

STATE BUDGET AND CONTROL BOARD

Meeting of Tuesday, January 31, 2012 -- 9:30 A. M.

Room 252, Edgar A. Brown Building

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TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

Meeting of Tuesday, January 31, 2012 -- 9:30 A. M.

Room 252, Edgar A. Brown Building

REGULAR SESSION AGENDA INDEX

Item

No.

Agency

Subject

A. ADOPTION OF PROPOSED AGENDA

B. REGULAR SESSION

- | | | |
|----|--|--|
| 1. | Tobacco Settlement Revenue
Management Authority | Adoption of Budget |
| 2. | Tobacco Settlement Revenue
Management Authority | Financial Statement for the Fiscal Year
Ended June 30, 2011 |

C. ADJOURNMENT

TOBACCO SETTLEMENT

REVENUE MANAGEMENT AUTHORITY

MEETING OF January 31, 2012

REGULAR SESSION

ITEM NUMBER 1

AGENCY: Office of the State Treasurer

SUBJECT: Adoption of Budget

In accord with South Carolina Code of Laws Section 11-49-60 (12), the Authority is asked to adopt the attached proposed fiscal year budget for the period July 1, 2012, through June 30, 2013, as submitted by the State Treasurer. The proposed budget is anticipated to cover, in part, expenses including, but is not limited to, professional services, payment of insurance premiums for members of the Authority Board, and other expenses related to the operation and administration of the Authority.

AUTHORITY ACTION REQUESTED:

Adopt the operating budget for the Authority's fiscal year budget for the period July 1, 2012, through June 30, 2013.

ATTACHMENTS:

Loftis 1/12/12 letter; Proposed Budget; Code Section 11-49-60 (12)

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY
COLUMBIA, SOUTH CAROLINA

NIKKI R. HALEY, CHAIR
CURTIS M. LOFTIS, JR.
RICHARD ECKSTROM, CPA
HUGH K. LEATHERMAN, SR.
W. BRIAN WHITE

CURTIS M. LOFTIS, JR.
AUTHORITY TREASURER
POST OFFICE BOX 11778
COLUMBIA, SOUTH CAROLINA 29211
(803) 734-2101

January 12, 2012

Mr. Delbert Singleton
Secretary, Tobacco Settlement
Revenue Management Authority
600 Wade Hampton State Office Building
Columbia, South Carolina 29201

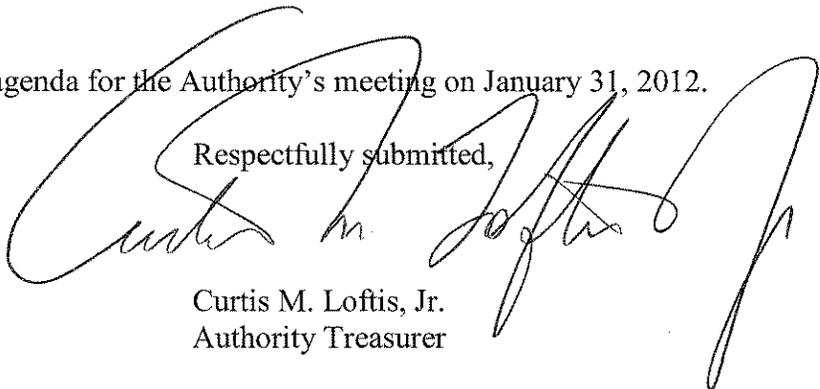
Re: Tobacco Settlement Revenue Management Authority
Annual Budget 2012-2013

Dear Delbert:

In accordance with South Carolina Code of Laws Section 11-49-60(12), I am pleased to submit herewith the annual budget proposed for the Tobacco Settlement Revenue Management Authority for the Fiscal Year beginning July 1, 2012 and ending June 30, 2013.

Please place this item on the agenda for the Authority's meeting on January 31, 2012.

Respectfully submitted,



Curtis M. Loftis, Jr.
Authority Treasurer

Enclosure

Tobacco Settlement Revenue Management Authority
(A Component Unit of the State of South Carolina)

Operating Budget for the Authority's Budget Year Ending June 30, 2013

(Cash Basis)

	<u>Base Year</u> <u>7/1/2011 - 6/30/2012</u>	<u>Budget Year</u> <u>7/1/2012 - 6/30/2013</u>
Revenue		
Tobacco settlement revenue	78,145,905	72,849,763
Release of liquidity reserve	13,786,500	-
Investment earnings	17,233	89,156
Total	<u>91,949,638</u>	<u>72,938,919</u>
 Expense		
Debt Service		
Principal	66,300,000	-
Interest	1,657,500	-
Administrative and operating expense		
Professional fees and expenses		
Audit and accounting	20,000	20,000
Arbitrage, deallocation and disclosure	25,000	25,000
Legal and enforcement	1,417,000	1,417,000
Bond ratings	50,000	50,000
Trustee fees	7,500	7,500
Insurance		
Tort insurance for authority members	3,000	3,000
General operating		
Postage and shipping	100	100
Other operating expense	-	-
Contingency	<u>2,400</u>	<u>2,400</u>
Total	<u>69,482,500</u>	<u>1,525,000</u>
Net revenue	<u>22,467,138</u>	<u>71,413,919</u>

CHAPTER 49.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY ACT

SECTION 11-49-60. Powers of board to operate and administer authority.

In addition to the powers contained elsewhere in this chapter, the board has all power necessary, useful, or appropriate to operate and administer the authority, to effectuate the purposes of the authority, and to perform its other functions including, but not limited to, the power to:

- (1) have perpetual succession;
- (2) sue and be sued in its own name;
- (3) adopt, promulgate, amend, and repeal bylaws, not inconsistent with provisions in this chapter for the administration of the authority's affairs and the implementation of its functions;
- (4) have a seal and alter it at its pleasure, although the failure to affix the seal does not affect the validity of an instrument executed on behalf of the authority;
- (5) enter into contracts, arrangements, and agreements with government units and other persons and execute and deliver all financing agreements, including bonds issued to support the borrowing by such government units to pay eligible costs of qualified projects, and other instruments necessary or convenient to the exercise of the powers granted in this chapter;
- (6) enter into agreements with a department, agency, political subdivision or instrumentality of the United States or of this State or of another State for the purpose of planning and providing for the financing of qualified projects or for the administration of the purposes and programs of this chapter;
- (7) enter into agreements with the tobacco trust fund for the purpose of managing and controlling the transfer of funds between the authority and the tobacco trust fund and governing the investment and the monitoring and recordkeeping of these funds, for purposes of maintaining the exemption from federal income tax of interest on bonds and for other purposes;
- (8) enter into, amend, and terminate agreements in the nature of interest rate swaps, forward security supply contracts, agreements for the management of interest rate risks, agreements for the management of cash flow, and other agreements of a similar nature, with respect to bonds issued pursuant to this chapter;

(9) procure insurance, guarantees, letters of credit, and other forms of collateral or security or credit support from any public or private entity, including any department, agency, or instrumentality of the United States or this State, for the payment of any bonds, including the power to pay premiums or fees on any insurance, guarantees, letters of credit, and other forms of collateral or security or credit support;

(10) borrow money through the issuance of bonds as provided in this chapter, and through the issuance of notes in anticipation of the issuance of these bonds;

(11) enter into contracts and expend funds to obtain accounting, management, legal, financial consulting, trusteeship and other professional services necessary or convenient to the operations of the authority; however, all matters relating to the designation and selection of bond counsel to the authority is within the discretion of the State Treasurer;

(12) in order to pay budgeted items pursuant to a budget adopted in accordance with Section 11-49-100, to expend funds for the costs of administering the operations of the authority;

(13) direct the escrow agent with respect to the disbursement to the authority of the State's tobacco receipts and receive and accept the State's tobacco receipts;

(14) enter into contracts or agreements necessary, proper, or convenient for the effectuation of the powers and purposes of the board and the authority;

(15) invest funds held by the authority under this chapter in any investment permitted for funds of this State, other than the State's retirement funds, or for funds of the political subdivisions of this State, in revenue bonds of government units, and in general obligations of other States whose general obligation debt is rated not lower than the general obligation debt of this State;

(16) direct the Attorney General of this State to enforce in the name of the State of South Carolina, and if permissible to enforce directly through its own attorneys in the name of the State, the Master Settlement Agreement. This power is a part of the contractual obligation owed to the holders of any bonds; and

(17) do all other things necessary or convenient to exercise powers granted or reasonably implied by this chapter or that may be necessary for the furtherance and accomplishments of the purposes of the authority.

Before the date which is one year and one day after which the authority no longer has any bonds outstanding, the authority has no authority to file a voluntary petition under Chapter 9 of the United States Bankruptcy Code or corresponding chapters or sections as may, from time to time, be in effect, and neither any public officer or any organization, entity, or other person shall authorize the authority to be or become a debtor under Chapter 9 or any successor or corresponding chapter or sections during the periods. The provisions of this paragraph are for the benefit

of the holders of any bonds and are a part of the contractual obligation owed to such bondholders, and the State shall not modify or delete the provisions of this paragraph during the periods described in this chapter.

In the exercise of its powers in this chapter, the board and the authority may obtain services in accordance with the procedures, guidelines, and criteria established by the board for that purpose and are not restricted by Chapter 35 of Title 11 or any successor provision.

TOBACCO SETTLEMENT REVENUE

MANAGEMENT AUTHORITY

MEETING OF January 31, 2012

REGULAR SESSION

ITEM NUMBER 2

AGENCY: Tobacco Settlement Revenue Management Authority

SUBJECT: Financial Statement for the Fiscal Year Ended June 30, 2011

South Carolina Code of Laws Section 11-49-100 requires that the Tobacco Settlement Revenue Management Authority “keep an accurate account of all of its activities and all of its receipts and expenditures and annually, in the month of January shall make a report of its activities to the State Budget and Control Board, the report to be in a form prescribed by the State Budget and Control Board.” The Authority is asked to approve the submittal of its Financial Statement to the Budget and Control Board in accord with Section 11-49-100.

AUTHORITY ACTION REQUESTED:

In accord with Code Section 11-49-100, receive as information the Tobacco Settlement Revenue Management Authority’s Financial Statement for the Fiscal Year Ended June 30, 2011, and approve the submittal of the Financial Statement to the Budget and Control Board.

ATTACHMENTS:

Loftis 1/12/12 letter with attachment; Code Section 11-49-100

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

COLUMBIA, SOUTH CAROLINA

NIKKI R. HALEY, CHAIR
CURTIS M. LOFTIS, JR.
RICHARD ECKSTROM, CPA
HUGH K. LEATHERMAN, SR.
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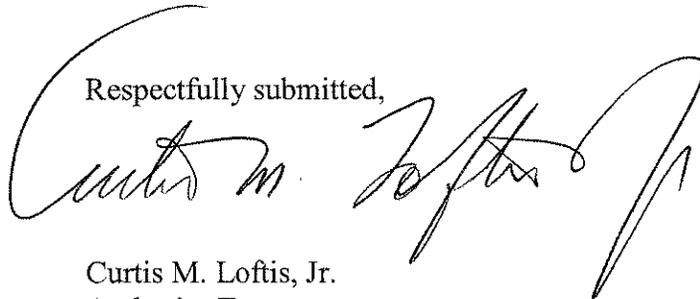
January 12, 2012

To the members of the Tobacco Settlement Revenue Management Authority and
the State Budget and Control Board

In accordance with S.C. Code Section 11-49-100, which requires that the Authority provide an annual report of its activities to the State Budget and Control Board during the month of January, I am providing copies of the Authority's audited financial statements for the fiscal year ended June 30, 2011. Management's Discussion and Analysis contained therein describes the Authority's activities in all material respects.

I have asked Mr. Singleton to place this item on the agenda for the Authority's meeting on January 31, 2012.

Respectfully submitted,

A large, stylized handwritten signature in black ink, appearing to read "Curtis M. Loftis, Jr.", is written over the typed name and title.

Curtis M. Loftis, Jr.
Authority Treasurer

Enclosure

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY
(A Component Unit of the State of South Carolina)

Financial Statements

June 30, 2011

(With Independent Auditor's Report Thereon)

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

October 4, 2011

The Honorable Nikki R. Haley, Governor
and
Members of the Tobacco Settlement Revenue
Management Authority
Columbia, South Carolina

This report on the audit of the financial statements of the Tobacco Settlement Revenue Management Authority for the fiscal year ended June 30, 2011, was issued by The Hobbs Group, P.A., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr." with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/trb

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY
(A Component Unit of the State of South Carolina)

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INDEPENDENT AUDITORS' REPORT

Mr. Richard H. Gilbert, Jr., CPA,
Deputy State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the accompanying financial statements of the governmental activities and the major fund of the Tobacco Settlement Revenue Management Authority ("the Authority"), a component unit of the State of South Carolina, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements present only the Authority and do not purport to, and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2011, and the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Tobacco Settlement Revenue Management Authority as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2011, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 23 through 24 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.

Columbia, South Carolina
September 29, 2011

The Halls Group, P.A.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

Management's Discussion and Analysis (unaudited)

June 30, 2011

This section of the annual financial report of the Tobacco Settlement Revenue Management Authority (the "Authority") presents the analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the financial statements and their accompanying notes, which follow this section.

The Authority

The Authority was created by Act No. 387 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina, Regular Session of 2000, as codified at S.C. Code Ann. §§ 11-49-10 et seq. (the "Act"), as an instrumentality of the State of South Carolina (the "State"). The Act created the Authority to receive all of the State's payments under the Master Settlement Agreement (the "MSA"). The MSA was entered into on November 23, 1998, among the attorneys general of 46 states (including South Carolina), the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Commonwealth of the Northern Mariana Islands (collectively the "Settling States") and the four largest United States tobacco manufacturers: Philip Morris Incorporated, R. J. Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation, and Lorillard Tobacco Company (collectively the "Original Participating Manufacturers" or "OPMs"). The MSA resolved cigarette smoking-related litigation among the Settling States and the OPMs, released the OPMs from past and present smoking-related claims by the Settling States, and provides for a continuing release of future smoking-related claims in exchange for certain payments to be made to the Settling States. The MSA also provides for the imposition of certain tobacco advertising and marketing restrictions, among other things. The Authority is not a party to the MSA.

The State is entitled to certain periodic payments made under the MSA. Pursuant to the Act, the Authority has been assigned all Tobacco Settlement Receipts ("TSRs"), which are the State's right, title and interest in payments due after June 30, 2001 under the MSA. All of the TSRs are irrevocably pledged to payment of the Authority's debt (see "Long-Term Debt Activity" of this section).

Overview of the Financial Statements

This analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements consist of three components: 1) government-wide financial statements, 2) governmental fund financial statements, and 3) notes to the financial statements.

- *The Statement of Net Assets and Governmental Fund Balance Sheet* include all of the Authority's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. The *Statement of Net Assets* reports information about the Authority using accounting methods similar to those used by private sector companies and presents all assets and liabilities of the Authority – both current and long-term. The *Governmental Fund Balance Sheet* of the General Fund focuses only on the Authority's resources available for expenditure at the end of the fiscal year.
- All of the current year's activity is accounted for in the *Statement of Activities and Governmental Fund – Revenues, Expenditures and Changes in Fund Balance/Net Deficit*. These statements measure the success of the Authority's operations over the past year

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

Management's Discussion and Analysis (unaudited)

June 30, 2011

and can be used to determine the Authority's credit-worthiness and ability to meet its financial objectives. The *Statement of Activities* presents information on how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. *The Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund* focuses only on the Authority's near-term inflows and outflows of resources available for expenditure for the fiscal year.

