

## **BRIEFING BY CONNECTOR 2000 ASSOCIATION, INC.**

Dated August 5, 2008

Six Month Period Ended June 30, 2008

This is the first of an anticipated series of periodic briefings by Connector 2000 Association, Inc. (the “*Association*”) to the Trustees representing the interests of the holders of the Toll Road Revenue Bonds (Greenville Southern Connector Project), Series 1998 (the “*Bonds*”) issued by the Association pursuant to the Association’s Disclosure Policy adopted by its Board of Directors on July 16, 2008, attached hereto. This Briefing is provided under the Policy at the request of the Trustees and the Association disclaims any obligation to provide future briefings (under the Continuing Disclosure Agreement of the Association relating to the Bonds, Rule 15c2-12 of the Securities and Exchange Commission or otherwise) should the Board decide to modify or repeal the Policy. Information contained herein represents the best information now available to the Association’s management but such information is not warranted as to accuracy or completeness and is not intended to provide a basis for execution of purchases or sales of the Bonds. This information should be read in conjunction with the Association’s latest Annual Report. Financial and statistical data contained herein have not been reviewed, confirmed or approved by any third party professional accounting or financial advisory firm.

1. **Engagement of Traffic and Revenue Consultant.** As previously reported publicly, the Association circulated a request for proposals to certain consulting firms for the engagement of a traffic and revenue consultant to perform an “investment grade” traffic and revenue study of the Greenville Southern Connector. The Board appointed a special committee of its members, to be assisted by its senior staff and advisors, for this purpose. The Committee received proposals from three firms, interviewed two firms and recommended to the Board that Stantec Consulting Services, Inc. (“*Stantec*”) be hired for this engagement. The Board accepted such recommendation at its meeting of July 16, 2008 and an agreement between the Association and Stantec has been executed. The Association expects to receive the completed traffic and revenue study by the end of this calendar year.

2. **Supplemental Toll Legislation.** The Association, with the cooperation and assistance of the South Carolina Department of Transportation (“*SCDOT*”), prepared proposed legislation to amend South Carolina law regarding the refinancing, extension and transfer of rights and obligations under public-private partnership agreements for transportation projects in the State. Legislation was introduced in the South Carolina House of Representatives and was passed as H. R. 4908. Unfortunately, the South Carolina Senate did not vote on the bill and it died at the end of the legislative session on June 5, 2008 which marked the end of the two-year biennial session of the General Assembly. The Association will determine whether to seek the introduction of legislation to the 2009 session of the General Assembly which begins in January 2009.

3. **Unaudited Financial Statements.** The compiled, unaudited financial statements of the Association for the six month period ended June 30, 2008 are attached hereto.

## CONNECTOR 2000 ASSOCIATION, INC COMMUNICATIONS POLICY

Adopted July 16, 2008

The Board of Directors of Connector 2000 Association as part of its regularly scheduled quarterly meeting on July 16, 2008 considered a request by representatives of certain of the holders of its Toll Road Revenue Bonds (Greenville Southern Connector Project), Series 1998 to participate in monthly conference calls between the Trustees for the bondholders, their respective counsel and the management, advisors and counsel to the Association. The Board used such opportunity to discuss the general policy of the Association regarding conversations with its bondholders and their representatives, including the Trustees, the Association's contractual obligations under its Continuing Disclosure Agreement, the responsibilities of the Association and the Board under State and federal securities laws and the possibility of imbalance in information among various participants in the public securities markets. In its discussions, the Board was most interested in ensuring that any information communicated, directly or indirectly, to existing and potential bondholders is accurate, timely and complete. The Board also wished to establish a process in which each bondholder or potential bondholder would have equal access to information, directly or through the Association's or Trustees' representatives. Finally, the Board desires to contain costs to the maximum extent possible by establishing a process that is efficient and minimizes the amount of time its staff, advisors and counsel and the staff, advisors and counsel of the Trustees need to spend in such communications.

At the conclusion of such discussions, the Board directed management of the Association to implement the following communication policy, which will be undertaken by the Association, its staff, advisors and counsel until further directed by the Board.

