticker tag transponders and in the occurrence of toll violation lookup fees that correspond to the 2014 growth in traffic on the Southern Connector. Likewise in 2014, the increase in our credit card discount fees of $32,426, or 28.5%, to $146,350, corresponded to the increase in utilization of the Southern Connector. Repairs and maintenance increased in 2014 by $56,717, or 154.6%, to $93,413. That increase consisted of costs below our capitalization limits incurred to purchase and install various equipment including a new phone system, a new cash counter, a heating and air conditioning unit for our customer service center and an upgrade of fiber optic communication lines that served to boost the speed of information transferred between our toll plazas and ramps, and to provide a strong foundation for our anticipated toll system upgrade. Professional fees increased in 2014 by $50,026, or 21.7%, to $280,800 due in large part to assistance with the extraordinary mandatory prepayments/redemptions (discussed below in the *Debt Administration* subsection of the *Capital Assets and Debt Administration* section of this management's discussion and analysis), and with preparation of our request for proposals relating to the new toll system.

Table 2
Changes in Net Position
Years Ended December 31

	2014	2013	2012
Revenues:			
Operating revenues:			
Charges for Services (Toll Revenues)	$ 7,566,536	$ 6,908,930	$ 6,744,166
Other	3,511	196,383	11,006
Nonoperating Revenues:			
Interest and Investment Earnings	780	235	20,001
Gain on Disposal of Capital Assets	400	-	12,500
Total Revenues	7,571,227	7,105,548	6,787,673
Expenses:			
Operating Expenses	2,944,278	2,677,921	2,758,078
Nonoperating Expenses:			
Interest Expense on Bonds	11,724,658	11,126,574	10,560,340
Amortization	3,574,440	3,574,440	3,571,169
SCDOT Highway Maintenance Costs	716,588	151,535	62,555
Investment Losses	-	-	34,659
Total Expenses	18,959,964	17,530,470	16,986,801
Income (Loss) before Extraordinary Item	(11,388,737)	(10,424,922)	(10,199,128)
Extraordinary Item:			
Extraordinary Gain on Claim Against Lehman Brothers	340,000	-	-
Increase (Decrease) in Net Position (Deficit)	(11,048,737)	(10,424,922)	(10,199,128)
Beginning Net Position (Deficit)	(31,391,376)	(20,966,454)	(10,528,621)
Cumulative Adjustment, Adoption of GASB Statement No. 65, Write-off of Bond Issuance Costs	-	-	(238,705)
Beginning Net Position (Deficit), as Restated	(31,391,376)	(20,966,454)	(10,767,326)
Ending Net Position (Deficit)	$ (42,440,113)	$ (31,391,376)	$ (20,966,454)

In 2013, decreases in total operating expenses contributed to the improvements recognized in operating income. Operating expenses in 2013 totaled $2,677,921 and represented net decreases from prior year amounts of 2.9%, or $80,157. The most significant individual decrease in our 2013 operating expenses occurred in Trustee fees and costs, which totaled $30,000 in 2013. The 2013 decline in Trustee fees and costs totaled $109,657 and represented 78.5% of the 2012 balance. The substantial decrease represented a return of Trustee fees and costs to pre-bankruptcy levels. Our other operating expenses increased by a net amount of 1.1% during 2013.

<u>Nonoperating Revenues and Expenses</u>

During both 2014 and 2013, the Association realized increases in nonoperating expenses resulting from increased interest expense accretions on our 2011 Bonds offset by nonoperating income. Overall, 2014 net nonoperating expenses increased by $1,162,192, or 7.8%, to $16,014,506. Our 2013 net nonoperating expenses increased by 4.6%, or $656,092, to $14,852,314. Nonoperating income was negligible in both 2014 and 2013 and totaled $1,180 and $235, respectively. In 2014 and 2013, our most significant nonoperating expense was interest expense, which increased by 5.4% in both years, or $598,084 and $566,234, to $11,724,658 and $11,126,574, respectively. Our interest expense was attributable to accretions on our 2011 Capital Appreciation Bonds in both years, plus a small premium of $2,723 paid on the 2014 extraordinary mandatory prepayments/redemptions discussed below in the *Debt Administration* subsection of the *Capital Assets and Debt Administration* section of this management's discussion and analysis. Cash outlays for debt service on our 2011 Bonds totaled $3,850,264 and $3,626,348 in 2014 and 2013, respectively, while debt service paid in January 2015 totaled $4,101,289.

In 2014 and 2013, other nonoperating expenses consisted of SCDOT maintenance expense and amortization of our License Agreement with SCDOT. SCDOT maintenance expense in 2014 totaled $716,588, and represented an increase of $565,053, or 372.9%, over 2013 amounts. Our 2013 SCDOT maintenance expense increased by 142.2%, or $88,980, to $151,535. Reimbursements of Southern Connector maintenance costs incurred by SCDOT are paid solely from and to the extent monies are deposited into the Association's 2011 Renewal and Replacement Fund ("2011 R&R Fund") as prescribed by the terms of the Amended Trust Indenture and Revised License Agreement. (See Note 1, item J and Notes 5 and 9 to the financial statements for more information about deposits into and payments from our 2011 R&R Fund.) The amortization of our License Agreement with SCDOT totaled $3,574,440 in both 2014 and 2013.