For the fiscal year ended June 30, 2011, the Authority implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The Statement requires governments to disclose information in the notes about the processes through which constraints are imposed, as well as accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to be spent. Note 2(g) of the Notes to Financial Statements contains additional information about the Authority's implementation of this Statement and the required disclosure.

Summary of Financial Results

The Authority's financial results are summarized, discussed and compared to the prior fiscal year in the sections following.

Government-Wide Financial Statements

Statement of Net Assets. Table 1 summarizes the Authority's Net Assets for the period ending June 30, 2011, along with comparative data for the prior fiscal year.

Table 1: Summary of net assets

	June 30, 2011	June 30, 2010	Difference	%
Assets				
Cash and cash equivalents	\$ 5,448,714	\$ 6,766,206	\$ (1,317,492)	-19.5%
Restricted assets	52,011,852	55,833,222	(3,821,370)	-6.8%
Unamortized costs of issuance	653,846	1,249,010	(595,164)	-47.7%
Total assets	<u>58,114,412</u>	<u>63,848,438</u>	<u>(5,734,026)</u>	-9.0%
Liabilities				
Accounts payable	127,100	162,473	(35,373)	-21.8%
Transfers due to other state agencies	-	450,000	(450,000)	-100.0%
Accrued interest payable	298,750	570,688	(271,938)	-47.7%
Long term liabilities	<u>63,160,628</u>	<u>120,652,656</u>	<u>(57,492,028)</u>	-47.7%
Total liabilities	<u>63,586,478</u>	<u>121,835,817</u>	<u>(58,249,339)</u>	-47.8%
Total net assets (deficit)	<u>\$ (5,472,066)</u>	<u>\$ (57,987,379)</u>	<u>\$ 52,515,313</u>	-90.6%

The Authority's assets include cash and cash equivalents, investments, and accrued earnings on those investments, along with unamortized costs of bond issuance that are being deferred and

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

Management's Discussion and Analysis (unaudited)

June 30, 2011

amortized over the life of the related bonds outstanding. Approximately 89% of the Authority's assets are restricted and comprised of certain pledged receivables and investments held in various reserve funds by the bond trustee, as security for the bondholders. The majority of the remaining assets are held by the Authority to pay its authorized operating expenses. Total liabilities consist primarily of the principal balance of the Series 2008 Bonds outstanding and accrued interest payable on those bonds at the end of the fiscal year.

The Authority's cash and cash equivalents declined 19.5% over the course of the fiscal year, due primarily to an increase in the prior year of the Authority's funding for MSA enforcement. Accounts payable declined by 21.8%. These payables are comprised of certain legal and other professional services provided to the Authority during the current fiscal year but paid subsequent to the close of the fiscal year. Transfers due to other state agencies declined 100.0% which in the prior year consisted of directed transfers mandated by the State's 2009-10 appropriation act that were effected subsequent to the close of the fiscal year. Unamortized costs of issuance, accrued interest payable and long-term liabilities each decreased 47.7% and reflect a reduction in the Authority's overall debt outstanding.

The deficit reflected on the Authority's Statement of Net Assets is a result of the Authority having no financial assets other than the TSRs, the accounts established under the Trust Indenture (as discussed in Note 4 of the Notes to Financial Statements), and investment earnings on those accounts. Future TSRs are dependent on many factors including future tobacco consumption and the financial capability of the OPMs and consequently, except as noted above, TSRs do not meet asset recognition criteria under accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, the financial statements reflect a deficit arising as a consequence of the full recognition of Authority liabilities, comprised primarily of the Series 2008 Bonds outstanding, without attendant currently recognizable Authority assets.

Statement of Activities. Table 2 summarizes the Authority's activities for the period ending June 30, 2011 with comparative amounts for the prior fiscal year.

Table 2: Summary of activities

	June 30, 2011	June 30, 2010	Difference	%
Revenues	\$ 69,816,880	\$ 68,716,439	\$ 1,100,441	1.6%
Expenses	16,001,567	18,600,442	(2,598,875)	-14.0%
Change in net assets before transfers	53,815,313	50,115,997	3,699,316	7.4%
Transfers	(1,300,000)	(1,778,121)	478,121	-26.9%
Change in net assets	52,515,313	48,337,876	4,177,437	8.6%
Net assets (deficit) - beginning of year	(57,987,379)	(106,325,255)	48,337,876	-45.5%
Net assets (deficit) - end of year	\$ (5,472,066)	\$ (57,987,379)	\$ 52,515,313	-90.6%

General revenues of \$68.8 million reflect the receipt of and accrual for \$69.8 million in TSRs and investment earnings of \$8.5 thousand. Revenues increased year over year by \$1.1 million or 1.6%. The Authority's interest earnings have declined in recent years as a result of uncharacteristically low yields on treasury securities.

The Authority's expenses primarily consisted of interest on the Series 2008 Bonds totaling \$14.3 million, \$1.05 million in administrative and operating expenses, and \$595 thousand in

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

Management's Discussion and Analysis (unaudited)

June 30, 2011

amortization of bond issuance costs. Expenses declined year over year principally as a result of a decrease in interest expense.

The Authority made or provided for \$1.3 million in directed transfers to other state agencies to provide funding for diligent enforcement and to fund the costs of legal action to determine whether the state has diligently enforced its escrow fund statutes.

Governmental Funds

As of the end of the current fiscal year, the ending balance in the Authority's governmental fund was \$57.3 million, a decrease of \$4.7 million by comparison to the prior fiscal year. Of the total fund balance, \$52.0 million is reserved for debt service on the Authority's debt obligations. The factors contributing to the change in fund balance year over year are principally the same as those described above in the discussion and analysis of the government-wide financial statements.

Long-Term Debt Activity

On March 18, 2001, the Authority issued \$934,530,000 aggregate principal amount of Tobacco Settlement Asset-Backed Bonds (the "Series 2001 Bonds") pursuant to an indenture between the Authority and United States Trust Company of New York (subsequently acquired by the Bank of New York), as trustee, dated as of March 1, 2001, and the Tobacco Settlement Revenue Management Authority Act. Proceeds of the Series 2001 Bonds were used to fund certain endowment trusts established pursuant to the Act and trust accounts established under the Trust Indenture, and to pay costs of issuance of the Series 2001 Bonds.

The Authority originally issued its Series 2001 Bonds as thirty-year obligations scheduled to retire in ordinary course on May 15, 2030. On June 26, 2008, the Authority defeased a portion of the outstanding principal amount of the Series 2001 Bonds by depositing a portion of the proceeds of \$275,730,000 Tobacco Settlement Revenue Management Authority Tobacco Settlement Revenue Asset-Backed Refunding Bonds, Series 2008 (the "Series 2008 Bonds") issued pursuant to an indenture between The Bank of New York Trust Company, N.A., as trustee, and the Tobacco Settlement Revenue Management Authority, together with other available monies, with The Bank of New York Trust Company, N.A., as Trustee for the Series 2001 Bonds (the "Trustee") pursuant to the terms of an irrevocable Escrow Agreement (the "Escrow Agreement") dated June 26, 2008, by and between the Authority and the Trustee. All of the Series 2001 Bonds are deemed paid within the meaning of and with the effect expressed in the Trust Indenture, and accordingly are no longer outstanding under the Trust Indenture.

The Series 2008 Bonds issued by the Authority are ten-year obligations scheduled to retire in ordinary course on June 1, 2018. However, under early redemption provisions ("Turbo Redemptions"), any MSA payments exceeding annual debt service requirements of the Series 2008 Bonds must be applied to early redemption of principal. The Authority redeemed a total of \$65,265,000 as Turbo Redemptions during the year ended June 30, 2011. At June 30, 2011, the Authority had redeemed a total of \$181.025 million in Series 2008 Bonds as Turbo Redemptions, compared to \$231.82 million originally projected through that date. Note 4 of the Notes to Financial Statements provides additional details concerning Turbo Redemptions. At June 30, 2011, there remained outstanding \$71.7 million of the Series 2008 Bonds.

The Series 2008 Bonds are secured by and payable from i) the TSRs and all investment earnings on amounts on deposit in certain accounts established under the Trust Indenture and ii) all amounts, if any, on deposit in certain accounts under the Trust Indenture. Payments on the Series

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2008 Bonds are a special obligation of the Authority, and such payments are dependent on receipt by the Trustee, as assignee of the Authority, of TSRs. The Authority has no financial assets other than the TSRs, the accounts established under the Trust Indenture, and investment earnings on those accounts. The Series 2008 Bonds are not a debt of the State, and the Authority does not have the power to pledge the credit, revenues or taxing power of the State. The Authority does not have taxing power.

Ratings of tobacco securitization bonds in general, and those of the Authority specifically, have been revised periodically by all three of the major credit rating agencies. These rating actions have been precipitated by rating agency assessments of including, among others, a general "adverse litigation environment" in the tobacco industry, declines in industry volume shipments, market share losses, and "heightened liquidity risk" as contributors to the initial and subsequent rating actions. Consequently, the Authority's bonds were downgraded from a level of "Aa3," "A+," and "A" by Moody's, Fitch Ratings and Standard and Poor's respectively, to a level of "Baa1," "BBB," and "A-" by Moody's, Fitch Ratings and Standard and Poor's respectively during 2003. Subsequently, on August 28, 2003, Standard and Poor's again downgraded the bonds to a level of "BBB." That rating action reflected "the adverse litigation environment for the tobacco industry in the U.S., weak market conditions in the U.S. cigarette industry, and Standard & Poor's expectation that domestic cigarette market conditions will continue to decline as a result of recent and expected future increases in state excise taxes, anti-smoking legislation, continued growth of deep discount manufacturers, and declining social acceptability of smoking." On April 21, 2004, Moody's again downgraded its ratings on all municipal tobacco transactions and, as a result, South Carolina's tobacco securitization bonds were downgraded to "Baa2" for the 2001A Bonds and "Baa3" for the 2001B Bonds. On January 28, 2008, Fitch Ratings upgraded its rating on certain outstanding tobacco settlement-related securitizations and upgraded the Series 2001 Bonds to "BBB+" from "BBB." At June 30, 2011, the Series 2008 Bonds were rated "Baa3," "BBB+," and "A" by Moody's, Fitch Ratings, and Standard and Poor's, respectively.

The Authority has pledged all future TSRs to the Series 2008 Bonds until those bonds have been retired; accordingly, the Authority can issue additional debt in the absence of a defeasance of currently outstanding bonds only under certain circumstances and conditions prescribed by the Series 2008 Trust Indenture. The Authority has no present plans to undertake any transaction that would result in an increase in currently outstanding debt.

Budgetary Highlights

The Authority annually adopts an operating budget as required by its by-laws and the Trust Indenture. From a budgetary perspective, the Authority realized \$2.4 million in excess expenditures over revenues during the fiscal year ended June 30, 2011. The variance was principally a result of the timing of expenditures in connection with the Authority's costs of the legal action discussed herein and reimbursement of certain costs previously expended by the State for that same purpose. As required by the Trust Indenture, all remaining revenue received under the MSA was applied entirely to the early redemption of principal.

Economic Factors and Outlook

Payment of debt service and orderly retirement of the Series 2008 Bonds are conditioned exclusively on the Authority's receipt of TSRs. TSRs are contingent on among other things, the financial stability of the OPMs. In structuring the financial transaction for issuance of the Series 2008 Bonds, the Authority engaged the services of an independent consultant to develop a

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forecast of future tobacco rates of consumption and likely TSRs based on those forecasted rates of consumption. All future payments on the Series 2008 Bonds, including timely debt service, sinking fund redemption payments, and Turbo Redemptions are contingent on future TSRs, and those TSRs are dependent on a number of factors, including rates of consumption of tobacco products and compliance by the tobacco companies who are parties to the Master Settlement Agreement with the terms of that agreement.

During the periods ending June 30, 2006 through June 30, 2011, a number of participating manufacturers ("PMs") deposited a portion of their tobacco settlement payments into a disputed payments account, incidental to a finding by an independent arbitrator that MSA disadvantages were a significant factor in market share losses experienced by the PMs in calendar years 2003 through 2008. Under the provisions of the MSA, PMs are potentially entitled to an adjustment of their required payments under the MSA (a Non-Participating Manufacturer or NPM Adjustment) in the event that all of the PMs, in the aggregate, lose more than two percentage points of market share compared to the market share of the PMs in 1997. However, the adjustment cannot be applied against settling states that have enacted and diligently enforced an escrow fund statute under the MSA.

As a result of the PMs' deposit into the disputed payments account, South Carolina's share of payments under the MSA due has been reduced. While this payment reduction resulted in lesser than projected amounts redeemed under the Turbo Redemption provisions of the Authority's tobacco securitization bonds, the reduction did not impact the Authority's ability to meet its payment obligations when due.

Note 7 of the Notes to Financial Statements includes a summary of originally projected TSRs, actual TSRs, and disputed payments estimated on the basis of the state's allocable share.

At the request of the state's Attorney General, the South Carolina General Assembly and the Authority have made provisions in both the state's appropriation acts and Authority budgets for monies to be used to fund the costs of legal action to determine whether the state has diligently enforced its escrow fund statutes. This legal action is currently ongoing, and the Authority cannot presently predict the timing or any potential outcome of its pursuit.