### **Communications Policy:**

The monthly conference calls with the Trustees and their counsel will be discontinued. The Association's general counsel will prepare periodic written materials to be submitted by the Association's General Manager to the Trustees and posted on the Association's website. Written materials will be posted quarterly, including a narrative description of the Association's activities and selected financial and operational data, together with compiled and unaudited financial statements. The Association will continue to assure filing of event notices in satisfaction of its obligations under the Continuing Disclosure Agreement. The Association will also send and post supplemental information as management deems appropriate relating to significant events. The Association's public relations consultant will coordinate all communications with the news media.

**CONNECTOR 2000 ASSOCIATION, INC.  
(A COMPONENT UNIT OF THE STATE OF SC AND THE  
SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION)  
FINANCIAL STATEMENTS  
JUNE 30, 2008**

BRADSHAW, GORDON & CLINKSCALES, LLC  
630 E WASHINGTON ST STE B  
GREENVILLE SC 29601  
864-233-0590

CONNECTOR 2000 ASSOCIATION, INC.  
P. O. BOX 408  
PIEDMONT SC 29673

WE HAVE COMPILED THE ACCOMPANYING BALANCE SHEET OF CONNECTOR 2000 ASSOCIATION, INC. (A COMPONENT UNIT OF THE STATE OF SC AND OF THE SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION) AS OF JUNE 30, 2008, AND THE RELATED STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT FOR THE THREE MONTHS (CURRENT PERIOD) AND SIX MONTHS (YEAR-TO-DATE) ENDED JUNE 30, 2008 AND 2007, IN ACCORDANCE WITH STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES ISSUED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS.

A COMPILATION IS LIMITED TO PRESENTING IN THE FORM OF FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES INFORMATION THAT IS THE REPRESENTATION OF MANAGEMENT. WE HAVE NOT AUDITED OR REVIEWED THE ACCOMPANYING FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES AND, ACCORDINGLY, DO NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE ON THEM. HOWEVER, WE DID BECOME AWARE OF DEPARTURES FROM U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DESCRIBED IN THE FOLLOWING PARAGRAPHS.

THE ASSOCIATION HAS ADOPTED THE PROVISIONS OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENT NO. 34, BASIC FINANCIAL STATEMENTS - AND MANAGEMENT'S DISCUSSION AND ANALYSIS - FOR STATE AND LOCAL GOVERNMENTS AND STATEMENT NO. 37, BASIC FINANCIAL STATEMENTS - AND MANAGEMENT'S DISCUSSION AND ANALYSIS - FOR STATE AND LOCAL GOVERNMENTS: OMNIBUS, AND STATEMENT NO. 38, CERTAIN FINANCIAL STATEMENT NOTE DISCLOSURES, FOR ANNUAL REPORTING PURPOSES. HOWEVER, CERTAIN DISCLOSURE AND FORMAT REQUIREMENTS OF GASB STATEMENT NOS. 34 AND 37 HAVE NOT BEEN MET IN THE ACCOMPANYING INTERIM FINANCIAL STATEMENTS, INCLUDING THE IDENTIFICATION OF RESTRICTED ASSETS AND LIABILITIES, THE RECLASSIFICATION OF FUND EQUITY (DEFICIT) AS VARIOUS COMPONENTS OF NET ASSETS (DEFICIT), AND THE RECLASSIFICATION OF NET LOSS AS DECREASE IN NET ASSETS. THE EFFECTS OF THESE DEPARTURES FROM U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES HAVE NOT BEEN DETERMINED.

MANAGEMENT HAS ELECTED TO OMIT SUBSTANTIALLY ALL OF THE DISCLOSURES AND THE STATEMENTS OF CASH FLOWS REQUIRED BY ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA. IF THE OMITTED DISCLOSURES AND STATEMENTS OF CASH FLOWS WERE INCLUDED IN THE FINANCIAL STATEMENTS, THEY MIGHT INFLUENCE THE USER'S CONCLUSIONS ABOUT THE COMPANY'S FINANCIAL POSITION, RESULTS OF OPERATIONS, AND CASH FLOWS. ACCORDINGLY, THESE FINANCIAL STATEMENTS ARE NOT DESIGNED FOR THOSE WHO ARE NOT INFORMED ABOUT SUCH MATTERS.