<u>Extraordinary Item</u>

In late 2014, the Association received $340,000 in settlement of its claim filed several years ago against Lehman Brothers, Inc. in Lehman's bankruptcy case. That claim was filed for losses incurred by the Association in 2008 when Lehman Brothers defaulted under a collateralized repurchase agreement held in connection with investments of monies in our 1998 Bonds Debt Service Reserve Accounts. Governmental accounting standards require that a gain or loss be reported as an extraordinary item if it is both unusual in nature and infrequent in occurrence. The monies that we received in this settlement are clearly unrelated to our ordinary and typical activity of operating of the Southern Connector, so they meet the "unusual" criteria specified by accounting literature. They also meet the "infrequent" criteria since (a) at the time that we filed our claim against Lehman Brothers, we had no reasonable expectation of recovery, and (b) upon receipt of the $340,000 award, the Association had no further expectation of receiving additional sums from our claim (despite our subsequent receipt of an additional sum in 2015 discussed later). Accordingly, we reported this gain as an extraordinary item in our 2014 financial statements. In March 2015, the Association received an additional $200,000 in connection with our Lehman Brothers' claim. We do not anticipate receipt of any more monies related to this claim.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

In 2014, the Association's capital assets included equipment with a net book value of $232,168, a net decrease of $75,976, or 24.7%, from the 2013 balance. During the year, we purchased an air conditioning unit for $7,969 and a used Ford Explorer for $25,838. Our depreciation on our capital assets totaled $109,783. In 2014, we also sold a fully-depreciated Dodge Durango at a gain of $400 and disposed of fully-depreciated transponders. Capital assets in 2013 decreased to $308,144, a change of 28.1%, or $120,594, from the 2012 balance. During 2013, our capital asset additions included purchases of $3,445 of bumper tag transponders, while our depreciation expense totaled $124,039. In addition, we scrapped fully-depreciated transponders in 2013.

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

	2014	2013	2012
Total Capital Assets, Net:			
Equipment, Net	$ 232,168	$ 308,144	$ 428,738

Debt Administration

The balance of the Association's 2011 Bonds totaled $181,498,559 and $173,624,165 at December 31, 2014 and 2013, respectively. Of those amounts, $4,101,289 and $3,847,541 were due and paid in early 2015 and 2014, respectively. The balance increased by net amounts totaling $7,874,394 and $7,500,226, or 4.5%, during 2014 and 2013, respectively. In both years, the net increases resulted from interest expense accretions offset by debt service paid early in the following year. Interest expense for 2014 totaled $11,724,658 and included regularly scheduled accretions of $11,721,935 plus $2,723 of premiums paid as part of the extraordinary mandatory prepayments/redemptions discussed below. Interest expense for 2013 consisted solely of regularly scheduled accretions of $11,126,574. The payments made in early 2014 on our 2011 Bonds totaled $3,847,541 and consisted of regularly scheduled debt service paid in January of $3,793,067 and $54,474 of extraordinary mandatory prepayments/redemptions paid in February. In addition, our February 2014 payments included premiums of $2,723 paid as part of the extraordinary mandatory prepayments/redemptions and included in interest expense as discussed previously. Payments made on our 2011 Bonds in January 2013 totaled $3,626,348 and consisted solely of regularly scheduled debt service. Interest expense increased by 5.4% during both 2014 and 2013, and translated to changes of $598,084 and $566,234, respectively.

As described above, our 2014 payments of debt service included extraordinary mandatory prepayments and redemptions that were paid in February 2014. Sections 303 and 304 of our Amended Trust Indenture's First Supplemental Indenture of Trust require prepayments or redemptions of our 2011 Bonds whenever the accumulated balance of our Extraordinary Prepayment Fund exceeds $50,000 as of January 1 of any year. Those sections also prescribe the date that such prepayments/redemptions are to be paid, the amounts of such prepayments/redemptions, the order in which our 2011 Bonds are to be prepaid/redeemed, and the manner in which such prepayments/redemptions are to be applied against the schedule of future Annual Pro-Rata Paydown Payments/Sinking Funding Installments that are due on our 2011 Bonds. Accordingly, since the balance in our Extraordinary Prepayment Fund Trust account exceeded $50,000 at December 31, 2013, we paid mandatory prepayments/redemptions on February 15, 2014, totaling $57,197 on certain of our 2011 Bonds. Mandatory prepayments of our 2011A Retained Term Bonds were $230 and included premiums of $10. Mandatory redemptions of our 2011A1 New Term Bonds were $56,967 and included premiums of $2,713. (For detailed information about the Association's 2011 Bonds and Trust Fund accounts, including information about the Amended Trust Indenture, terms and covenants of the 2011 Bonds and the mandatory prepayment/redemption provisions of the Amended Trust Indenture, see Note 1, items J and M and Note 7 to the financial statements.)

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

SUBSEQUENT EVENTS

As discussed above in the *Operating Revenues and Expenses* subsection of the *Financial Analysis* section of this management's discussion and analysis, in late 2014, we initiated a project to develop and implement a new toll system. The Association's new toll system will include customized computer software and upgraded computer hardware. At the time this annual report was issued in June 2015, the Association was in the final stages of negotiating its contract for the development of the new toll system with Brisa Innovation Technologies ("Brisa"). The contract includes a maximum 18-month design and deployment period during which the Association will pay Brisa approximately $1,070,000 in installments as various milestones are met. In addition, the contract includes payments for a minimum one-month training period and a 60-month maintenance period which will overlap with the training period.

In March 2015, as discussed above in the *Extraordinary Item* subsection of the *Financial Analysis* section of this management's discussion and analysis, the Association received an additional $200,000 as settlement of its claim filed in the Lehman Brothers' bankruptcy case. We expect to receive no additional payments pursuant to this matter.