Contacting the Authority

Persons needing additional information concerning this report or otherwise needing to contact the Authority may do so by writing or telephoning F. Richard Harmon, Jr., Senior Assistant State Treasurer, State of South Carolina, 122 Wade Hampton Office Building, Capitol Complex, Columbia, South Carolina 29201; telephone (803) 734-2114; facsimile (803) 734-2039; e-mail rick.harmon@sto.sc.gov.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY
(A Component Unit of the State of South Carolina)

Statement of Net Assets

June 30, 2011

Assets	
Cash and cash equivalents	\$ 5,448,714
Restricted assets	
Cash and cash equivalents	15,586,971
Tobacco settlement payments receivable	36,424,881
Unamortized bond issuance costs	<u>653,846</u>
Total assets	<u>58,114,412</u>
Liabilities	
Accounts payable	127,100
Liabilities payable from restricted assets	
Accrued interest payable	298,750
Long-term debt	
Due after one year (net of \$2,145,066 unamortized discounts and \$6,394,306 unamortized loss on defeased debt)	<u>63,160,628</u>
Total liabilities payable from restricted assets	<u>63,459,378</u>
Total liabilities	<u>63,586,478</u>
Net deficit	
Unrestricted	<u>(5,472,066)</u>
Total net deficit	<u>\$ (5,472,066)</u>

See accompanying notes to financial statements.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY
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Statement of Activities

June 30, 2011

Expenses	
General government	\$ 1,057,118
Debt service	
Interest	14,349,285
Amortization of bond issuance costs	<u>595,164</u>
Total expenses	<u>16,001,567</u>
Net program expense	<u>16,001,567</u>
Revenues	
Tobacco settlement revenues	69,808,353
Investment earnings	<u>8,527</u>
Total general revenues	<u>69,816,880</u>
Change in net assets before transfers	<u>53,815,313</u>
Transfers	
Transfers to other state agencies	<u>(1,300,000)</u>
Total transfers	<u>(1,300,000)</u>
Change in net assets	52,515,313
Net deficit	
Beginning of the year	<u>(57,987,379)</u>
End of the year	<u>\$ (5,472,066)</u>

See accompanying notes to financial statements.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY
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Governmental Fund Balance Sheet

June 30, 2011

Assets	
Cash and cash equivalents	\$ 5,448,714
Restricted assets	
Cash and cash equivalents	15,586,971
Tobacco settlement payments receivable	<u>36,424,881</u>
Total assets	<u>\$ 57,460,566</u>
Liabilities	
Accounts payable	<u>127,100</u>
Total liabilities	<u>127,100</u>
Fund balance	
Restricted for debt service	52,011,852
Committed to operating expense	<u>5,321,614</u>
Total fund balance	<u>57,333,466</u>
Total liabilities and fund balance	<u>\$ 57,460,566</u>

See accompanying notes to financial statements.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY
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Governmental Fund Balance Sheet

June 30, 2011

(Continued)

Reconciliation to the statement of net assets

Fund balance - governmental fund	\$ 57,333,466
Amounts reported for government activities in the statement of net assets are different because:	
Long-term liabilities applicable to the Authority's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term – are reported in the statement of net assets	(63,160,628)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when paid	(298,750)
Assets that are capitalized and amortized in statement of net assets are charged to expenditures in the governmental fund:	
Bond issuance cost, net of \$1,860,588 amortization	<u>653,846</u>
Total net deficit	<u>\$ (5,472,066)</u>

See accompanying notes to financial statements.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

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Governmental Fund Statement of
Revenues, Expenditures and Changes in Fund Balance

June 30, 2011

Expenditures	
General government	\$ 1,057,118
Debt service	
Principal	65,265,000
Interest	<u>6,848,251</u>
Total expenditures	<u>73,170,369</u>
Revenues	
Tobacco settlement revenues	69,808,353
Investment earnings	<u>8,527</u>
Total revenues	<u>69,816,880</u>
Deficiency of revenues over expenditures before transfers	(3,353,489)
Transfers	
Transfers to other state agencies	<u>(1,300,000)</u>
Total transfers	<u>(1,300,000)</u>
Deficiency of revenues over expenditures	(4,653,489)
Fund balance	
Beginning of the year	<u>61,986,955</u>
End of the year	<u>\$ 57,333,466</u>

See accompanying notes to financial statements.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY
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Governmental Fund Statement of
Revenues, Expenditures and Changes in Fund Balance

June 30, 2011

(Continued)

Reconciliation to the statement of activities	
Deficiency of revenues over expenditures	\$ (4,653,489)
Amounts reported for government activities in the statement of activities are different because:	
Repayment of bond principal is reported as an expenditure in the governmental fund and as a reduction in liabilities in the statement of net assets	65,265,000
Interest expense in the statement of activities differs from the amount reported in the governmental fund due to the change in accrued interest between fiscal year ends on bonds payable	271,938
Amortized discounts are reported as expenses in the statement of activities	(1,952,548)
Amortized loss on defeased debt is reported as expense in the statement of activities	(5,820,424)
Amortized bond issuance costs are reported as expenses in the statement of activities	<u>(595,164)</u>
Change in net assets	<u>\$ 52,515,313</u>

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2011

(1) Reporting Entity

The Tobacco Settlement Revenue Management Authority (the "Authority") is a public body and an instrumentality of the State of South Carolina (the "State") established in 2001 pursuant to Section 11-49-10 et seq. of the South Carolina Code of Laws as amended. The State transferred to the Authority all of its rights and interests under the Master Settlement Agreement (the "MSA") and the Consent Decree and Final Judgment (the "Decree") between all participating States and the participating Tobacco manufacturers. These rights include the State's share of all Tobacco Settlement revenue received after June 30, 2001 and in perpetuity to be received under the MSA.

The core of a financial reporting entity is the primary government which has a separately elected governing body. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn, component units may have component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity. The Authority has determined it has no component units and that the Authority qualifies as a primary entity.

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14, The Financial Reporting Entity, a primary government or entity is financially accountable if its officials or appointees appoint a voting majority of an organization's governing body including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex-officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally independent if it holds all of the following powers:

- (1) Determines its budget without another government having the authority to approve and modify that budget.
- (2) Levies taxes or sets rates or charges without approval by another government.
- (3) Issues bonded debt without approval by another government.

The organization is fiscally dependent on the primary government or entity that holds one or more of the above powers. Based on these criteria, the Authority is a blended component unit of the primary government of the State. Accordingly, the financial statements are blended in the State's special revenue funds in its Comprehensive Annual Financial Report.

The Authority is governed by a board, which consists of five members. The members are the Governor or his designee, the State Treasurer, the Comptroller General, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee. The Governor serves as chairman; in the absence of the Governor, the meeting is chaired by the State Treasurer. All members of the Board serve ex officio.

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Notes to Financial Statements

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(2) Summary of Significant Accounting Policies

- (a) General. In its accounting and financial reporting in conformity with accounting principles generally accepted in the United States of America, the Authority follows the pronouncements of the GASB.
- (b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation. GASB Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Government-wide financial statements (i.e., the statement of net assets and the statement of activities) do not provide information by fund. Significantly, the statement of net assets includes non-current liabilities, which are not included in the fund statements.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers who purchase, use, or benefit from the services provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues. The Authority has no program revenues.

In addition to the government-wide financial statements, the Authority has prepared financial statements for the Authority’s only governmental fund. Governmental fund financial statements use the modified accrual basis of accounting and the current financial resources measurement focus. Tobacco Settlement Revenues (“TSRs”) are recognized as soon as they are considered measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within one year after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred.

The Authority reports one governmental fund – the General Fund – which is the general operating fund of the Authority. It is used to account for all financial resources of the Authority. As a blended component unit of the State, the Authority’s General Fund is reported as a special revenue fund in the financial statements of the State.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

- (c) Asset Recognition Criteria for TSRs. The Authority implemented GASB Technical Bulletin No. 2004-1: Tobacco Settlement Recognition and Financial Reporting Entity Issues (the “Bulletin”), effective July 1, 2003. The Bulletin requires the Authority to

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recognize TSRs when the event giving rise to recognition occurs (the domestic shipment of cigarettes by the tobacco manufacturers) in the government-wide financial statements, and when the event occurs and the TSRs become available in the fund financial statements. Other than the asset recognition criteria required by the Bulletin, future collections are not measurable and are therefore not recorded as assets in either the government-wide financial statements or the government fund financial statements.

- (d) Cash and Cash Equivalents. Cash includes cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date acquired by the Authority.
- (e) Investments. Investments are recorded on the Statement of Net Assets and the Balance Sheet at fair value. All investment income, including changes in the fair value of investments, is reported as revenue in the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- (f) Restricted Assets. The Trust Indenture (as defined in Note 4 of the Notes to Financial Statements) requires the use of certain receivables, investments and earnings thereon as payment of or security for the Authority's debt service obligations. Because the assets are generally restricted for this purpose, they have been reflected in the restricted portion of the accompanying statements. These assets are comprised of TSRs receivable and accrued income receivable, along with certain amounts held in the following segregated trust accounts established and maintained by the trustee in the issuer's name:
 - (1) the Collections Account, into which are deposited all Collections (as defined in the Trust Indenture), including all TSRs, Lump Sum Payments, Partial Lump Sum Payments, Total Lump Sum Payments and investment earnings;
 - (2) the Debt Service Account, into which are deposited those sinking fund and interest amounts due in the two payment periods immediately following an MSA Payment Date (as that term is defined in the Trust Indenture);
 - (3) the Partial Lump Sum Payment Account, into which are deposited any payments received from a Participating Manufacturer that results in, or is due to, a release of a portion, but not all, of that Participating Manufacturer's future payment obligations under the MSA;
 - (4) the Liquidity Reserve Account, which holds the Liquidity Reserve Requirement and is more fully described below;
 - (5) the Turbo Redemption Account, into which all surplus Collections are deposited to effect Turbo Redemptions; and
 - (6) the Cost of Issuance Account which holds amounts to pay any item of expense directly or indirectly payable or reimbursable by the Authority and related to the authorization, sale, issuance, retirement or defeasance of bonds.

The following schedule reflects the balance at June 30, 2011 in each of the trust accounts maintained by the trustee:

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Notes to Financial Statements

June 30, 2011

	Balance
Collections account	\$ -
Debt service account	1,792,508
Partial lump sum payment account	-
Liquidity reserve account	13,793,108
Turbo redemption account	1,355
Costs of issuance account	-
Total	\$ 15,586,971

The Liquidity Reserve Account has a balance at June 30, 2011 of \$13,793,108. The Authority is required to maintain a balance in the Liquidity Reserve Account equal to one year's interest on the Series 2008 Bonds, to the extent of available funds. Amounts on deposit in the Liquidity Reserve Account will be available to pay term bond maturities and sinking fund installments of, and interest on, the Series 2008 Bonds to the extent collections are insufficient for such purpose. Any amount remaining after such payments in excess of the Liquidity Reserve Requirement will be deposited in the Collections Account. Unless an event of default has occurred, amounts withdrawn from the Liquidity Reserve Account will be replenished from collections.

(g) Net Assets and Fund Balance. For the fiscal year ended June 30, 2011, the Authority implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement establishes fund balance classifications for governmental funds that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported therein. The Statement requires governments to disclose information in the notes about the processes through which constraints are imposed, as well as accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to be spent.

(1) In the government-wide Statement of Net Assets, the Authority's net assets are reported as unrestricted inasmuch as its restricted net assets are negative. Otherwise, a portion of net assets would be reported as restricted since the amounts are legally restricted by the Trust Indenture to be spent on debt service of the Authority.

(2) In the Governmental Fund Balance Sheet, the portion of fund balance that is legally restricted by the Trust Indenture for debt service is reported as Restricted for debt service. The remaining portion of fund balance is reported as committed to operating expense inasmuch as that portion of fund balance is constrained by the Authority's annually adopted budget.

The Authority considers restricted and committed funds to be spent in that order when expenditures are incurred for which any of those amounts are available.

(h) Administrative Expenses. The State of South Carolina and certain of its agencies perform certain accounting, administrative, legal and enforcement services for the Authority, and the value of these services is accounted for in the financial statements.

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June 30, 2011

Note 8 – Related Party Transactions contains descriptions of and amounts expended for these purposes.

- (i) Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

(3) Deposits and Investments

Deposits. Other than incidental amounts held by the Trustee pending permanent investment or distribution, the Authority’s cash deposits are under the control of the State Treasurer who, by law, has sole authority for investing State funds. State law requires full collateralization of all bank balances under the control of the State Treasurer. The State Treasurer must correct any deficiencies in collateral within two days. At June 30, 2011, all bank balances under the control of the State Treasurer were fully insured or collateralized with securities held by the State’s agent in the name of the State Treasurer.

Investments. All of the Authority’s investments are held by the trustee in several restricted accounts in the name of the Authority. The Trust Indenture (as hereinafter defined) provides the circumstances under which money in the accounts held by the trustee may be invested in Eligible Investments (as defined in the Trust Indenture and hereinafter described). Included in the Trust Indenture’s definition of Eligible Investments are obligations of FHLMC, FNMA, or Federal Farm Credit System, demand and time deposit accounts and certificates of deposit, general obligations of states and guaranteed state obligations, commercial or finance company paper, repurchase obligations, corporate securities bearing interest or sold at discount, taxable money market funds, investment agreements or guaranteed investment contracts, and other obligations or securities that are investment agreements or guaranteed investment contracts and other obligations or securities that are non-cancelable; provided, however, that such investments must be permitted under the laws of the State of South Carolina. The Authority has not adopted a formal investment policy because the Trust Indenture contains these investment restrictions.

The following schedule reflects the Authority’s deposits and investments at their fair and reported values at June 30, 2011, and reconciles the amounts reported in the statement of net assets to the notes.

	Notes	Statements
Deposits		Cash and cash equivalents \$ 21,035,685
Held by State Treasurer	\$ 5,448,714	
Total Deposits	5,448,714	
Investments		Investments _____
US Treasury Notes	13,741,543	
Treasury Tri-Party Repurchase Agreements	1,845,428	
Total Investments	15,586,971	
Totals	\$ 21,035,685	\$ 21,035,685

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Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. At June 30, 2011, all of the Authority's investments were insured and registered.

The following table presents the fair value of investments as of June 30, 2011.

	Fair Value
Short Term Investments:	
US Treasury Notes	\$ 13,741,543
Repurchase Agreements	1,845,428
Total	\$ 15,586,971

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using effective duration. Effective duration is a measure of the price sensitivity of a bond or a portfolio of bonds to interest rate movements given a 50 basis point change in interest rates. It takes into account that expected cash flows will fluctuate as interest rates change and provides a measure of risk that changes proportionately with market rates. The following schedule presents the Authority's interest rate risk.

	Fair Value	Effective Duration
Short Term Investments:		
US Treasury Notes	\$ 13,741,543	0.5
Repurchase Agreements	1,845,428	-
Total	\$ 15,586,971	0.4

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Authority. Credit risk ratings are not required for obligations of the U.S. government or those obligations explicitly guaranteed by the U.S. government. As of June 30, 2011, all of the Authority's investments were obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

Concentration of credit risk is the risk of loss attributed to the magnitude of the government's investment in a single issuer. At June 30, 2011, all of the Authority's investment assets were invested in an overnight repurchase agreement with the Bank of New York, which repurchase agreement was fully collateralized by United States Treasury obligations.

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. At June 30, 2011, the Authority did not have any deposits or investments denominated in foreign currencies.

(4) Bonds Payable

On March 22, 2001, the Authority issued asset backed bonds pursuant to an indenture between the Authority and United States Trust Company of New York, as trustee, dated as of March 1, 2001. The State transferred to the Authority all of its rights and interests under the MSA and the

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June 30, 2011

Decree. These rights include the State's share of all Tobacco Settlement revenue received after June 30, 2001 and in perpetuity to be received under the MSA.

The MSA is an industry wide settlement of litigation between the Settling States and the Original Participating Manufacturers (the "OPMs") and was entered into between the attorneys general of the Settling States and the OPMs on November 23, 1998. The MSA provides for other tobacco companies, referred to as Subsequent Participating Manufacturers (the "SPMs"), to become parties to the MSA. The four OPMs together with the SPMs are referred to as the Participating Manufacturers (the "PMs"). The settlement represents the resolution of a large potential financial liability of the PMs for smoking related injuries, the costs of which have been borne and will likely continue to be borne by cigarette consumers. Pursuant to the MSA, the Settling States agreed to settle all their past, present, and future smoking related claims against the PMs in exchange for agreements and undertakings by the PMs concerning a number of issues. These issues include, among others, making payments to the Settling States, abiding by more stringent advertising restrictions, and funding educational programs, all in accordance with the terms and conditions set forth in the MSA. Distributors of PMs' products are also covered by the settlement of such claims to the same extent as the PMs.

In 2001, the Authority issued \$934,530,000 of Tobacco Settlement Asset Backed Bonds consisting of \$200,000,000 Series 2001A (Taxable) Term Bonds and \$734,530,000 Series 2001B (Tax Exempt) Term Bonds (collectively, the "Series 2001 Bonds"). The Series 2001 Bonds were issued by the Authority pursuant to a Trust Indenture between the Authority and United States Trust Company of New York, as trustee, dated as of March 1, 2001.