CONNECTOR 2000 ASSOCIATION, INC. IS A NONPROFIT QUASI-GOVERNMENTAL ENTITY THAT IS ACCOUNTED FOR AS AN ENTERPRISE FUND.

WE ARE NOT INDEPENDENT WITH RESPECT TO CONNECTOR 2000 ASSOCIATION, INC.

*Bradshaw, Gordon & Clinkscales, LLC*

AUGUST 6, 2008

**CONNECTOR 2000 ASSOCIATION, INC.**  
**(A COMPONENT UNIT OF THE STATE OF SC AND THE**  
**SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION)**  
**BALANCE SHEET**  
**JUNE 30, 2008**

**CASH AND INVESTMENTS**

Petty cash	\$	200.00
Service Center change fund		200.00
East plaza change fund		3,000.00
West plaza change fund		3,000.00
MCR "test" fund		200.00
Revenue DDA account-Palmetto Bank		51,677.53
Senior Debt Service Reserve Fund		8,727,686.73
Escrow Account Palmetto Bank		213,246.85
Revenue Trust Fund		43,824.72
Palmetto Bank Money Market		272,168.20
Palmetto Bank Operating		1,365.63
Subordinate Debt Service Reserve Fund		2,581,340.09
Senior Bonds Debt Service Fund		1,232,044.75
Certificates of Deposit		<u>271,195.51</u>

**TOTAL INVESTMENTS** 13,401,150.01

**OTHER CURRENT ASSETS**

Accrued interest on investment	304,461.28
Prepaid insurance	38,158.81
Net prepaid health insurance	13,988.77
Equipment Inventory	<u>88,290.47</u>

**TOTAL OTHER CURRENT ASSETS** 444,899.33

**INTEREST IN LICENSE AGREEMENT**

**W/SCDOT, AS EVIDENCED BY:**

Road construction costs	171,199,029.87
Other Construction Costs	21,287,795.72
Equipment	57,791.90
Transponders	473,477.32
Toll equipment	38,656.50
Vehicles	141,779.00
BEG.BAL.ACCUMULATED DEPREC.	(507,693.62)
Accumulated depreciation - Equipment	(22,200.64)
Accumulated amort. - Road & Other const. costs	<u>(37,804,016.45)</u>

**TOTAL CONSTRUCTION** 154,864,619.60

**CONNECTOR 2000 ASSOCIATION, INC.**  
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**BALANCE SHEET**  
**JUNE 30, 2008**

**OTHER ASSETS**

Bond issuance costs (pre 2/98)	2,358,129.91	
Series A underwriters discount	947,298.00	
Series B underwriters discount	1,263,064.00	
Series C underwriters discount	660,238.00	
Accumulated Amortization	<u>(1,448,125.00)</u>	
<b>TOTAL OTHER ASSETS</b>		<u>3,780,604.91</u>
<b>TOTAL ASSETS</b>		<u>\$ 172,491,273.85</u>

**CONNECTOR 2000 ASSOCIATION, INC.**  
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**BALANCE SHEET**  
**JUNE 30, 2008**

**LIABILITIES & DEFICIT**

**ACCRUED INTEREST**

Current Interest Payable - Series A/25 yr	\$	538,125.00
Current Interest Payable - Series A/40 yr		1,204,002.00

**TOTAL ACCRUED INTEREST** 1,742,127.00

Accounts payable - trade		26,991.49
Accrued payroll taxes		3,247.44
Accrued payroll		43,895.39
Accrued requisitions - administrative		34,787.35
Accrued Trustee Fees		11,928.84
Prepaid Tolls Deposit liability		199,363.93
Transponder Deposit liability		14,360.00
Sr. Cap Bonds Payable		3,100,000.00
Sub. Cap. Bonds Payable		2,700,000.00