The Association's Amended Trust Indenture requires us to retain an independent traffic and revenue consultant to perform a toll rate study that must be completed on or before April 30, 2016. The purpose of the toll rate study is to determine the optimum toll rates to be charged for the Southern Connector. At the time this annual report was issued in June 2015, the Association had named, and SCDOT had approved, the consultant that the Association intends to engage to perform the toll rate study. However, a formal contract for the performance of the toll rate study had not been finalized.

CONTACTING THE CONNECTOR 2000 ASSOCIATION, INC.

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

Basic Financial Statements

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

STATEMENTS OF NET POSITION - PROPRIETARY FUND

DECEMBER 31, 2014 AND 2013

	Business-Type Activities - Enterprise Fund	
ASSETS	**2014**	**2013**
Current Assets:		
Cash and Cash Equivalents	$ 1,365,763	$ 947,031
Prepaid Expenses	56,141	38,229
Inventory	308,605	328,642
Total Current Assets	1,730,509	1,313,902
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	7,100,748	6,693,697
Capital Assets:		
Equipment	932,851	930,353
Less: Accumulated Depreciation	(700,683)	(622,209)
Total Capital Assets	232,168	308,144
Other Assets:		
Interest in License Agreement with SCDOT (Net of Accumulated Amortization of $61,858,665 and $58,284,225, respectively)	130,764,827	134,339,267
Total Other Assets	130,764,827	134,339,267
TOTAL ASSETS	**$ 139,828,252**	**$ 142,655,010**
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 80,702	$ 78,050
Unearned Toll Revenue	270,551	262,902
Transponder Deposits	16,824	17,024
Revenue Bonds Payable, Current Portion	4,101,289	3,847,541
SCDOT Maintenance Payable	401,729	64,245
Total Current Liabilities	4,871,095	4,269,762
Noncurrent Liabilities:		
Revenue Bonds Payable, Less Current Portion	177,397,270	169,776,624
Total Noncurrent Liabilities	177,397,270	169,776,624
TOTAL LIABILITIES	**182,268,365**	**174,046,386**
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	232,168	308,144
Restricted for:		
SCDOT Maintenance	487,268	744,872
Unrestricted	(43,159,549)	(32,444,392)
TOTAL NET POSITION (DEFICIT)	**$ (42,440,113)**	**$ (31,391,376)**

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

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

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

YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-Type Activities - Enterprise Fund	
OPERATING REVENUES	**2014**	**2013**
Toll Revenues	$ 7,566,536	$ 6,908,930
Other Toll Road Revenues	3,511	196,383
TOTAL OPERATING REVENUES	**7,570,047**	**7,105,313**
OPERATING EXPENSES		
Automobile	24,683	30,288
Bank Fees and Charges	14,751	13,610
Contract Labor	88,959	25,108
Contract Services	34,934	40,854
Credit Card Discount Fees	146,350	113,924
Employee Benefits	265,964	258,872
Miscellaneous	124,899	66,976
Office Supplies	30,353	32,240
Payroll Taxes	106,370	101,770
Repairs and Maintenance	93,413	36,696
Salaries	1,315,149	1,303,038
Telephone	27,028	22,150
Utilities	74,123	76,616
Advertising	7,561	7,052
Depreciation	109,783	124,039
Insurance	135,234	132,825
Marketing	30,219	31,089
Professional Fees	280,800	230,774
Trustee Fees and Costs	33,705	30,000
TOTAL OPERATING EXPENSES	**2,944,278**	**2,677,921**
OPERATING INCOME	**4,625,769**	**4,427,392**
NONOPERATING REVENUES (EXPENSES)		
Interest Earned on Cash Equivalents and Investments	780	235
Interest Expense	(11,724,658)	(11,126,574)
SCDOT Maintenance Expense	(716,588)	(151,535)
Gain (Loss) on Disposal of Capital Assets	400	-
Amortization of Interest in License Agreement with SCDOT	(3,574,440)	(3,574,440)
TOTAL NONOPERATING REVENUES (EXPENSES)	(16,014,506)	(14,852,314)
LOSS BEFORE EXTRAORDINARY ITEM	(11,388,737)	(10,424,922)
EXTRAORDINARY ITEM		
Extraordinary Gain on Claim against Lehman Brothers	340,000	-
CHANGE IN NET POSITION	(11,048,737)	(10,424,922)
NET POSITION (DEFICIT), Beginning of Year	(31,391,376)	(20,966,454)
NET POSITION (DEFICIT), End of Year	**$ (42,440,113)**	**$ (31,391,376)**

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

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

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND

YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-Type Activities - Enterprise Fund	
CASH FLOWS FROM OPERATING ACTIVITIES	**2014**	**2013**
Receipts from:		
Toll Collections	$ 7,573,985	$ 6,922,965
Other Toll Road Operations	3,511	60,000
Payments for:		
Toll Road Employees and Contract Labor	(1,776,442)	(1,688,788)
Vendors and Service Providers	(1,432,380)	(1,001,504)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,368,674	4,292,673
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(33,807)	(3,445)
Principal Paid on Bonds Payable	(3,847,541)	(3,626,348)
Premium Paid on Prepayment of Bonds Payable	(2,723)	-
Purchases of Underlying Capital Assets Related to the Interest in License Agreement	-	(126,251)
Proceeds from Sale of Capital Assets	400	-
Proceeds from Lehman Brothers Settlement	340,000	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(3,543,671)	(3,756,044)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	780	235
NET CASH PROVIDED BY INVESTING ACTIVITIES	780	235
INCREASE IN CASH AND CASH EQUIVALENTS	**825,783**	**536,864**
CASH AND CASH EQUIVALENTS, Beginning of Year	7,640,728	7,103,864
CASH AND CASH EQUIVALENTS, End of Year	**$ 8,466,511**	**$ 7,640,728**
Reconciliation of Cash and Cash Equivalents - Statements of Cash Flows to Statements of Net Position		
Unrestricted Cash and Cash Equivalents - Current Assets	$ 1,365,763	$ 947,031
Restricted Cash and Cash Equivalents - Noncurrent Assets	7,100,748	6,693,697
Total Cash and Cash Equivalents Shown on Statements of Net Position	**$ 8,466,511**	**$ 7,640,728**
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Operating Income	$ 4,625,769	$ 4,427,392
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	109,783	124,039
SCDOT Maintenance Expense	(716,588)	(151,535)
Donated Inventory	-	(136,383)
Change In:		
Prepaid Expenses	(17,912)	17,795
Inventory	20,037	4,473
Accounts Payable	2,652	(53,388)
Unearned Toll Revenue	7,649	14,155
Transponder Deposits	(200)	(120)
SCDOT Maintenance Payable	337,484	46,245
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 4,368,674	$ 4,292,673
NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ITEMS		
Amortization of Interest in Revised License Agreement with SCDOT	$ 3,574,440	$ 3,574,440
Interest Accreted on Series 2011 Revenue Bonds	$ 11,721,935	$ 11,126,574