On June 26, 2008, the Authority defeased the outstanding principal amount of the Series 2001 Bonds by depositing a portion of the proceeds of \$275,730,000 Tobacco Settlement Revenue Management Authority Tobacco Settlement Revenue Asset-Backed Refunding Bonds, Series 2008 (the "Series 2008 Bonds") issued pursuant to an indenture between The Bank of New York Trust Company, N.A., as trustee, and the Tobacco Settlement Revenue Management Authority (the "Trust Indenture"), together with other available monies, with The Bank of New York Trust Company, N.A., as Trustee for the Series 2001 Bonds (the "Trustee") pursuant to the terms of an irrevocable Escrow Agreement (the "Escrow Agreement") dated June 26, 2008, by and between the Authority and the Trustee. As of June 30, 2011, a total of \$81,170,000 defeased Series 2001 Bonds remained outstanding.

Bond discounts, costs of issuance, and the loss on refunded debt are deferred and amortized over the term of the Series 2008 Bonds using the outstanding method, which results in amortization being computed using the percentage of bonds retired to total bonds issued. Amortization of bond discounts and loss on refunded debt are included in expenses as an addition to interest expense. The Authority expensed \$1,952,548 and \$5,820,424 relating to amortization of bond discounts and loss on refunded debt, respectively, for the year ended June 30, 2011. Amortization of bond issuance costs is included in expenses as a separate line item amount.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY
(A Component Unit of the State of South Carolina)

Notes to Financial Statements

June 30, 2011

The long-term debt of the Authority at June 30, 2011 is comprised of the following:

Series 2008 Tax Exempt Term Bonds due June 1, 2018 with interest of 5% due semiannually on June 1 and December 1 commencing on December 1, 2008	
Face value of bonds outstanding	\$ 71,700,000
Unamortized discount	(2,145,066)
Unamortized loss on refunded debt	(6,394,306)
	\$ 63,160,628

The sinking fund installment of the Series 2008 Bonds represents the amount of principal that the Authority will pay as of the specified distribution date (each a sinking fund payment date) from collections of TSRs and, if necessary, the Liquidity Reserve Account.

A failure by the Authority to pay the sinking fund installment of the Series 2008 Bonds on the applicable sinking fund installment payment date will not constitute an event of default under the Trust Indenture. However, a failure to pay interest on the Series 2008 Bonds when due or principal of the Series 2008 Bonds by their maturity dates will constitute an event of default under the Trust Indenture.

Turbo Redemptions represent the requirement contained in the Trust Indenture to apply 100% of all collections that are in excess of the requirements in the Trust Indenture for the funding of the operating expenses, the deposits to the Debt Service Account for the funding of interest, sinking fund installments, and term bond maturities, maintenance of the Liquidity Reserve Account and the Operating Contingency Account (such excess, surplus collections), to the redemption of Series 2008 Bonds on each distribution date (each a Turbo Redemption Date) in ascending order of maturity. Such surplus collections are deposited into the Turbo Redemption Account, established and maintained by the trustee under the Trust Indenture. Turbo Redemptions are credited against sinking fund installments for any particular Series 2008 Bonds in ascending order of sinking fund installment dates. Turbo Redemptions are not scheduled amortization payments and are made only from surplus collections, if any, and from amounts on deposit in the Partial Lump Sum Payment Account with confirmation from each rating agency that no rating then in effect, with respect to the Series 2008 Bonds, from such rating agency will be withdrawn, reduced, or suspended. Amounts in the Liquidity Reserve Account are not available to make Turbo Redemptions.

The following table reflects expected and actual Turbo Redemptions and sinking fund payments on the Series 2008 Bonds through June 30, 2011:

ended June 30	Turbo Redemptions		Sinking Fund Payments
	Expected	Actual	
2009	\$ 56,755,000	\$ 52,725,000	\$ 23,005,000
2010	84,805,000	63,035,000	-
2011	90,260,000	65,265,000	-
Total	\$ 231,820,000	\$ 181,025,000	\$ 23,005,000

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY
(A Component Unit of the State of South Carolina)

Notes to Financial Statements

June 30, 2011

The Authority's debt service requirements based upon required sinking fund payments and interest payments on the Series 2008 Bonds are as follows:

Twelve months ending June 30	Sinking fund payments	Interest	Total debt service
2012	\$ -	\$ 3,585,000	\$ 3,585,000
2013	-	3,585,000	3,585,000
2014	-	3,585,000	3,585,000
2015	-	3,585,000	3,585,000
2016	4,210,000	3,585,000	7,795,000
2017 - 2018	67,490,000	5,220,000	72,710,000
	<u>\$ 71,700,000</u>	<u>\$ 23,145,000</u>	<u>\$ 94,845,000</u>

The Authority's long-term liability activity for the year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Due Within one year
Bonds:					
Series 2008 bonds	\$ 136,965,000	\$ -	\$ 65,265,000	\$ 71,700,000	\$ -
Unamortized discounts	(4,097,614)	-	(1,952,548)	(2,145,066)	-
Unamortized loss on refunded debt	(12,214,730)	-	(5,820,424)	(6,394,306)	-
Total	<u>\$ 120,652,656</u>	<u>\$ -</u>	<u>\$ 57,492,028</u>	<u>\$ 63,160,628</u>	<u>\$ -</u>

(5) Other Credit Risks – Tobacco Settlement Receipts and Other Issue-Specific Security

The payment of the Series 2008 Bonds is dependent on the receipt of TSRs. The amount of TSRs actually collected is dependent on many factors, including cigarette consumption and the continued financial capability of the OPMs. Such bonds are secured by and payable solely from TSRs and investment earnings pledged under the Trust Indenture and amounts established and held in accordance with the Trust Indenture. The Series 2008 Bonds are payable only from the assets of the Authority. In the event that the assets of the Authority have been exhausted, no amounts will thereafter be paid on the Series 2008 Bonds. The Series 2008 Bonds are not legal or moral obligations of the State, and no recourse may be had thereto for payment of amounts owing on the Series 2008 Bonds. The Authority's only source of funds for payments on the Series 2008 Bonds is the TSRs. The Authority has no taxing power.

(6) Contingencies

Certain smokers, consumer groups, cigarette manufacturers, cigarette importers, cigarette distributors, native American tribes, taxpayers, taxpayers' groups, and other parties have instituted litigation against various tobacco manufacturers, including the PMs, as well as certain of the Settling States and other public entities. The lawsuits allege, among other things, that the MSA violates certain provisions of the United States Constitution, state constitutions, the Federal antitrust laws, Federal civil rights laws, state consumer protection laws, and unfair competition laws, certain of which actions, if ultimately successful, could result in a determination that the MSA is void or unenforceable. The lawsuits seek, among other things, an injunction against one or more of the Settling States from collecting any monies under the MSA and barring the PMs from collecting cigarette price increases related to the MSA and/or a determination that the MSA is void or unenforceable. In addition, class action lawsuits have been filed in several Federal and state courts alleging that under the Federal Medicaid law, any amount of tobacco settlement funds

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

Notes to Financial Statements

June 30, 2011

that the Settling States receive in excess of what they paid through the Medicaid program to treat tobacco related diseases should be paid directly to Medicaid recipients. To date, no such lawsuits have been successful or are on appeal. The enforcement of the terms of the MSA may, however, continue to be challenged in the future. In the event of an adverse court ruling, the Authority may not have adequate financial resources to make payment on the Series 2008 Bonds.

(7) Disputed Payments

During the periods ending June 30, 2006 through June 30, 2011, a number of participating manufacturers (“PMs”) deposited a portion of their tobacco settlement payments due on or about April 15 into a disputed payments account, incidental to findings by an independent arbitrator that MSA disadvantages were a significant factor in market share losses experienced by the PMs in calendar years 2003 through 2007. Under the provisions of the MSA, PMs are potentially entitled to an adjustment of their required payments under the MSA (a Non-Participating Manufacturer or NPM Adjustment) in the event that all of the PMs, in the aggregate, lose more than two percentage points of market share compared to the market share of the PMs in 1997. However, the adjustment cannot be applied against settling states that have enacted and diligently enforced an escrow fund statute under the MSA.

As a result of the PMs’ deposit into the disputed payments account, South Carolina’s share of payments under the MSA has been reduced for the past five fiscal years. While these payment reductions impacted Turbo Redemptions, the reductions did not impact the Authority’s ability to meet its payment obligations when due. A summary of these disputed payments follows:

Twelve months ended June 30	Total Payments Expected by the Authority	Actual Receipts	Estimated Impact of NPM Adjustment at the State's Allocation Percentage	Estimated Impact of Factors Other than the NPM Adjustment
2006	\$ 76,829,052	\$ 68,612,916	\$ 9,197,098	\$ (980,962)
2007	77,834,167	71,406,465	8,189,888	(1,762,186)
2008	91,427,527	83,474,567	6,191,878	1,761,082
2009	91,979,199	84,866,705	1,296,101	5,816,393
2010	92,553,878	76,308,650	6,777,105	9,468,123
2011	93,678,502	72,001,411	10,392,432	11,284,659
Total	<u>\$ 524,302,325</u>	<u>\$ 456,670,714</u>	<u>\$ 42,044,502</u>	<u>\$ 25,587,109</u>

(8) Related Party Transactions

The State of South Carolina, through the Office of Attorney General, the State Law Enforcement Division, and the South Carolina Department of Revenue, provides certain legal and enforcement services to the Authority. During the fiscal year ended June 30, 2011, the Authority made or provided for \$1,200,000 in directed transfers from its general fund to these state agencies to cover costs of providing these services. The Office of State Treasurer provides administrative, investment, operations, record keeping, and other support services to the Authority. Reimbursements totaling \$100,000 were made by the Authority during the fiscal year ended June 30, 2011 to cover costs of providing these services.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY
(A Component Unit of the State of South Carolina)

Notes to Financial Statements

June 30, 2011

(9) Risk Management

The Authority is exposed to risks of loss from torts and maintains State coverage for these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. The insurer promises to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits except for the deductibles. The Authority and other entities pay premiums to the State's Insurance Reserve Fund ("IRF") which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to torts.

The IRF is a self-insurer whose rates are determined actuarially.

No payments for uninsured losses were made during the fiscal year ended June 30, 2011.

(10) Subsequent Events

The Authority has evaluated all events subsequent to the statement of net assets date of June 30, 2011 through the date of issuance of these financial statements, September 29, 2011, in accordance with Accounting Standards Codification Topic 855 ("ASC Topic 855"). The Authority has determined that there are no subsequent events that require disclosure under ASC Topic 855.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

Required Supplementary Information (unaudited)

Budgetary Comparison Schedule

General Fund

Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Tobacco settlement receipts	\$ 92,434,192	\$ 92,434,192	\$ 72,001,411	\$(20,432,781)
Investment income	34,466	34,466	53,317	18,851
Total revenues	<u>92,468,658</u>	<u>92,468,658</u>	<u>72,054,728</u>	<u>(20,413,930)</u>
Expenditures				
Debt Service	87,439,375	87,439,375	72,113,250	(15,326,125)
Contractual services	3,652,500	3,652,500	1,054,629	(2,597,871)
Fixed charges and contributions	3,000	3,000	2,490	(510)
Miscellaneous administrative	2,500	2,500	-	(2,500)
Total expenditures	<u>91,097,375</u>	<u>91,097,375</u>	<u>73,170,369</u>	<u>(17,927,006)</u>
Transfers				
Transfers to other state agencies	<u>(1,350,000)</u>	<u>(1,350,000)</u>	<u>(1,300,000)</u>	<u>50,000</u>
Total transfers	<u>(1,350,000)</u>	<u>(1,350,000)</u>	<u>(1,300,000)</u>	<u>50,000</u>
Excess of revenues over expenditures	<u>\$ 21,283</u>	<u>\$ 21,283</u>	<u>\$ (2,415,641)</u>	<u>\$ (2,436,924)</u>

See accompanying notes to required supplementary information.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY
(A Component Unit of the State of South Carolina)

Notes to Required Supplementary Information (unaudited)

Budgetary Comparison Schedule
General Fund

Year ended June 30, 2011

(1) Basis of Presentation

Section 11-49-60 of the Code of Laws requires the Authority to adopt an annual budget for its operational expenditures. The accompanying budgetary comparison schedule compares the Authority's legally adopted budget to actual results on the budgetary basis.

(2) Budgetary Revisions

The Authority maintains budgetary control at the object category of expenditure and must approve any transfer of appropriations between the object categories.

(3) Differences in Budgetary and GAAP Reporting

The accompanying budgetary comparison schedule compares the Authority's legally adopted budget with actual results in accordance with the Authority's basis of budgeting. The Authority's primarily cash basis budgetary accounting principles, however, differ significantly from GAAP. These different accounting principles result in basis differences in the excess (deficiency) of revenues over (under) expenditures. Basis differences arise because the basis of budgeting differs from the GAAP basis used to prepare the governmental fund statement of revenues, expenditures and changes in fund balance. Those differences for the fiscal year ended June 30, 2011, were as follows:

	<u>Actual Amounts</u>
Deficiency of revenues	
under expenditures, budgetary basis	\$ (2,415,641)
Basis differences	
Tobacco settlement revenues are recognized on an accrual basis	
in the governmental fund statement of revenues expenditures and	
changes in fund balance, and on a cash basis in the general fund	
budgetary comparison schedule	(2,193,058)
Investment earnings are recognized on an accrual basis in the	
in the governmental fund statement of revenues expenditures and	
changes in fund balance, and on a cash basis in the general fund	
budgetary comparison schedule	<u>(44,790)</u>
Deficiency of revenues	
under expenditures, GAAP basis	<u>\$ (4,653,489)</u>



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Mr. Richard H. Gilbert, Jr. CPA,
Deputy State Auditor
Columbia, South Carolina

We have audited the financial statements of the governmental activities, and the major fund of the Tobacco Settlement Revenue Management Authority (“the Authority”) as of and for the year ended June 30, 2011, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated September 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the State Auditor and management of the Authority, and is not intended to be and should not be used by anyone other than these specified parties.

Columbia, South Carolina
September 29, 2011

The Halle Group, P.A.

CHAPTER 49.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY ACT

SECTION 11-49-100. Accounts to be maintained separately; annual report.

All accounts of the authority must be held and maintained separately from all other funds, properties, assets, and accounts of this State and its other agencies. The board shall keep an accurate account of all of its activities and all of its receipts and expenditures and annually, in the month of January, shall make a report of its activities to the State Budget and Control Board, the report to be in a form prescribed by the State Budget and Control Board. Audited financial statements must be submitted to the Comptroller General by October fifteenth following the end of the fiscal year.

AGENCY: State Budget Division

SUBJECT: Exemption from Reporting Requirements of Proviso 89.110

Proviso 89.110 of the FY 2011-12 Appropriation Act requires agencies with composite reservoir bank accounts or other accounts containing public funds which are not included in the Comptroller General's Statewide Reporting and Accounting System (STARS) or the South Carolina Enterprise Information System (SCEIS) to prepare a report disclosing transaction information from the prior fiscal year. State institutions of higher learning are exempted. The proviso provides for an agency to petition the Budget and Control Board for an exemption from the reporting requirements if release of the information would be detrimental to the state or agency. The determination of the exemption is to be in a closed meeting but may only be granted upon majority vote of the Budget and Control Board in a public meeting.