**TOTAL CURRENT LIABILITIES** 7,876,701.44

**BONDS PAYABLE**

Senior current interest series 1998A		65,300,000.00
Sr. Cap. Apprec. Series 1998B through 2/01		101,259,309.85
Sr. Cap. Apprec. accretions-ser 1998B after 2/01		53,637,324.36
Sub. Cap. Apprec. series 1998C through 2/01		53,621,221.45
Sub. Cap. Apprec. accretions-ser 1998C after 2/01		31,912,038.58
Series A bonds OID		(2,693,952.00)
Accum. OID amort. through 2/01		247,530.00
Accum. OID amort. after 2/01		588,720.00
Less: Current Portion		(5,800,000.00)

**TOTAL BONDS PAYABLE** 298,072,192.24

**OTHER LIABILITIES**

SCDOT Accrued Interest Payable		586,921.33
SCDOT deferred maintenance		625,758.39
SCDOT deferred license fee payable		5,250,000.00

**TOTAL LIABILITIES** 312,411,573.40

**FUND EQUITY (DEFICIT):**

**ACCUMULATED DEFICIT** (139,920,299.55)

**TOTAL DEFICIT** (139,920,299.55)

**TOTAL LIABILITIES & DEFICIT** \$ 172,491,273.85



**CONNECTOR 2000 ASSOCIATION, INC.**  
**(A COMPONENT UNIT OF THE STATE OF SC AND THE**  
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**STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT**  
**FOR THE THREE MONTHS AND YEAR-TO-DATE PERIODS**  
**ENDED JUNE 30, 2008 AND 2007**

	<u>JUNE</u> <u>2008</u>	<u>JUNE</u> <u>2007</u>	<u>YEAR TO DATE</u> <u>2008</u>	<u>YEAR TO DATE</u> <u>2007</u>
REVENUE	1,356,018.83	1,407,405.17	2,612,287.90	2,662,030.82
OPERATING EXPENSES	<u>760,762.60</u>	<u>600,675.57</u>	<u>1,499,150.75</u>	<u>1,206,848.81</u>
REGULAR OPERATING INCOME	<u>595,256.23</u>	<u>806,729.60</u>	<u>1,113,137.15</u>	<u>1,455,182.01</u>
ENGINEERING COSTS	<u>0.00</u>	<u>16,350.00</u>	<u>0.00</u>	<u>16,350.00</u>
OPERATING INC(LOSS) BEFORE DEPR. & AMORT.	<u>595,256.23</u>	<u>790,379.60</u>	<u>1,113,137.15</u>	<u>1,438,832.01</u>
OTHER INCOME\EXPENSE:				
INTEREST INCOME	160,180.32	244,093.41	325,184.44	487,107.92
INTEREST EXPENSE	<u>4,357,627.53</u>	<u>4,243,677.03</u>	<u>8,715,251.06</u>	<u>8,487,352.06</u>
NET INTEREST EXPENSE/INCOME	<u>(4,197,447.21)</u>	<u>(3,999,583.62)</u>	<u>(8,390,066.62)</u>	<u>(8,000,244.14)</u>
SCDOT Maintenance Costs	29,054.13	24,732.87	58,108.26	49,465.74
SCDOT License Fees	375,000.00	375,000.00	750,000.00	750,000.00
Gain/Loss on disposal of assets	0.00	(10,000.00)	0.00	(10,000.00)
SCDOT Interest Expense	<u>78,866.73</u>	<u>33,501.33</u>	<u>157,733.46</u>	<u>89,039.10</u>
NET LOSS BEFORE DEPR./AMORT.	(4,085,111.84)	(3,632,438.22)	(8,242,771.19)	(7,439,916.97)
DEPRECIATION & AMORTIZATION	<u>1,356,005.44</u>	<u>1,354,320.75</u>	<u>2,712,916.08</u>	<u>2,707,725.08</u>
NET LOSS	(5,441,117.28)	(4,986,758.97)	(10,955,687.27)	(10,147,642.05)
ACCUMULATED DEFICIT, BEG OF PERIOD	(134,479,182.27)	(113,590,622.12)	(128,964,612.28)	(108,429,739.04)
ACCUMULATED DEFICIT, END OF PERIOD	<u>\$ (139,920,299.55)</u>	<u>\$118,577,381.09)</u>	<u>\$ (139,920,299.55)</u>	<u>\$118,577,381.09)</u>