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Connector 2000 Association, Inc. (the "Association") is a South Carolina nonprofit corporation organized as a "public benefit corporation" under the South Carolina Nonprofit Corporation Act of 1994. The Articles of Incorporation of the Association were originally filed with the South Carolina Secretary of State on January 12, 1996, and were amended by a filing on March 5, 1997. The Internal Revenue Service 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 Association was formed to assist the South Carolina Department of Transportation (the "SCDOT") in the financing, acquisition, construction, and operation of turnpikes, highway projects, and other transportation facilities.

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

The Association originally financed construction of the Southern Connector by issuing toll road revenue bonds in 1998. In 2011, in connection with implementation of its Debt Adjustment Plan pursuant to its Chapter 9 Bankruptcy case, the Association exchanged its 1998 Bonds for new toll road revenue bonds (the "2011 Bonds"). The Association's Debt Adjustment Plan encompasses a First Amended and Restated Master Indenture of Trust and a First Supplemental Indenture of Trust (collectively, the "Amended Trust Indenture") and the Revised License Agreement, all of which became effective April 21, 2011. Following a mandatory exchange of certain of its 2011 Pro-Rata Term bonds for 2011 By-Lot Term Bonds and payment of outstanding issuance costs of the 2011 Bonds, the Association's bankruptcy proceedings were finalized on August 27, 2012, when the United States Bankruptcy Court issued the Final Decree closing the Association's Bankruptcy case. See Notes 5 and 7 for additional information pertaining to the Association's Revised License Agreement and its 2011 Bonds. See the *Bankruptcy Filing* link of the Association's *News & Filings* tab of our website, www.SouthernConnector.com, for detailed information regarding the Association's Bankruptcy case and complete copies of the Association's Debt Adjustment Plan, including the Amended Trust Indenture and the Revised License Agreement.

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

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

The Association has no component units.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Presentation, and Accounting

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

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

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

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

The accounts of the Association are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. 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. 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 Funds 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. Nonoperating expenses primarily include (a) interest expense on the Association's debt (b) amortization of the Association's intangible interest in its License Agreement with SCDOT, and (c) reimbursements of SCDOT highway maintenance expense from the 2011 Renewal and Replacement Fund as discussed in Note 1, item J. below.

C. Use of Estimates

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

D. Budget

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

E. Cash and Cash Equivalents

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

F. Investments

The Association's Amended Trust Indenture contains provisions requiring all bond proceeds and toll revenues received by the Association to be held in trust. Such monies held in the 2011 Trust Fund Accounts are expended in accordance with Amended Trust Indenture guidelines. All monies held in the 2011 Trust Fund Accounts that are not insured by the FDIC must be secured by and/or invested in investment securities as defined in the Amended 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. (See Note 2 for additional information.)

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

I. Interest in License Agreement with SCDOT

Prior to the April 21, 2011 effective date of the Association's Debt Adjustment Plan, the Association operated under the terms of its Original License Agreement with SCDOT. Beginning April 21, 2011, the Association's operations are governed by the Revised License Agreement with SCDOT, which modifies or amends certain provisions of the Original License Agreement. Any terms of the Original License Agreement that were not amended or modified by the Revised License Agreement remain in effect. See Note 5 for a detailed discussion of the terms of the Revised License Agreement.

The Association's interest in its License Agreement with SCDOT constitutes a service concession arrangement (an "SCA") that is accounted for as an intangible asset relating to the Southern Connector that began generating revenues upon commencement of toll road operations. An SCA is an arrangement between a transferor government and an operator (governmental or nongovernmental entity) in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration, and the operator collects and is compensated by fees from third parties. In order to account for its interest in the License Agreement, the Association capitalized all costs of acquisition and construction of the Southern Connector, including interest expense incurred during the construction period. Upon commencement of toll road operations, the Association began amortizing its interest in the License Agreement. See Note 5 for a description of this amortization.

J. Restricted Assets

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

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

> The 2011 *Cost of Issuance Fund* was established to pay or reimburse the Association for costs of implementing its Debt Adjustment Plan. Upon issuance of the 2011 Bonds, monies remaining in the 1998 Funds and Accounts were transferred into this fund. Costs of implementing the Debt Adjustment Plan and issuing the 2011 Bonds were paid from this fund in accordance with the Amended Trust Indenture. In 2012, following the Association's payment of the costs of issuing the 2011 By-Lot Term Bonds discussed below in Note 7, the 2011 Cost of Issuance Fund was closed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Restricted Assets (Continued)

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

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

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

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

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

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

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

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

3. The Trustee shall transfer to the 2011 Senior Bonds Debt Service Account amounts which, when added to other amounts then in the 2011 Senior Bonds Debt Service Account, and available for such purposes, shall equal the debt service on the 2011 Senior Bonds required to be paid on such 2011 Bond payment date, including any amounts representing Arrearages as defined in the Amended Trust Indenture (see Note 7) on the 2011 Senior Bonds from earlier 2011 Bond payment dates.