The following agencies have requested an exemption from the reporting requirements of Proviso 89.110:

Governor's Office – Office of Executive Policy and Programs
John de la Howe School
Office of the Attorney General
South Carolina Department of Consumer Affairs
South Carolina Department of Disabilities and Special Needs
South Carolina Department of Juvenile Justice
South Carolina Department of Mental Health
South Carolina Department of Motor Vehicles
South Carolina Department of Natural Resources
South Carolina Department of Revenue
South Carolina Law Enforcement Division
South Carolina Vocational Rehabilitation Department
State Accident Fund

BOARD ACTION REQUESTED:

- (a) Grant approval for the agency requests for exemption from the detailed transaction reporting requirements of Proviso 89.110 except for the following information from each account shall be provided to the Budget and Control Board State Budget Division: 1) Name of the account; 2) Names and titles of each person responsible for making withdrawals and deposits in the account; 3) Name and title of each person responsible for reconciling each account; 4) The beginning balance, total deposits, total expenditures and year-end balance of the account. Agency exemptions shall continue into future years unless changes are made in the operation and use of an agency's composite account; and
- (b) Request the State Auditor's Office to include a review of agency composite accounts when performing audits of state agencies.

ATTACHMENTS:

Agenda item worksheet; Agency Requests; Proviso 89.110

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

2012-03

For Meeting Scheduled for: January 31, 2012

Regular Session

1. Submitted By:

(a) Agency: Office of State Budget

(b) Authorized Official Signature: Les Bole

2. Subject:

Exemption from Reporting Requirements of Proviso 89.110

3. Summary:

Proviso 89.110 of the FY 2011-12 Appropriation Act requires agencies with composite reservoir bank accounts or other accounts containing public funds which are not included in the Comptroller General's Statewide Reporting and Accounting System (STARS) or the South Carolina Enterprise Information System (SCEIS) to prepare a report disclosing transaction information from the prior fiscal year. State institutions of higher learning are exempted. The proviso provides for an agency to petition the Budget and Control Board for an exemption from the reporting requirements if release of the information would be detrimental to the state or agency. The determination of the exemption is to be in a closed meeting but may only be granted upon majority vote of the Budget and Control Board in a public meeting.

The following agencies have requested an exemption from the reporting requirements of Proviso 89.110:

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South Carolina Department of Juvenile Justice
South Carolina Department of Mental Health
South Carolina Department of Motor Vehicles
South Carolina Department of Natural Resources
South Carolina Department of Revenue
South Carolina Law Enforcement Division
South Carolina Vocational Rehabilitation Department
State Accident Fund

4. What is Board asked to do?

To consider the agency requests for exemption from the reporting requirements of Proviso 89.110.

5. What is recommendation of Board Office involved?

(a) Grant approval for the agency requests for exemption from the detailed transaction reporting requirements of Proviso 89.110 except for the following information from each account shall be provided to the Budget and Control Board State Budget Division: 1) Name of the account; 2) Names and titles of each person responsible for making withdrawals and deposits in the account; 3) Name and title of each person responsible for reconciling each account; 4) The beginning balance, total deposits, total expenditures and year-end balance of the account. Agency exemptions shall continue into future years unless changes are made in the operation and use of an agency's composite account.

(b) Request the State Auditor's Office to include a review of agency composite accounts when performing audits of state agencies.

6. Recommendation of other office (as required)?

Authorized Signature: _____

Office Name:

Supporting Documents:

List those attached:

Proviso 89.110

List those not attached but available:

Letters of request from agencies.

AGENCY COMPOSITE BANK ACCOUNTS

Agency Number	Agency Name	Number of Composite Accounts	Reason for Exemption
Exemption Requested			
D10	Governor's Off. - SLED	1	Law Enforcement/Investigation related for protect undercover operations/informants
E20	Attorney General's Off.	7	Law Enforcement/Investigation related for protect undercover operations/informants (all Grand Jurv related)
P24	Dept. of Natural Resources	2	Law Enforcement/Investigation related for protect undercover operations/informants
R28	Dept. of Consumer Affairs	1	Law Enforcement/Investigation related for protect undercover operations/informants
D17	Governor's Off. - OEPP	2	Confidentiality of clients/patients/students
H73	Vocational Rehabilitation	2	Confidentiality of clients/patients/students
J12	Dept. of Mental Health	25	Confidentiality of clients/patients/students
J16	Dept. of Disabilities & Special Needs.	13	Confidentiality of clients/patients/students
L12	John de la Howe	1	Confidentiality of clients/patients/students
N12	Dept. of Juvenile Justice	4	Confidentiality of clients/patients/students
R12	State Accident Fund	1	Confidentiality of clients/patients/students
R40	Dept. of Motor Vehicles	2	Confidentiality required for returned check accounts
R44	Dept. of Revenue	4	Confidentiality required for returned check accounts/legal actions

DK

SOUTH CAROLINA LAW ENFORCEMENT DIVISION



NIKKI R. HALEY
Governor

MARK A. KEEL
Chief

January 9, 2012

Les Boles, Director
Office of State Budget
1205 Pendleton Street, Ste. 529
Columbia, SC 29201

Dear Mr. Boles:

The South Carolina Law Enforcement (SLED) would like to respectfully request exemption from the reporting requirements of Proviso 89.133. SLED currently operates one account identified under the Proviso which is used for undercover operations in a wide range of criminal investigations. We are concerned that providing detailed transactional information on the account would compromise our Agents and operations and provide insight to criminals regarding SLED's operational methods.

The Division is committed to combating violent crimes, drugs, and gangs within the State of South Carolina. We hope that the Budget and Control Board will honor our request for exemption from this Proviso and thus aid us in these efforts.

Please feel free to contact me at 803-896-9223 if you have any questions or require further information.

Sincerely,

Mark Keel
Chief





ALAN WILSON
ATTORNEY GENERAL

January 3, 2012

South Carolina Budget and Control Board
612 Wade Hampton Building
Box 12444
Columbia, South Carolina 29211

Dear Lady and Gentlemen,

Pursuant to the provisions of Proviso 89.110, the Office of the Attorney General requests an exemption from reporting requirements for Composite Reservoir Accounts associated with the State Grand Jury Clerk of Court's office and the Attorney General's office. The State Grand Jury Clerk's office and the Attorney General operate six bank accounts in order to carry out the statutory duties of the State Grand Jury. Because of secrecy provisions mandated by statute it is not possible to disclose State Grand Juror's names, as well as, other transaction information. All of these bank accounts operated by the State Grand Jury Clerk's office and the Attorney General's office are routinely audited by the State Auditor.

Sincerely,

Alan Wilson

AW/vlm

South Carolina Department of
Natural Resources



DNR

John E. Frampton
Director

Carole Collins
Deputy Director for
Outreach and Support Services

September 30, 2011

Mr. Les Boles
Office of State Budget/SC Budget and Control Board
1201 Main Street/Suite 870
Columbia, SC 29201

Dear Mr. Boles,

In reference to Proviso 89.110 of the FY 2011-12 Appropriation Act dealing with Bank Account Transparency and Accountability, we are requesting an exemption for our Operation Game Thief (OGT) account which is maintained at Wells Fargo Bank.

The OGT program is a crime stoppers program for natural resources violations. It functions as a clearinghouse for payments made to informants who provide information to our Law Enforcement Division. These payments are valuable tools in aiding our prosecution efforts. The program depends on confidentiality. Disclosure of this information is potentially detrimental to our informants and the success of our program.

We respectfully request an exemption to these reporting requirements. Should you have any questions, please feel free to contact me at 734-3957 or Lt. Robert McCullough at 734-3836.

Sincerely,

Carole Collins, Deputy Director
Outreach and Support Services



The State of South Carolina
Department of Consumer Affairs

2221 DEVINE STREET, STE 200
P. O. BOX 5757
COLUMBIA, S.C. 29250-5757

Carri Grube Lybarker
Administrator

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Myrtle Beach
Terrell A. Parrish
Greer
Magaly P. Penn
Simpsonville

December 6, 2011

Via Electronic and US Mail

Mr. Les Boles
Director, Office of State Budget
Edgar A. Brown Building
1205 Pendelton Street, Suite 529
Columbia, SC 29201

RE: Proviso 89.110 Exemption Request

Dear Mr. Boles:

Proviso 89.110, entitled Bank Account Transparency and Accountability, requires most state agencies that have composite reservoir bank accounts or any other account containing public funds which are not included in STARS or SCEIS, to prepare a report for each account disclosing every transaction of the account in the prior fiscal year. The proviso also permits an agency to request an exemption from the reporting requirements. While the Department intends to comply fully with all required provisos, we respectfully request such an exemption for our confidential fund.

Our agency's confidential fund is used as a tool in the enforcement of statutes we administer. SCDCA investigators utilize monies from the fund to obtain evidence in the course of investigations. Access to a fund that is not subject to Freedom of Information Act (FOIA) requests or other requests is especially important when the investigators engage in under cover operations. S.C. Code of Laws §30-4-40(3) recognizes the importance of maintaining the confidentiality of such information in permitting an agency to withhold certain investigative information from a FOIA response. Further, §37-6-106 requires SCDCA to keep investigations confidential until completed.

Because of the sensitive nature of the information, releasing this information publicly would be detrimental to the Department; therefore, I am requesting an exemption from the reporting requirement.

If you need further information or have any questions, please feel free to contact me at (803) 734-4297 or CLybarker@sconsumer.gov.

Best Regards,

Carri Grube Lybarker
Carri Grube Lybarker, Esq.

TELEPHONE (AREA CODE 803)
ADMINISTRATOR
734-4297
ACCOUNTING
734-4264

PUBLIC INFORMATION
734-4296
E-mail: scdca@sconsumer.gov
www.sconsumer.gov

CONSUMER ADVOCACY
734-4200
(1) FAX: 734-4287
(2) FAX: 734-4286

INVESTIGATORS
734-4236
ENFORCEMENT
734-4236

CONSUMER COMPLAINTS
734-4200
WATS 1-800-922-1594
VOICE/TT - 1-800-734-2905



D17

State of South Carolina

Office of the Governor

NIKKI R. HALEY
GOVERNOR

OFFICE OF EXECUTIVE
POLICY AND PROGRAMS

January 9, 2012

Ms. Brenda Day
Finance Manager
Governor's Office – OEPP
1205 Pendleton Street, Room 479B
Columbia, SC 29201

Dear Ms. Day:

As you requested, I have listed the information you need regarding Provision 89.110 as it pertains to our Bank Accounts. As we discussed, these bank accounts do not contain State funds. These accounts are for our clients SSI funds and Donations we have received for our clients. Due to confidentiality for our clients, these transactions should not be posted on the Comptroller General's website.

The following staff is authorized to sign checks or make withdrawals from each account:

Richard Rasmussen, Director of Operations and Brooks Hansen, Director of Client Services

The following staff is responsible for reconciling each account:

Doris Hare, Director of Finance and Cheryl Maybin, Accountant

The year end balances as of June 30, 2011, are as follows:

Account Number xxxx xxxx 8004 - \$21,308.05

Account Number xxxx xxxx 2114 - \$ 328.42*

Please let me know if you need additional information. Thank you.

Sincerely,

Doris Hare
Director of Finance for Continuum of Care



South Carolina Vocational Rehabilitation Department

Enabling eligible South Carolinians with disabilities to prepare for,
achieve and maintain competitive employment.

Barbara G. Hollis, Commissioner

473

December 2, 2011

Les Boles
Director, Office of State Budget
SC Budget and Control Board
1201 Main Street, Suite 870
Columbia, SC 29201

Re: Exemption from Proviso 89.110

Dear Mr. Boles:

The South Carolina Vocational Rehabilitation Department (SCVRD) is respectfully requesting an exemption from the reporting requirements concerning Proviso 89.110 of the FY 2011-12 Appropriation Act. The transactions involved in two reservoir bank accounts, which are managed by SCVRD, are directly related to the provision of client (the term "client" refers to a person with a disability who receives rehabilitation services from our agency) services. Each transaction associated with these accounts identifies our clients (the payees) by name. Releasing the names of the payees on the accounts and linking the transactions to the accountability and transparency website would violate Federal and State confidentiality laws protecting applicants, clients, and former clients of SCVRD.

34 C.F.R. Section 361.38(e) and S.C. Code Ann. Section 43-31-150 (1976) require written consent of the client or a court order before information may be released. Copies of the State & Federal provisions are enclosed for your review.

In addition, the Privacy Act of 1974, as amended at 5 U.S.C. 552a, protects records that can be retrieved from a system of records by personal identifiers such as a name, social security number, or other identifying number or symbol.

Our agency must follow Federal and State laws and regulations as they relate to confidentiality. These laws and regulations greatly restrict our ability to disclose personal information regarding applicants, clients, and former clients.

If you should have any questions regarding this request, please contact Rick Elam at 803-896-6507.

Sincerely,

Barbara G. Hollis
Commissioner

/bgh
Attachments



DEC 14 2011

State of South Carolina Department of Mental Health

Board
OFFICE OF STATE BUDGET

MENTAL HEALTH COMMISSION:

Alison Y. Evans, PsyD, Chair
Joan Moore, Vice Chair
Jane B. Jones
Everard Rutledge, PhD
J. Buxton Terry

2414 Bull Street • P.O. Box 485
Columbia, SC 29202
Information: (803) 898-8581

John H. Magill
State Director of Mental Health

December 12, 2011

Les Boles
Director
SC Budget and Control Board
1205 Pendleton Street, Suite 529
Columbia, SC 29201

Dear Mr. Boles:

Thank you for the opportunity to provide additional information to the Budget and Control Board to petition for an exemption from the reporting requirements of Proviso 89.110 of the FY 2011-12 Appropriation Act.

The Department of Mental Health has one composite account that would meet the description of the Proviso. In FY 11 this account was used through September 2010 for 7 returned checks totaling \$ 1,024.20 from patients or third parties on behalf of patients and 39 deposits totaling \$ 229,698.51 from residents of Veterans Victory House and Campbell Nursing Home for Care and Maintenance/Patient Personal Funds. Beginning October 2010, transactions are being processed in accounts that are included in the Comptroller General's Statewide Reporting System and South Carolina Enterprise Information System. Signature authority is limited to John Magill, Director of DMH and Mark Binkley, Deputy Director of Administrative Services. The account is reconciled monthly by Anita Walburn, Acct/Fiscal Analyst III and the reconciliation is reviewed and approved by Julie Bonnette, Acct/Fiscal Manager I.

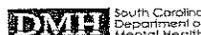
State statute Section 44-22-100 (attachment 1) addresses the confidentiality, exceptions, violations and penalties of records that directly or indirectly identify a mentally ill patient or former patient. If a particular account or accounts are used primarily for depositing or issuing checks to current or former patients, specifically identifying the persons from whom or to whom payments were received or made from such account(s) would indirectly identify those persons as current or former patients. [Note also that Section (C) makes violation of this statute criminal.]

A brief overview of the returned check process (prior to October 2010) is as follows:

- DMH receives notification from the Office of the State Treasurer (attachment 2) of returned check(s). This notification includes patient name.
- DMH processes check to Office of the State Treasurer (attachment 3). Names of patients are included as supporting documentation.
- Copies of returned checks (attachment 4) are provided to DMH. Names, addresses, phone numbers, are included on the copies.

MISSION STATEMENT

To support the recovery of people with mental illnesses.

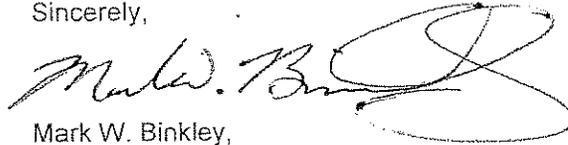


As you can see, providing the detail information would be a criminal violation. Redacting the information would be labor intensive and in the end provide no real meaningful information.

A summary reconciliation of the account could be provided if necessary.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark W. Binkley". The signature is fluid and cursive, with a large, stylized flourish at the end.

Mark W. Binkley,
General Counsel and
Deputy Director, Division of Administrative Services

Attachments



J14

Beverly A. H. Buscemi, Ph.D.
State Director
 David A. Goodell
Associate State Director Operations
 Kathi K. Lacy, Ph.D.
Associate State Director Policy
 Thomas P. Waring
Associate State Director Administration

COMMISSION
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 Harvey E. Shiver

3440 Harden Street Ext (29203)
 PO Box 4706, Columbia, South Carolina 29240

803/898-9600
 Toll Free: 888/DSN-INFO
 Website: www.ddsn.sc.gov

December 5, 2011

Mr. Les Boles, Director
 Office of State Budget
 South Carolina Budget and Control Board
 Post Office Box 12444
 Columbia, South Carolina 29211

Re: Proviso 89.110 of FY2011 – 12 Appropriation Act

Mr. Boles:

South Carolina Department of Disabilities and Special Needs (DDSN) operates 13 various Composite Reservoir Accounts that are not currently accounted for on the Comptroller General's STARS accounting system or on the SCEIS accounting system. Consistent with our September 8, 2010 submission, we are requesting exemption from the reporting requirements of Proviso 89.110 for the following reasons.

Most of these accounts (12 in total) comprise the Client Banking System for our 4 regional facilities – 3 each at Whitten Center, Midlands Center, Pee Dee Center, and Coastal Center. The funds and transactions within these accounts are solely comprised of the personal banking and financial activities of our clients. There are no public funds in any of these accounts. Disclosure of detail transactions of these accounts would only serve to make public the very personal and private financial activities of our most vulnerable citizen client base. As a result, and in accordance with the specific language of Proviso 89.110 addressing Public Funds, we hereby request that the detailed transactions of these specific composite accounts be considered exempt from the reporting requirements contained therein.

The remaining composite account held by DDSN is a Return Check/NSF Check clearing account whereby any deposited instrument that is not honored by the institution it is drawn upon is drafted by the depository institution. DDSN replenishes that clearing fund with monies from the specific CG sub-fund wherein it was originally deposited.

DISTRICT I

P.O. Box 239
 Clinton, SC 29325-5328
 Phone: (864) 938-3497

Midlands Center - Phone: 803/935-7500
 Whitten Center - Phone: 864/833-2733

DISTRICT II

9995 Miles Jamison Road
 Summerville, SC 29485
 Phone: 843/832-5576

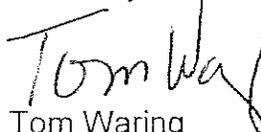
Coastal Center - Phone: 843/873-5750
 Pee Dee Center - Phone: 843/664-2600
 Saleeby Center - Phone: 843/332-4104

Delineating the detailed specifics of the activities in that account would be tantamount to publishing a bad debts listing of specific citizen debtors. My understanding of the Fair Debt Collection Practices Act (FDCPA) leads me to believe that this action may violate the protections granted debtors therein. DDSN is prepared to publish such detailed information as to the transactions within this composite NSF Clearing account upon your discretion, but otherwise request exemption based upon the aforementioned concerns of the FDCPA.

We look forward to working with you towards full compliance with the intent of this proviso and await ruling on the above requests for exemption.

Should there be any questions, or if I may be of further assistance in this matter please do not hesitate to call.

Sincerely,



Tom Waring

Associate State Director, Administration

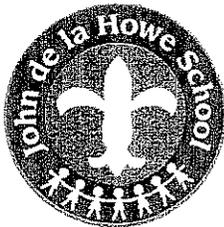
TPW/lbc

cc: Mr. Martin Taylor, Director of Finance, DDSN

RECEIVED

DEC 06 2011

Budget Control Board
OFFICE OF STATE BUDGET



John de la Howe School

South Carolina's Home for Children



Thomas W. Mayer
Superintendent

BOARD OF TRUSTEES

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Chair
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Secretary
McCormick, SC

W. Josh Brown
Anderson, SC

Mary G. Daniel-Wyatt, Esq.
Greenville, SC

Mary O. Morales
Lexington, SC

Patricia M. Stoner
Simpsonville, SC

January 10, 2012

Mr. Les Boles
Director of State Budget Division
1205 Pendleton Street
Edgar A Brown Building Suite 529
Columbia, South Carolina 29201

Dear Mr. Boles,

The John de la Howe School (the School) respectfully requests exemption from the reporting requirements for composite bank accounts as stipulated by Proviso 89.110. Since the detail account report includes the names and other sensitive information of its students, the School feels public release of such information would be detrimental to both the students and the School.

Thank you very much for your consideration of this request.

Sincerely,

Thomas W. Ritter, Jr.
Director of Finance and Business Operations



P.O. Box 21069
Columbia, SC 29221-1069
www.state.sc.us/djj

Mark Sanford
Governor
State of South Carolina

Bill Byars, Director

December 8, 2011

Mr. Les Boles, Director
Office of State Budget
Edgar A. Brown Building, Suite 529
Columbia, SC 29201

Subject: Reporting Under Proviso 89.110 of the FY 2011-12 Appropriation Act

Dear Mr. Boles:

This responds on behalf of the South Carolina Department of Juvenile Justice (DJJ) to your letter of December 2, 2011, subject as above. DJJ does not believe that it falls under either the letter or intent of this proviso's requirement to report; however, we do want to respond in case the SC Budget and Control Board (Board) interprets it differently. Proviso 89.110 of the FY 2011-12 Appropriation Act (Proviso 89.110) states that the requirement pertains to "...each state agency..., which has composite reservoir bank accounts or any other accounts containing public funds...." The composite accounts held by DJJ are trust accounts held for individuals, and, as such, do not contain "public funds."

This response and explanation are made based on the nature of the composite reservoir accounts maintained by DJJ. Currently, DJJ has four composite reservoir bank accounts. Each account is classified by the American Institute of Certified Public Accountants as a Trust Account. As trust accounts, all cash held in these accounts are truly liabilities. Most significantly, all disbursements are actually payments of liabilities; therefore, we believe that there are neither "goods or services purchased" nor "expenditure transactions" of the types required to be reported by the proviso from any of our composite accounts, as detailed below.

Three of the four accounts consist of cash held in trust for juveniles in DJJ's custody. Upon release from DJJ, cash remaining in the juveniles' accounts are returned to the respective juveniles. The only goods purchased from these funds are very limited "canteen" purchases made by the juveniles when they earn the privilege of using the canteen. Checks eventually written upon their departure are not expenditures, but rather payment of a liability owed the juveniles whose monies DJJ is holding in trust. The fourth account, the Victims Restitution Account, is similar. The purpose of this account is to collect monies from juvenile offenders and disburse funds to their victims as ordered by the court. Again, no funds are expended for goods and services. As for accountability, all of the composite accounts are reviewed by the State

Administrative Services Division
4900 Broad River Road, Palmetto Building, Room 119
Columbia, South Carolina 29212-3521
Telephone (803) 896-9744 Fax (803) 896-9767

Les Boles
December 8, 2011
Page two

Auditors under Agreed-upon Procedures to ensure that funds are collected and disbursed properly.

If either you or the Board does not agree with us that this proviso does not apply to DJJ, we request your consideration of an exemption based on state statutes and/or regulations that prohibit the release of the identity of juvenile offenders and their victims. Payees from our composite bank accounts are either juvenile offenders or victims of crime perpetrated by juveniles. Again, we believe that this proviso does not pertain to the composite accounts managed by DJJ; however, should you or the Board rule differently, given the purpose of our composite reservoir accounts as described above, DJJ would respectfully request exemption with the reporting requirements of Proviso 89.110.

The DJJ sincerely appreciates your consideration of this request. If you have any questions, please contact me at the address or phone number on the first page footer, by e-mail at rgrant@scdjj.net or Steven Lake, Fiscal Affairs Administrator, at 803-896-5638 or swlake@scdjj.net.

Sincerely,



G. Randall Grant
Deputy Director/CFO
Administrative Services Division

GRG/rg

cc: Margaret Barber, Director
Steven Lake, Fiscal Affairs Administrator
Elizabeth Hill, General Counsel

SOUTH CAROLINA
STATE ACCIDENT FUND

HARRY B. GREGORY, JR., Director

January 6, 2012

Les Boles
Director, State Budget Division
South Carolina Budget & Control Board
1205 Pendleton Street, Suite 529
Columbia, SC 29201

Dear Mr. Boles:

I am in receipt of your letter dated December 20, 2011 requesting information on composite and other bank accounts. The State Accident Fund has a checking account which is funded by our trust fund. All receipts and expenditures are processed through SCEIS and, therefore, the account may not fall within the requirements of Proviso 89.110 as outlined in your letter. The checking account held by SAF is for the purpose of processing payments to state and other employees who have lost time from work due to a work related injury and their related medical expenses. Though checks are written directly from this account, the account is funded by the trust fund through SCEIS at which time the expenditure is recorded in SCIES. In complete response to your letter, however, we would provide the following:

- 1) SAF has a checking account as stated above with transactions recorded in SCEIS.
- 2) As pertains to the reference account:
 - 1) Harry B. Gregory, Jr., Director, authorized to sign checks or make withdrawals.
 - 2) Janice P. Harmon, Accounting Manager, is responsible for the reconciliation.
 - 3) The account balance as of 6/30/11 was \$2,233,837.
 - 4) During the FY11 \$64.5 million was funded to this account.
- 3) SAF has a checking account with Wachovia/Wells Fargo. The last four digit of the account number are 1949. As stated above, this account is to pay state employees out of work due to an on-the-job injury and related medical expenses.
- 4) If the proviso is applicable to the referenced checking account, SAF would request an exemption from reporting with regard to the account due its personal nature of the information. Disclosure of this information would take SAF out of compliance with the Health Insurance Portability and Accountability Act (HIPPA). HIPPA provides federal protection for personal health information disclosure as requested in Proviso 89.110 and would be in violation of that privacy rule.

Please feel free to contact me if you have any questions.

Sincerely,

Janice P. Harmon

Janice P. Harmon
Insurance Accounting Manager

Nikki R. Haley
Governor



Kevin A. Shwedo
Executive Director

State of South Carolina
Department of Motor Vehicles

December 2, 2011

Mr. Les Boles, Director
SC Budget and Control Board, Office of State Budget
1201 Main Street, Suite 870
Columbia, South Carolina 29201

Dear Mr. Boles:

The South Carolina Department of Motor Vehicles requests an exemption from the reporting requirements of Proviso 89.110 (GP: Bank Account Transparency and Accountability) as the release of this information would be detrimental to our Agency. This request is consistent with our request for an exemption last year.

The SC Department of Motor Vehicles maintains two Composite Reservoir Accounts, one with Wachovia and one with Bank of America. These two accounts are clearing accounts only and are used for our "Dishonored Checks" process. As such, no departmental expenses are paid from these two accounts and the account balances are included on our Cash and Investments Closing Package which is submitted to the Office of the Comptroller General on a yearly basis.

Proviso 89.110 requires that we submit a report disclosing every transaction of the accounts for the previous fiscal year. For DMV, this report would not disclose any agency income or expenditures, but requires us to disclose the names of citizens with whom the DMV believes submitted dishonored checks over the past fiscal year. If the DMV was in error in any way claiming insufficient funds, the agency could be sued for libel. We feel that the release of this information would be potentially detrimental to our Department while at the same time providing no useful information to anyone about DMV operations, income, or expenses. Therefore, SCDMV requests an exemption, as was granted last year, from the reporting requirements of this proviso.

If you need any additional information regarding these accounts, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Melinda Woodhurst".

for Melinda Woodhurst
SC DMV Director of Administration

RD4

State of South Carolina
Department of Revenue
301 Gervais Street, P.O. Box 125, Columbia, South Carolina 29214

January 9, 2012

Les Boles, Director
State Budget Division
SC Budget and Control Board
1205 Pendleton Street
Edgar A. Brown Building, Suite 529
Columbia, SC 29201

Mr. Boles,

The report on the Department of Revenue composite accounts, per proviso 89.110, is attached. The Department is requesting an exemption from this report of 3 accounts that are used to record and charge returned check and other similar bad payments to the agency. We are requesting exemption on the following accounts:

DOR Bad Check Returns Account
Bank of America, Bank Account # 707840004

DOR EFT Returns Account
Wachovia/Wells Fargo, Bank Account # 2079900429309

DOR SCBOS Returns Account
Wachovia/Wells Fargo, Bank Account # 2000021012871

To fully comply with the requirements of proviso 89.110 would require DOR to provide copies of returned checks and provide other confidential, sensitive taxpayer information. The release of the detailed transactions on these accounts would be in violation of SC Code §12-54-240.

In addition, the DOR is requesting an exemption on the following account:

DOR Legal Petty Cash Account
Wells Fargo, Bank Account #2079900429707

This petty cash account is reconciled a minimum of annually at the end of each fiscal year and the summary expenditures are recorded in SCEIS to various General Ledger accounts. The purpose of the account is to pay for court fees and witness expenses related to matters in litigation both civilly and criminally. DOR is requesting an exemption from reporting this account because the details of the

expenditures may involve taxpayer information and or information of the case before it goes to trial.

Thank you for your consideration of this exemption request.

Sincerely,

A handwritten signature in black ink that reads "Laura W. Watts". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

Laura W. Watts, CFO
SC Department of Revenue

CC: Jim Etter, Director
Harry Cooper, Executive Deputy Director

AGENCY: Division of General Services

SUBJECT: Clemson University Lease to Omnibond Systems, L.L.C. at the Duke Energy Innovation Center in Anderson

The Joint Bond Review Committee approved at its January 24, 2008, meeting and the Budget and Control Board approved at its January 31, 2008, meeting a research infrastructure project for the construction of Clemson University's Duke Energy Innovation Center located at 81 Technology Drive in Anderson on Clemson's Advanced Materials Research Campus. Construction of the 37,963 square foot Innovation Center building was completed in February 2011. The building is owned jointly by Clemson and the South Carolina Research Authority, and was constructed as a mixed-use research and development facility to accommodate laboratory and office space for high technology companies. Clemson's space within the Innovation Center is designed for lease to innovative technology companies that would like to do or are already doing research as partners with Clemson. Upfit of Clemson's space is being completed by Clemson as part of the Innovation Center construction project and will be provided to tenants move-in ready.

Clemson requests approval to lease to Omnibond Systems, L.L.C., a South Carolina limited liability company dedicated to the development and support of identity and access management software, 7,721 square feet at the Innovation Center. Omnibond will be the first tenant in Clemson's portion of the building. The lease term will be five years commencing May 1, 2012. Rent will be \$9,651.25 per month or \$115,815.00 annually (\$15.00 per square foot) for the first year of the lease; thereafter, rent increases 2 percent per year for the last four years of the lease. All utilities and other operating costs are included with rent and Omnibond will not be responsible for any increases of such expenses. The lease contains one optional renewal period of five years at rates to be determined, subject to the agreement of Clemson, the review of the Division of General Services and the approval of the Budget and Control Board.

The lease was approved by David H. Wilkins, Chairman of the Board of Trustees, on behalf of Clemson University, and by Lorena Durham, Business Manager for Omnibond Services, L.L.C.

BOARD ACTION REQUESTED:

Approve the proposed five year lease between Clemson University and Omnibond Services, L.L.C. at the Duke Energy Innovation Center located at 81 Technology Drive in Anderson.