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Restricted Assets (Continued)

6. The Trustee shall transfer to the 2011 Senior Subordinate Bonds Debt Service Account amounts which, when added to other amounts then in the 2011 Senior Subordinate Bonds Debt Service Account, and available for such purposes, shall equal the debt service on the 2011 Senior Subordinate Bonds required to be paid on such 2011 Bond payment date, including any amounts representing Arrearages as defined in the Amended Trust Indenture (see Note 7) on the 2011 Senior Subordinate Bonds from earlier 2011 Bond payment dates.

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

8. The Trustee shall transfer to the 2011 Junior Subordinate Bonds Debt Service Account amounts which, when added to other amounts then in the 2011 Junior Subordinate Bonds Debt Service Account, and available for such purposes, shall equal the debt service on the 2011 Junior Subordinate Bonds required to be paid on such 2011 Bond payment date, including any amounts representing Arrearages as defined in the Amended Trust Indenture (see Note 7) on the 2011 Junior Subordinate Bonds from earlier 2011 Bond payment dates.

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

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

See Notes 5, 7 and 9, respectively, for additional information regarding deposits of Distributable Cash into the 2011 R&R Fund and payments of Distributable Cash for debt service on the 2011 Bonds.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Restricted Assets (Continued)

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

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

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

The 2011 *Rebate Fund* was established for the purpose of holding and paying arbitrage investment earnings to the U.S. Treasury. Because tax-exempt bond proceeds are invested at rates of return not exceeding the maximum amount that is permitted under the applicable tax code, at December 31, 2014 and 2013, there were no funds on deposit in this Fund. Although the 2011 Rebate Fund is maintained by the Trustee, it is not a part of the 2011 Trust Estate.

K. Compensated Absences

The Association grants its regular full-time employees paid vacation days based on years of service and 10 paid holidays per year. Employees receive no sick days but are allowed to use vacation or holiday time when sick. All vacation and holiday time must be taken in the year earned. Therefore, at December 31, 2014 and 2013, there are no accumulating vacation or holiday benefits, thus no liability for such items was recognized.

L. Capital Assets and Intangible Assets

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets and Intangible Assets (Continued)

Pursuant to this policy, equipment with individual or group costs greater than $5,000 and intangible assets with costs generally 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 intangible interest in its 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 nonoperating revenues or expenses.

M. Bonds Payable and Related Bond Issuance Costs

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

N. Rebatable Arbitrage

Arbitrage involves the investment of proceeds resulting from the sale of tax-exempt securities in a taxable investment that yields a higher rate, which produces income in excess of interest costs. With certain exceptions, federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from those earnings exceeds the effective yield on the related tax-exempt debt issued. The Federal Government only requires arbitrage rebates to be calculated, reported and paid every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes, and any arbitrage rebate liability incurred is recognized at that time. The liability is recorded using the revenue reduction method, whereby the rebate is recorded as a reduction of interest revenue. At December 31, 2014 and 2013, the Association had no arbitrage liability.

O. Net Position (Deficit)

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

> *Net investment in capital assets* — Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
>
> *Restricted net position* — Consists of 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, reduced by liabilities related to those assets. In all cases, if individual restricted net position categories are negative, the negative balance is eliminated and reclassified against unrestricted net position.
>
> *Unrestricted net position* — All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Unless otherwise dictated in the Amended 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 position are available.

The Association's net deficit at December 31, 2014 and 2013 represents accumulated shortfalls since commencement of operations because toll revenues have been insufficient to cover interest accretions on the Association's Bonds.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Association's deposits might not be recovered. The Association does not have a formal deposit policy for custodial credit risk, but follows the guidelines outlined in the Association's Amended Trust Indenture (as noted earlier) which are consistent with federal and South Carolina law. At December 31, 2014, approximately $1,128,300 of the Association's bank balances of approximately $1,379,700 (with a carrying value of $1,365,763) were uninsured and uncollateralized. At December 31, 2013, approximately $671,400 of the Association's bank balances of approximately $939,900 (with a carrying value of $965,425) were uninsured and uncollateralized. The South Carolina State Treasurer held none of the deposits noted above.

Investments

The South Carolina State Treasurer held none of the investments noted below. As of December 31, 2014 and 2013, 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, 2014:				
First American Prime Obligations Fund	AAAm, Aaa-mf, AAAmmf	$7,100,748	100.00%	0.107
December 31, 2013:				
First American Prime Obligations Fund	AAAm, Aaa-mf, AAAmmf	$6,675,303	100.00%	0.112

^ If available, credit ratings are from Standard & Poor's, Moody's Investors Service and Fitch Ratings.

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

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 Amended Trust Indenture (as noted earlier). As of December 31, 2014 and 2013, none of the Association's investments were exposed to custodial credit risk.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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 Amended Trust Indenture (as noted earlier) which are consistent with federal and South Carolina law.