ATTACHMENTS:

Agenda item worksheet; Letter from Clemson University dated November 22, 2011; SC Code of Laws Sections 1-11-55 and 1-11-56

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: January 31, 2012

Blue Agenda

1. Submitted by:

- (a) Agency: Division of General Services
- (b) Authorized Official Signature:


Carla Griffin, Deputy Director

Subject: Clemson University Lease to Omnibond Systems, L.L.C. at the Duke Energy Innovation Center in Anderson

2. Summary Background Information:

The Joint Bond Review Committee approved at its January 24, 2008 meeting and the Budget and Control Board approved at its January 31, 2008 meeting a research infrastructure project for the construction of Clemson University's Duke Energy Innovation Center located at 81 Technology Drive in Anderson on Clemson's Advanced Materials Research Campus. Construction of the 37,963 square foot Innovation Center building was completed in February 2011. The building is owned jointly by Clemson and the South Carolina Research Authority, and was constructed as a mixed-use research and development facility to accommodate laboratory and office space for high technology companies. Clemson's space within the Innovation Center is designed for lease to innovative technology companies that would like to do or are already doing research as partners with Clemson. Upfit of Clemson's space is being completed by Clemson as part of the Innovation Center construction project and will be provided to tenants move-in ready.

Clemson requests approval to lease to Omnibond Systems, L.L.C., a South Carolina limited liability company dedicated to the development and support of identity and access management software, 7,721 square feet at the Innovation Center. Omnibond will be the first tenant in Clemson's portion of the building. The lease term will be five years commencing May 1, 2012. Rent will be \$9,651.25 per month or \$115,815.00 annually (\$15.00 per square foot) for the first year of the lease; thereafter, rent increases 2 percent per year for the last four years of the lease. All utilities and other operating costs are included with rent and Omnibond will not be responsible for any increases of such expenses. The lease contains one optional renewal period of five years at rates to be determined, subject to the agreement of Clemson, the review of the Division of General Services and the approval of the Budget and Control Board.

The lease was approved by David H. Wilkins, Chairman of the Board of Trustees, on behalf of Clemson University, and by Lorena Durham, Business Manager for Omnibond Services, L.L.C.

- 4. What is the Board asked to do?** Approve the proposed five year lease between Clemson University and Omnibond Services, L.L.C. at the Duke Energy Innovation Center located at 81 Technology Drive in Anderson.

5. What is recommendation of the Division of General Services? Approval of the proposed five year lease between Clemson University and Omnibond Services, L.L.C. at the Duke Energy Innovation Center located at 81 Technology Drive in Anderson.

6. Supporting Documents:

- (a) Letter from Clemson University dated November 22, 2011
- (b) SC Code of Laws Sections 1-11-55 and 1-11-56



November 22, 2011

Lisa H. Catalanotto
South Carolina Budget and Control Board
Division of General Services
Real Property Services
1200 Senate Street, Suite 460
Columbia, SC 29201

Subject: Clemson University Lease-out: GS-B&CB Approval Requested

Dear Ms. Catalanotto:

Clemson University requests approval from the South Carolina Budget & Control Board to enter into a lease agreement with Omnibond, LLC for 7,721 rentable square feet of office space in the Duke Energy Innovation Center located on the Clemson University Advanced Materials Research Campus. Duke Energy contributed \$1,000,000 to the overall project construction budget. Leasing out of the proposed labs and offices to research and economic development industry partners will meet the intent of the overall project as originally approved by the South Carolina Budget & Control Board.

Located on S.C. 187, the Innovation Center will serve as a high-tech business incubator, providing space for advanced technology companies exploring the viability of locating new businesses or relocating existing businesses in the area. The Innovation Center, with an address of 81 Technology Drive Anderson, SC 29625, is located adjacent to the Clemson University Advanced Materials Laboratory. Omnibond, LLC is a software engineering and support company dedicated to the development of infrastructure software in the areas of Identity and Access Management. Omnibond is launching two new product lines in the areas of Massive Parallel File Data Storage (OrangeFS) and computer vision technologies under the TrafficVision brand. These new cutting edge products will help establish the foundation of future Cloud technologies and intelligent transportation systems.

The proposed space is owned by Clemson University and was constructed for the purpose of leasing out office space to innovative technology based partners and companies for economic development purposes. Please see the following article for additional information about the Duke Energy Innovation Center and its purpose on the Advanced Materials Research Campus.

Base Rent will be \$15.00/SQFT with an annual 2% escalation. Operating expenses, such as utility costs, building and landscape maintenance and janitorial services are included in the Base Rent. The term of the proposed lease will be for five years with a renewal option.

Office of Land & Capital Asset Stewardship
5 Research Drive Greenville SC 29607

CLEMSON

U N I V E R S I T Y

The chart below provides supporting information for the proposed lease terms as outlined above.

Initial Lease Term: 5/1/2012-4/30/2017

PERIOD	BASE RENT/SQFT	MONTHLY RENT	ANNUAL RENT
5/1/2012-4/30/2013	\$15.00	\$9,651.25	\$115,815.00
5/1/2013-4/30/2014	\$15.30	\$9,844.28	\$118,131.30
5/1/2014-4/30/2015	\$15.61	\$10,043.73	\$120,524.81
5/1/2015-4/30/2016	\$15.92	\$10,243.19	\$122,918.32
5/1/2016-4/30/2017	\$16.24	\$10,449.09	\$125,389.04

Total Initial Term Lease Cost: \$602,778.47

Extended Term: 5/1/2017 - 4/30/2022

Annual Operating Costs: Included in Base Rent

The proposed lease was approved by the Clemson University Board of Trustees on July 17, 2011. Please feel free to contact me directly should you require any additional information.

Sincerely,



Mason Ailstock, LEED BD+C
Associate Director of Sustainability & Development

SECTION 1-11-55. Leasing of real property for governmental bodies.

(1) "Governmental body" means a state government department, commission, council, board, bureau, committee, institution, college, university, technical school, legislative body, agency, government corporation, or other establishment or official of the executive, judicial, or legislative branches of this State. Governmental body excludes the General Assembly, Legislative Council, the Office of Legislative Printing, Information and Technology Systems, and all local political subdivisions such as counties, municipalities, school districts, or public service or special purpose districts.

(2) The Budget and Control Board is hereby designated as the single central broker for the leasing of real property for governmental bodies. No governmental body shall enter into any lease agreement or renew any existing lease except in accordance with the provisions of this section.

(3) When any governmental body needs to acquire real property for its operations or any part thereof and state-owned property is not available, it shall notify the Office of General Services of its requirement on rental request forms prepared by the office. Such forms shall indicate the amount and location of space desired, the purpose for which it shall be used, the proposed date of occupancy and such other information as General Services may require. Upon receipt of any such request, General Services shall conduct an investigation of available rental space which would adequately meet the governmental body's requirements, including specific locations which may be suggested and preferred by the governmental body concerned. When suitable space has been located which the governmental body and the office agree meets necessary requirements and standards for state leasing as prescribed in procedures of the board as provided for in subsection (5) of this section, General Services shall give its written approval to the governmental body to enter into a lease agreement. All proposed lease renewals shall be submitted to General Services by the time specified by General Services.

(4) The board shall adopt procedures to be used for governmental bodies to apply for rental space, for acquiring leased space, and for leasing state-owned space to nonstate lessees.

(5) Any participant in a property transaction proposed to be entered who maintains that a procedure provided for in this section has not been properly followed, may request review of the transaction by the Director of the Office of General Services or his designee.

SECTION 1-11-56. Program to manage leasing; procedures.

The State Budget and Control Board, in an effort to ensure that funds authorized and appropriated for rent are used in the most efficient manner, is directed to develop a program to manage the leasing of all public and private space of state agencies. The board's regulations, upon General Assembly approval, shall include procedures for:

- (1) assessing and evaluating agency needs, including the authority to require agency justification for any request to lease public or private space;
- (2) establishing standards for the quality and quantity of space to be leased by a requesting agency;
- (3) devising and requiring the use of a standard lease form (approved by the Attorney General) with provisions which assert and protect the state's prerogatives including, but not limited to, a right of cancellation in the event of:
 - (a) a nonappropriation for the renting agency,
 - (b) a dissolution of the agency, and
 - (c) the availability of public space in substitution for private space being leased by the agency;
- (4) rejecting an agency's request for additional space or space at a specific location, or both;
- (5) directing agencies to be located in public space, when available, before private space can be leased;
- (6) requiring the agency to submit a multi-year financial plan for review by the board's budget office with copies sent to Ways and Means Committee and Senate Finance Committee, before any new lease for space is entered into; and requiring prior review by the Joint Bond Review Committee and the requirement of Budget and Control Board approval before the adoption of any new lease that commits more than one million dollars in a five-year period; and
- (7) requiring prior review by the Joint Bond Review Committee and the requirement of Budget and Control Board approval before the adoption of any new lease that commits more than one million dollars in a five-year period.

AGENCY: Division of General Services

SUBJECT: Spartanburg Community College Sale of ±4.53 Acres at 142 South Dean Street in Spartanburg

The Spartanburg County Commission for Technical Education acquired 4.53± acres at 142 South Dean Street in Spartanburg in January 2011 for \$4,890,000 as approved by the Joint Bond Review Committee at its December 10, 2011, meeting and the Budget and Control Board at its December 14, 2010, meeting. The property includes a 105,177± square foot former school building originally constructed in 1921 known as the Evans Building, and was acquired for the purpose of creating a downtown academic center for Spartanburg Community College (SCC) in order to provide improved access to job skill training and higher education programs. A construction budget of \$10,490,601 was approved by the Joint Bond Review Committee at its September 14, 2011, meeting and by the Budget and Control Board at its September 20, 2011, meeting to renovate the Evans Building.

SCC requests contingent approval to sell the property to SCC Foundation-Downtown Campus, LLC (LLC), a limited liability company to be established and wholly-owned by the Spartanburg Community College Foundation, for \$4,890,000, which is the appraised value of the property as of December 29, 2011. Proceeds from the sale will be retained by SCC in accordance with 2011 S.C. Act No. 73, Part 1B, §80A.33 and SC Code of Laws §59-53-53. Under the ownership of the LLC, the Evans Building renovation project will qualify for up to \$7,800,000 in federal new market tax credits as well as state and federal historic tax credits, which funds would be used to pay for the furniture and equipment for the renovated center and to help pay for the proposed renovations.

The sale of the property is contingent on the LLC's ability to secure tax credits. If successful in securing tax credits, the LLC will lease the Evans Building to SCC upon completion of renovations. Rent will be based on the debt service payments owed by the LLC, to be calculated based on the acquisition cost of the property, renovation costs, associated loan rates and legal costs. SCC will also have the option to purchase the property at any time for the unamortized debt service plus any additional costs or fees not financed, and after the project is fully amortized for nominal consideration. The lease will be reviewed by the Division of General Services and subject to the approval of the Joint Bond Review Committee and the Budget and Control Board. If tax credits are unable to be secured for the Evans Building renovation project, SCC will retain ownership of the property and renovate the Evans Building in accordance with the previously-approved construction budget.

The proposed property sale was approved by the Spartanburg County Commission for Technical Education on June 20, 2011, the State Board for Technical and Comprehensive Education on July 26, 2011, and the Joint Bond Review Committee on January 25, 2012.

AGENCY: Division of General Services

SUBJECT: Spartanburg Community College Sale of ±4.53 Acres at 142 South Dean Street in Spartanburg

BOARD ACTION REQUESTED:

Approve the sale of 4.53± acres at 142 South Dean Street in Spartanburg from Spartanburg Community College to SCC Foundation-Downtown Campus, LLC contingent on the award of tax credits to the SCC Foundation-Downtown Campus, LLC for the Evans Building renovation project.

ATTACHMENTS:

Agenda item worksheet; Letter from Spartanburg Community College dated January 4, 2012 with attachments: Letter from TD Bank dated January 3, 2012; Letter from HEDC New Markets, Inc. dated December 21, 2011; Letter from New Economic Opportunity Network, LLC dated January 3, 2012; Evans Building Project Schedule; SC Code of Laws Sections 1-11-65 and 59-53-53; 2011 S.C. Act No. 73, Part 1B, § 80A.33

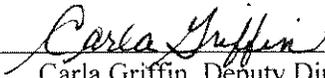
BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: January 31, 2012

Regular Agenda

1. Submitted By:

- (a) Agency: Division of General Services
- (b) Authorized Official Signature:


Carla Griffin, Deputy Director

2. Subject: Spartanburg Community College Sale of 4.53± Acres at 142 South Dean Street in Spartanburg

3. Summary Background Information:

The Spartanburg County Commission for Technical Education acquired 4.53± acres at 142 South Dean Street in Spartanburg in January 2011 for \$4,890,000 as approved by the Joint Bond Review Committee at its December 10, 2010 meeting and the Budget and Control Board at its December 14, 2010 meeting. The property includes a 105,177± square foot former school building originally constructed in 1921 known as the Evans Building, and was acquired for the purpose of creating a downtown academic center for Spartanburg Community College (SCC) in order to provide improved access to job skill training and higher education programs. A construction budget of \$10,490,601 was approved by the Joint Bond Review Committee at its September 14, 2011 meeting and by the Budget and Control Board at its September 20, 2011 meeting to renovate the Evans Building.

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The sale of the property is contingent on the LLC's ability to secure tax credits. If successful in securing tax credits, the LLC will lease the Evans Building to SCC upon completion of renovations. Rent will be based on the debt service payments owed by the LLC, to be calculated based on the acquisition cost of the property, renovation costs, associated loan rates and legal costs. SCC will also have the option to purchase the property at any time for the unamortized debt service plus any additional costs or fees not financed, and after the project is fully amortized for nominal consideration. The lease will be reviewed by the Division of General Services and subject to the approval of the Joint Bond Review Committee and the Budget and Control Board. If tax credits are unable to be secured for the Evans Building renovation project, SCC will retain ownership of the property and renovate the Evans Building in accordance with the previously-approved construction budget.

The proposed property sale was approved by the Spartanburg County Commission for Technical Education on June 20, 2011, the State Board for Technical and Comprehensive Education on July 26, 2011 and the Joint Bond Review Committee on January 25, 2012.

4. What is the Board asked to do?

Approve the sale of 4.53± acres at 142 South Dean Street in Spartanburg from Spartanburg Community College to SCC Foundation-Downtown Campus, LLC contingent on the award of tax credits to the SCC Foundation-Downtown Campus, LLC for the Evans Building renovation project.

5. What is the recommendation of the Division of General Services?

Approval of the sale of 4.53± acres at 142 South Dean Street in Spartanburg from Spartanburg Community College to SCC Foundation-Downtown Campus, LLC contingent on the award of tax credits to the SCC Foundation-Downtown Campus, LLC for the Evans Building renovation project.

6. List of Supporting Documents:

- (a) Letter from Spartanburg Community College dated January 4, 2012 with attachments:
 - (i) Letter from TD Bank dated January 3, 2012
 - (ii) Letter from HEDC New Markets, Inc. dated December 21, 2011
 - (iii) Letter from New Economic Opportunity Network, LLC dated January 3, 2012
 - (iv) Evans Building Project Schedule
- (b) SC Code of Laws Sections 1-11-65 and 59-53-53
- (c) 2011 S.C. Act No. 73, Part 1B, § 80A.33



January 4, 2012

Ms. Lisa Catalanotto
General Services, Real Property Services
SC State Budget & Control Board
1200 Senate Street
Suite 460
Columbia, SC 29201

Dear Ms. Catalanotto,

The Spartanburg County Commission for Technical Education (the "College") requests contingent approval from both the Joint Bond Review Committee (the "JBRC") and the State Budget & Control Board (the "B&CB") to sell the Downtown Center property recently acquired by the College to SCC Foundation-Downtown Campus, LLC (the "LLC"), to be a single-purpose limited liability company controlled by the Spartanburg Community College Foundation (the "Foundation"). As you are aware, the Foundation has, by charter as well as contract, a mission dedicated to the benefit of the College, would control the LLC as such and, as discussed below, the ultimate plan would be for the College to reacquire the property after a period of approximately 7-8 years.