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

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

Statements of Net Position			Notes		
	2014	2013		2014	2013
Unrestricted Current Assets:					
Cash and Cash Equivalents	$ 1,365,763	$ 947,031	Deposits	$ 1,365,763	$ 965,425
Investments	-	-	Investments	7,100,748	6,675,303
Restricted:					
Cash and Cash Equivalents	7,100,748	6,693,697			
	$ 8,466,511	$ 7,640,728		$ 8,466,511	$ 7,640,728

See Note 1, item J and Note 7 for additional information about restrictions on deposits and balances of the various Trust Funds at December 31, 2014 and 2013.

NOTE 3 – RECEIVABLES

At December 31, 2014 and 2013, the Association had no receivable balances.

NOTE 4 – CAPITAL ASSETS

The following tables summarize the changes in capital assets of the Association during the past two years and their balances at December 31, 2014 and 2013:

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Description	Balance December 31, 2013	Additions	Disposals	Balance December 31, 2014
Capital Assets:				
Equipment	$ 930,353	$ 33,807	$ (31,309)	$ 932,851
Less: Accumulated Depreciation	(622,209)	(109,783)	31,309	(700,683)
Capital Assets, Net	$ 308,144	$ (75,976)	$ -	$ 232,168

Description	Balance December 31, 2012	Additions	Disposals	Balance December 31, 2013
Capital Assets:				
Equipment	$ 1,174,426	$ 3,445	$ (247,518)	$ 930,353
Less: Accumulated Depreciation	(745,688)	(124,039)	247,518	(622,209)
Capital Assets, Net	$ 428,738	$ (120,594)	$ -	$ 308,144

For the years ended December 31, 2014 and 2013, depreciation expense related to capital assets was $109,783 and $124,039, respectively. See Note 1, item L for additional information about the Association's capitalization policy, and its methods of calculating depreciation.

The Association had no significant construction commitments outstanding at December 31, 2014 or 2013.

NOTE 5 – INTEREST IN LICENSE AGREEMENT WITH SCDOT

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

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

Under the Revised License Agreement, SCDOT is responsible for performance and payment of all highway maintenance of the Southern Connector. As defined in the Revised License Agreement, highway maintenance includes all maintenance, repair, renewal, replacement, enhancement, resurfacing and restoration of the Southern Connector. The Association is not required to perform or pay for any highway maintenance of the Southern Connector.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Association is amortizing the Revised License Agreement through its contractual termination date, or July 2051.

The Association's rights under its License Agreement with SCDOT constitute a service concession arrangement that is accounted for as an intangible asset 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, items I and L for additional information.) The following tables summarize the activity related to the Association's Interest in License Agreement with SCDOT (intangible asset) during the years ended December 31, 2014 and 2013:

Description	Balance December 31, 2013	Additions	Disposals	Balance December 31, 2014
Interest in License Agreement with SCDOT	$ 192,623,492	$ -	$ -	$ 192,623,492
Less: Accumulated Amortization	(58,284,225)	(3,574,440)	-	(61,858,665)
Interest in License Agreement with SCDOT, Net	$ 134,339,267	$ (3,574,440)	$ -	$ 130,764,827

Description	Balance December 31, 2012	Additions	Disposals	Balance December 31, 2013
Interest in License Agreement with SCDOT	$ 192,497,241	$ 126,251	$ -	$ 192,623,492
Less: Accumulated Amortization	(54,709,785)	(3,574,440)	-	(58,284,225)
Interest in License Agreement with SCDOT, Net	$ 137,787,456	$ (3,448,189)	$ -	$ 134,339,267

NOTE 6 – INTEREST COSTS INCURRED

Interest costs expensed during the years ended December 31, 2014 and 2013 totaled $11,724,658 and $11,126,574, respectively. Interest expense for 2014 included interest accreted on the Association's 2011 Bonds and the premiums paid as part of the extraordinary mandatory prepayments/redemptions discussed in Note 7, while 2013 interest expense included only interest accreted on the Association's 2011 Bonds.

NOTE 7 – BONDS PAYABLE

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

NOTE 7 – BONDS PAYABLE (CONTINUED)

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

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

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

The Association's 2011 Bonds, as updated for the Bond Exchange and as remained outstanding following the Association's January 1, 2012 payment of debt service, consisted of:

The *2011 Senior Bonds* as follows:

- *Series 2011A Senior Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011A Serial Bonds") are dated April 1, 2011, and include ten serial bonds. The original principal amount at issuance of the remaining outstanding serial bonds totaled $34,987,331. Such remaining outstanding serial bonds mature January 1 of the years 2013 through 2022 inclusive, and accrete interest at rates ranging from 3.75% to 6.00%.

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

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

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

  - The Series 2011A term bonds maturing on July 22, 2051, with an aggregate original principal amount of $73,418 are subject to annual pro rata paydown payments on January 1 of the years 2043 through 2051 in varying amounts from $90,876 to $113,077, with a payment of $60,151 (as revised following the February 15, 2014 extraordinary mandatory prepayment discussed below) at final maturity on July 22, 2051. Interest accretes on these term bonds at 7.50%.

NOTE 7 – BONDS PAYABLE (CONTINUED)

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

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

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

    - The Series 2011A1 term bonds maturing on July 22, 2051, with an aggregate original principal amount of $18,117,434 and a maturity value of $334,287,216 are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2043 through 2051 in varying amounts from $22,424,076 to $27,900,334, with a payment of $14,843,507 (as revised following the February 15, 2014 extraordinary mandatory redemption discussed below) at final maturity on July 22, 2051. Interest accretes on these term bonds at 7.5%.

The *2011 Senior Subordinate Bonds* as follows:

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

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

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

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

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

NOTE 7 – BONDS PAYABLE (CONTINUED)

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

The *2011 Junior Subordinate Bonds* as follows:

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

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

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

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

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

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

NOTE 7 – BONDS PAYABLE (CONTINUED)

The Association's bonds payable activity for the years ended December 31, 2014 and 2013 was as follows:

	Balance December 31, 2013	Increases	Decreases	Balance December 31, 2014	Amount Due in One Year
Senior Bonds:					
Series 2011A Serial Bonds	$ 37,252,854	$ 1,871,509	$ 3,011,495	$ 36,112,868	$ 3,256,189
Series 2011A Retained Term Bonds	437,481	30,082	220	467,343	- #
Series 2011A1 New Term Bonds	107,952,603	7,423,541	54,254	115,321,890	- #
Total Senior Bonds	145,642,938	9,325,132	3,065,969	151,902,101	3,256,189
Senior Subordinate Bonds:					
Series 2011B Retained Term Bonds	103,972	8,773	2,883	109,862	3,117
Series 2011B1 New Term Bonds	25,218,173	2,130,521	692,724	26,655,970	749,028
Total Senior Subordinate Bonds	25,322,145	2,139,294	695,607	26,765,832	752,145
Junior Subordinate Bonds:					
Series 2011C Retained Term Bonds	22,553	2,182	729	24,006	789
Series 2011C1 New Term Bonds	2,636,529	255,327	85,236	2,806,620	92,166
Total Junior Subordinate Bonds	2,659,082	257,509	85,965	2,830,626	92,955
Total Revenue Bonds Payable	$ 173,624,165	$ 11,721,935	$ 3,847,541	$ 181,498,559	$ 4,101,289

	Balance December 31, 2012	Increases	Decreases	Balance December 31, 2013	Amount Due in One Year
Senior Bonds:					
Series 2011A Serial Bonds	$ 38,242,575	$ 1,889,398	$ 2,879,119	$ 37,252,854	$ 3,011,495
Series 2011A Retained Term Bonds	409,327	28,154	-	437,481	220 #
Series 2011A1 New Term Bonds	101,005,481	6,947,122	-	107,952,603	54,254 #
Total Senior Bonds	139,657,383	8,864,674	2,879,119	145,642,938	3,065,969
Senior Subordinate Bonds:					
Series 2011B Retained Term Bonds	98,428	8,298	2,754	103,972	2,883
Series 2011B1 New Term Bonds	23,868,138	2,012,310	662,275	25,218,173	692,724
Total Senior Subordinate Bonds	23,966,566	2,020,608	665,029	25,322,145	695,607
Junior Subordinate Bonds:					
Series 2011C Retained Term Bonds	21,200	2,050	697	22,553	729
Series 2011C1 New Term Bonds	2,478,790	239,242	81,503	2,636,529	85,236
Total Junior Subordinate Bonds	2,499,990	241,292	82,200	2,659,082	85,965
Total Revenue Bonds Payable	$ 166,123,939	$ 11,126,574	$ 3,626,348	$ 173,624,165	$ 3,847,541

Increases and decreases for the year ended December 31, 2014 and amounts due in one year at December 31, 2013 on the Series 2011A Retained Term Bonds and the 2011A1 New Term Bonds include the extraordinary mandatory prepayments and redemptions that were paid in February 2014. The premiums paid in February 2014 with the extraordinary mandatory prepayments and redemptions are excluded from the tables above.

NOTE 7 – BONDS PAYABLE (CONTINUED)

During 2014, increases in bonds payable totaled $11,721,935 and represented accretions on the Association's bonds. Those accretions plus premiums totaling $2,723 that were paid as part of the extraordinary mandatory prepayments/redemptions of 2011 Bonds in February 2014 were recorded as interest expense; accordingly, total interest expense for 2014 was $11,724,658. The 2014 decreases in bonds payable totaled $3,847,541 and included $3,793,067 of debt service paid in January 2014 and extraordinary mandatory prepayments/redemptions of $54,474 of accreted value of the respective 2011 Bonds paid in February 2014. In 2013, accretions on the Association's bonds increased bonds payable by $11,126,574 and were recorded as interest expense for the year. The 2013 decreases in bonds payable of $3,626,348 represented debt service payments that were made in January 2013.

At January 1, 2014, the balance of the Association's 2011 Extraordinary Prepayment Fund exceeded $50,000. Accordingly on February 15, 2014, the Association made extraordinary mandatory prepayments of $220 accreted value to prepay certain of its 2011A Retained Term Bonds (that were scheduled to mature on July 22, 2051 with a maturity value of $3,284) and $54,254 accreted value to redeem certain of its 2011A1 New Term Bonds (that were scheduled to mature on July 21, 2051 with a maturity value of $813,091). Premiums paid on the 2011A Retained Term Bonds and the 2011A1 New Term Bonds totaled $10 and $2,713, respectively.

The following schedule summarizes the Association's debt service requirements to maturity as of December 31, 2014. Since all of the 2011 Bonds are capital appreciation bonds, accretions are accounted for as interest expense and additions to principal. For purposes of the following debt service schedule, all accretions are included as principal, and no interest is shown.

Year Ending December 31	Principal	Interest	Totals
2015	$ 4,101,289	$ -	$ 4,101,289
2016	4,571,599	-	4,571,599
2017	6,184,885	-	6,184,885
2018	6,835,150	-	6,835,150
2019	7,441,151	-	7,441,151
2020-2024	49,923,841	-	49,923,841
2025-2029	71,039,100	-	71,039,100
2030-2034	90,907,223	-	90,907,223
2035-2039	113,848,194	-	113,848,194
2040-2044	138,111,163	-	138,111,163
2045-2049	161,504,727	-	161,504,727
2050-2051	89,368,405	-	89,368,405
Totals	$ 743,836,727	$ -	$ 743,836,727

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

NOTE 7 – BONDS PAYABLE (CONTINUED)

At December 31, 2014 and 2013, the following accounts established by the Amended Trust Indenture were included in the Trust Estate and provided security for the 2011 Bonds:

Trust Account	Amount 2014	Amount 2013
2011 Revenue Fund	$ 47,260	$ 89
2011 Debt Service Fund	4,101,289	3,793,068
2011 Debt Service Reserve Fund	2,034,225	2,034,225
2011 Extraordinary Prepayment Fund	28,977	57,198
Total	$ 6,211,751	$ 5,884,580

During the years ended December 31, 2014 and 2013, payments from the various accounts were made in accordance with the terms of the Amended Trust Indenture. (See Note 1, item J for more details).

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 are payable solely from the 2011 Trust Estate. The 2011 Bonds are not rated by a national rating agency.

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

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

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

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

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

- By June 30 of each year, an Association Engineer (as defined) is required to inspect the toll road and submit a report documenting the Association Engineer's findings as to whether the Southern Connector has been maintained by SCDOT in good repair and any deficiencies in the physical condition of the toll road. The report shall identify any highway maintenance needs of the Southern Connector, an assessment of the materiality of such needs, and an estimate of the cost and appropriate timing of such needs. A draft of the latest report was submitted to the Association by its Engineer in early June 2015. The final report will be submitted to the Association's Trustee and SCDOT by June 30, 2015.

NOTE 7 – BONDS PAYABLE (CONTINUED)

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

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

- The Association shall certify to the 2011 Trustee the actual debt service coverage ratios compared to the threshold ratios set forth above. Calculations of the actual debt service coverage ratios shall accompany such certification.

- Prior to the end of each fiscal year, the Association is required to file an annual budget for the next fiscal year with the 2011 Trustee.

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

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

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

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

NOTE 7 – BONDS PAYABLE (CONTINUED)

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

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

The Association monitors the above covenants for compliance throughout the year. The Association believes it was in compliance with and has met its 2011 Bond covenants as of and during the years ended December 31, 2014 and 2013.

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

NOTE 8 – 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, 2014 or 2013.

NOTE 9 – 2011 R&R FUND ACTIVITY

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

NOTE 9 – 2011 R&R FUND ACTIVITY (CONTINUED)

At December 31, 2013, the balance of the Association's 2011 R&R Fund account was $809,117. During 2014, deposits into the 2011 R&R Fund consisted of $458,882 deposited in accordance with the New Waterfall provisions of the Amended Trust Indenture and $103 of interest income. In 2014, the Association paid $379,105 of highway maintenance expense incurred by SCDOT, of which $64,245 was accrued and expensed in 2013. At December 31, 2014, the Association accrued $401,729 of highway maintenance expense to be reimbursed from the 2011 R&R Fund in 2015. Total highway maintenance expense recognized by the Association for the year ended December 31, 2014 was $716,588. At December 31, 2014, the balance of the 2011 R&R Fund was $888,997 and the Fund's net position was $487,268.

At December 31, 2012, the balance of the Association's 2011 R&R Fund account was $489,793. During 2013, deposits into the 2011 R&R Fund consisted of $424,598 deposited in accordance with the New Waterfall provisions of the Amended Trust Indenture and $16 of interest income. The Association paid $105,290 of highway maintenance expense incurred by SCDOT in 2013, of which $18,000 was accrued and expensed in 2012. At December 31, 2013, the Association accrued $64,245 of highway maintenance expense to be reimbursed from the 2011 R&R Fund in 2014. Total highway maintenance expense recognized by the Association for the year ended December 31, 2013 was $151,535. At December 31, 2013, the balance of the 2011 R&R Fund was $809,117, and the Fund's net position was $744,872.

NOTE 10 – EXTRAORDINARY GAIN ON CLAIM AGAINST LEHMAN BROTHERS, INC.

In December 2014, the Association received $340,000 as partial settlement of a $2,000,000 claim filed against Lehman Brothers, Inc. ("Lehman Brothers") for losses incurred by the Association in 2008 upon Lehman Brothers' default under a collateralized repurchase agreement held in connection with investments of monies in the Association's 1998 Bonds Debt Service Reserve Accounts. In March 2015, the Association received an additional settlement award of $200,000 against its Lehman Brothers claim. The Association's legal counsel advised that it is impossible to estimate the amount of any additional monies that the Association might receive pursuant to the Lehman Brothers claim. The Association does not expect to receive any additional awards under this claim.

NOTE 11 – SUBSEQUENT EVENTS

As discussed in Note 10, in March 2015, the Association received a second award of $200,000 in settlement of its claim against Lehman Brothers, Inc. in the Lehman Brothers' bankruptcy proceedings.

At the date these financial statements were issued in June 2015, the Association was in the process of finalizing a contract with Brisa Innovation Technologies ("Brisa") to design and implement a new toll system, to include customized computer toll software and upgraded computer equipment. The contract includes a maximum 18-month design and deployment period during which the Association will pay Brisa approximately $1,070,000 in installments as various milestones are met. The contract also includes additional payments for a minimum one-month training period and a 60-month maintenance period, which will overlap the training period.

As discussed in Note 7, the Amended Trust Indenture requires the Association to retain an independent traffic and revenue consultant to perform a toll rate study to be completed on or before April 30, 2016 for the purpose of determining the optimum toll rates to be charged on the Southern Connector. At the date of issuance of these financial statements in June 2015, the Association had named, and SCDOT had approved, the consultant that the Association will retain to perform the toll rate study. However, the contract for performance of the toll rate study had not been finalized.