The College and the Foundation have been working on plans to renovate, rehabilitate and furnish the facility. The project is eligible for both federal New Markets Tax Credits and federal and state Historic Tax Credits. We have several banks interested in investing in the project and assisting in the tax credit aspects. Because the owner of a project under the financing structure must be a "corporation or partnership" under tax rules (which may include a limited liability company), the proposed structure is most readily accessible through selling the property at fair market value to the Foundation-controlled LLC.

The College therefore requests approval to sell the property on such terms so that it can qualify for tax credits. The College desires to sell the property to the LLC for its current appraised value of \$4,890,000. The LLC would use moneys obtained through its own borrowing (which would not count against any debt limit of the College, the State or any

State agency) (the "LLC Borrowing") to fund all or substantially all of the purchase price of the property and, in combination with proceeds from the sale of the tax credits, to fund the renovations, rehabilitation and furnishings of the facility as directed by the College.

Following the purchase of the Downtown Center property at fair market value, the Foundation-controlled LLC would lease it to the College. Due to the measurable subsidy received from selling the tax credits mentioned above to banks or other purchasers, the College will obtain correspondingly measurable economic benefits through lower rental payments as the tenant.

The College desires to use the facility for a Downtown Academic Center so higher education and job skill training can be more readily available to a portion of our population that is underserved. The College is collaborating with SC Works to make job skills training available to the community's economically depressed citizens. The College is planning to offer special job training programs such as Licensed Practical Nursing, CNN, Nurse Assisting, Early Childhood, Business, Retail Sales, Manufacturing Computer Technology, and Small Business Administration. The programs will be designed to allow new students, primarily unskilled individuals, to obtain long-term employment. The College will also be providing training to employees of local businesses to help them remain profitable. We expect to have 500 students enrolled at the Center within the first year and up to 1,000 students within the first five years.

The projected date for facility occupancy is June 2013 and the College plans to use the property as a permanent College Center. The College will need to work with your office during the next several months to finalize a lease for the property. The lease payments made by the College, as flowed through the financing structure, will among other things assist in repaying the LLC Borrowing. The lease payment schedule will thus be determined in material part by the LLC's loan principal and interest payments. Finally, at any time following the end of the tax credit period (a period of approximately 7-8 years), the College will have the pre-negotiated contractual right to reacquire the Downtown Campus after all rents are current and all debts satisfied.

Enclosed you will find letters of interest from TD Bank, New Economic Opportunity Network, LLC (NEON) and HEDC New Markets, Inc. expressing their interest in the project and their desire to participate depending on their next allocations of New Markets Tax Credits. Each of these parties is a qualified participant in the New Markets Tax Credit program and TD Bank, of course, is a major lender bringing additional expertise in such capacity. I also expect to be able to provide similar letters from SunTrust, Wells Fargo, Bank of America and the Community Affordable Housing Equity Corporation (CAHEC) at a later time. I will forward

Ms. Lisa Catalanotto

January 4, 2012

Page 3

copies as soon as I receive them. All of the above institutions are awaiting the announcement of NMTC allocations by late February or early March 2012.

The College is asking for contingent approval to sell the property to the Foundation-controlled LLC at fair market value. If the property does not qualify for either New Markets Tax Credits or Historic Tax Credits, there will be no need to sell the property to the LLC. If this turns out to be the case, the College will retain ownership of the property and will renovate the property based on the funding sources identified in the project approved by JBRC at its September 14, 2011 meeting and by the B&CB at its September 20, 2011 meeting.

A copy of the project's timeline, noting the completion date as June 2013, is also enclosed for your reference.

I want to thank you, JBRC and B&CB, for considering the request.

Sincerely,

A handwritten signature in black ink, appearing to read "Henry C. Giles", written over a circular stamp or mark.

Henry C. Giles
Executive Vice President

Enclosure

C: Dr. Para Jones, President
Tyler Smith, Esq.
Robert Galloway, Esq.

rccltrlisacatalanotto010412



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January 3, 2012

Henry C. Giles, Jr.
Executive Vice President
Spartanburg Community College
PO Box 4386
Spartanburg, SC 29305

Dear Henry:

Thank you for allowing TD Bank, N.A., and TD Community Development Corporation the opportunity to review your financing request relative to acquisition and renovation of the historic school building in downtown Spartanburg. From your summary, TD Bank and its subsidiaries would be very interested in working with you to arrange a comprehensive financing proposal. You have requested use of New Markets Tax Credits for this project. We do not, at this time, have any NMTC allocation available that can be used for this project since it is in a metropolitan census tract. We have, however, applied for additional allocation and hope to hear something about our request in February of this year. From the information presented, you are seeking up to \$19,100,000 in NMTC allocation. Our ability to apply any allocation we receive will be dependent upon how much allocation we receive and what conditions are placed on that allocation upon award, so we are not in a position to commit to the use of any of our allocation at this time. We have in the past worked with other CDE's in leveraging their allocation and would be interested in working with you and your project should the opportunity present itself. We would be interested in providing the leveraged loan as well as being the investor in the NMTC if outside allocations were secured.

Henry, TD Bank would also be interested in providing a financing solution for you and your foundation should you be unable to secure a NMTC allocation. Depending upon the terms and length of the lease, the "as completed" appraised value of the property, and internal approvals, we could look at tax-free bond financing over a 15 to 25 year term. This could be done in conjunction with the Historic Tax Credits as well as the NTMC. In today's market, 25 year financing on a tax exempt, fixed rate basis for a ten year period would be about 3.64%. The lease payments would have to be such that they would cover debt service by 1.25 times and would need to be a long-term lease extending beyond the maturity of the bonds.

Henry, I would like to be able to give you a more specific letter, but until we know the results of the NTMC application, it is hard to do so. Once we determine the availability of NMTC and/or the use of tax-exempt bond financing, we will be able to craft a more formal proposal.

I look forward to working with you on this project.

Sincerely,

Charles D. Chamberlain
President
TD Community Development Corporation



HEDC New Markets, Inc.

December 21, 2011

Mr. Henry Giles
Executive Vice President
Spartanburg Community College
Post Office Box 4386
Spartanburg, SC 29305

Subject: New Markets Tax Credit Qualified Equity Investment Letter for Spartanburg Community College:

Dear Mr. Giles:

Please accept this preliminary expression of interest by HEDC New Markets, Inc. to make available NMTC Authority to the Spartanburg Community College renovation of the Evans Building, a 104,000 square foot development located at 142 South Dean St., Spartanburg, SC.

HEDC New Markets is a Certified Community Development Entity (CDE) that has received prior New Market Tax Credit allocations from the United States Treasury Department, Community Development Financial Institution Fund. The Evans Building has been included in our active project pipeline awaiting formal underwriting in anticipation of a Round 9 allocation. We submit this letter with the understanding that the Spartanburg Community College and NDC will be using this preliminary expression of interest as part of its evidence of public funding commitment with tax credit investors, other Community Development Entities and potential public and/or commercial lenders.

This letter is intended to be an initial framework of major terms and conditions. Any future commitment is dependent on the availability of allocation and the identification of a NMTC Investor acceptable to HEDC New Markets, Inc. Conditions to funding are completion of due diligence, formal approval by our Investment Committee, and the negotiation and execution of legal and other documents. This proposal is conditioned upon the preparation, execution and delivery of such Project Documents in form and substance satisfactory to HEDC New Markets, other partner CDEs, a tax credit investor and leverage lender interests.

The Evans Building request is for allocation totaling \$10,000,000 and it is anticipated that another CDE will also bring a \$10,000,000 allocation to the development. The total Project Cost is \$23,100,000, and the other sources of funds include a bank loan, college funds, grant funds and Historic and NMTC equity.

708 Third Avenue – Suite 710, NY, NY 10017
(212) 682-1106 (P) ~ (212) 573-6118 (F)

The final terms of the funding will be determined only upon execution of the Project Documents.

The transaction contemplated herein will require an additional CDE and a bank lender and equity investor. The CDEs' funding and all funding outside the NMTC structure needed to complete the project, must close and fund no later than March 31, 2012. If you have any questions regarding this letter agreement, please contact David Trevisani at 315 525 9234.

Sincerely,



Robert W. Davenport
Chairman
HEDC New Markets, Inc.

New Economic Opportunity Network, LLC

c/o Greenville Tech Foundation, Inc.
Attention: Bob Howard
P. O. Box 5616
Greenville, South Carolina 29606-5616
Telephone: (864) 250-8719
E-mail: bob.howard@gvltech.edu



January 3, 2012

Mr. Henry C. Giles
Executive Vice President
Spartanburg Community College
Business Interstate 85 at New Cut Road
Spartanburg, South Carolina 29305

Re: New Markets Tax Credit Allocation for SCC Downtown Campus

Dear Mr. Giles:

We wish to congratulate Spartanburg Community College on its plans for renovating and rehabilitating the historic Evans Building as a Downtown Campus for the College. This will be a valuable resource to the citizens and economy of Spartanburg and surrounding areas for many years to come.

We understand that the project financing plans include the use of New Markets Tax Credits (NMTCs) and other incentives that may be available to help subsidize the costs of the project and/or the rental payments to be made by the College in leasing back the project as part of the financing structure.

As you are aware, New Economic Opportunity Network, LLC (NEON) has been organized under the guidance and sponsorship of Greenville Technical College and the Greenville Tech Foundation. NEON has successfully obtained its status as a certified Community Development Entity (CDE) under the federal NMTC program, with its mission including a focus on technical education and related educational and workforce endeavors throughout the State of South Carolina.

We believe that your Downtown Campus project would align nicely with NEON's mission and, consequently, wish to inform you of our interest in providing an NMTC allocation to the project.

Spartanburg Community College
January 3, 2012
Page 2 of 2

Any such allocation would be subject, of course, to NEON receiving an allocation from the CDFI Fund this year in an amount which would accommodate your request together with other projects in NEON's project pipeline. It would also be subject to certain factors we look forward to discussing with you, such as the amount of NMTC allocation to be provided by one or more co-CDE(s) and other approval considerations. We will be happy to discuss all of these matters with the College.

In regard to the above, you will be interested to know that NEON's application for the Ninth Round of New Markets Tax Credits includes a request for \$60,000,000 of allocation authority.

Do not hesitate to contact me with any comments or questions you may have.

Sincerely,

NEW ECONOMIC OPPORTUNITY NETWORK, LLC



Robert E. Howard
President

Activity Name	Start Date	Finish Date	Apr '11	May '11	Jun '11	Jul '11	Aug '11	Sep '11	Oct '11	Nov '11	Dec '11	Jan '12	Feb '12	Mar '12	Apr '12	May '12	Jun '12	Jul '12	Aug '12	Sep '12	Oct '12	Nov '12	Dec '12	Jan '13	Feb '13	Mar '13	Apr '13	May '13	Jun '13	
PREL DESIGN SERVICES																														
1 LEED Analysis - 2 weeks	6/10/11	6/24/11																												
2 Programming - 3 weeks	5/18/11	6/10/11																												
3 Conceptual Design - 2 weeks	6/13/11	6/24/11																												
4 Cost Estimating - 1 week	6/27/11	7/1/11																												
5 Owner Review - 1 week	7/4/11	7/18/11																												
6 Conceptual Resubmission - 1 week	7/18/11	7/18/11																												
7 CHE Submission	7/15/11																													
DESIGN, DOCUMENTATION & CONSTRUCTION																														
8 Schematic Design (5 weeks)	9/21/11	10/28/11																												
9 Owner Schematic Review - 1 week	10/27/11	11/3/11																												
10 JRC Meeting	9/14/11																													
11 BACB Meeting	9/20/11																													
12 Budget & Control Approval																														
13 OSE Schematic Review - 2 weeks	11/7/11	11/21/11																												
14 National Register Draft - 12 weeks	10/1/11	1/1/12																												
15 Design Development - 6 weeks	11/22/11	12/27/11																												
16 Owner Design Development Review - 1 week	12/28/11	1/4/12																												
17 OSE Design Development Review - 4 weeks	1/4/12	2/1/12																												
18 Construction Documents - 8 weeks	2/27/12	3/28/12																												
19 SCQA/H/NPS Review - 12 weeks	1/1/12	4/1/12																												
20 Owner Construction Document Review - 1 week	3/30/12	4/26/12																												
21 OSE Construction Document Review - 6 weeks	3/30/12	5/1/12																												
22 Bid Documents - 2 weeks	5/14/12	5/28/12																												
23 Bid Approval - 2 weeks	5/29/12	6/20/12																												
24 Bidding - 30 days	6/14/12	7/17/12																												
25 Prelet Period - 10 days	7/18/12	7/27/12																												
26 Contract Negotiations	7/18/12	7/27/12																												
27 Mobilization - 2 weeks	7/27/12	8/13/12																												
28 Construction - 10 months	8/13/12	6/13/13																												

S.C. Code of Laws

SECTION 1-11-65. Approval and recordation of real property transactions involving governmental bodies.

(A) All transactions involving real property, made for or by any governmental bodies, excluding political subdivisions of the State, must be approved by and recorded with the State Budget and Control Board. Upon approval of the transaction by the Budget and Control Board, there must be recorded simultaneously with the deed, a certificate of acceptance, which acknowledges the board's approval of the transaction. The county recording authority cannot accept for recording any deed not accompanied by a certificate of acceptance. The board may exempt a governmental body from the provisions of this subsection.

(B) All state agencies, departments, and institutions authorized by law to accept gifts of tangible personal property shall have executed by its governing body an acknowledgment of acceptance prior to transfer of the tangible personal property to the agency, department, or institution.

S.C. Code of Laws

SECTION 59-53-53. Borrowing by area commissions; special fees; disposing of excess real property.

(A) The area commission of any technical education institution under the jurisdiction of the South Carolina technical education system may borrow for capital improvements from a federal or other lending agency an amount not to exceed its ability to repay the loan through the imposition of a special fee. The terms of the loan may not exceed forty years. An area commission may issue covenants, enter into mortgages, and grant liens limiting the sale or use of certain parcels of real or personal property in its possession when required as a condition of accepting a grant, loan, or donation for specified capital improvement projects.

To amortize the loan, a special fee must be imposed within the limits established by the state board, the proceeds of which must be deposited in a special account to be used for payment of the loan in accordance with the terms negotiated by the commission and the lender. No funds other than the revenue from the special fee may be pledged for payment of the loan.

(B) The governing body for each technical college shall review the real property titled in the name of its institution to determine if such property is in excess of the institution's anticipated needs and is available for disposal. All real properties determined to be in excess may be disposed of with the approval of the State Board for Technical and Comprehensive Education, the Budget and Control Board, and the Joint Bond Review Committee. The proceeds of such sales are to be disposed of as follows:

(1) if the property was acquired by gift, or through tuition, student fees, county funds, or earned income, the proceeds may be retained by the selling institution for use in accord with established needs;

(2) if the property was acquired through state appropriations, state capital improvement bonds, or formula funds, the proceeds shall revert to the state general fund.

The responsibility for providing any necessary documentation including, but not limited to, documenting the fund source of any real property proposed for sale rests with each respective institution.

2011 S.C. Act No. 73, Part 1B, §80A.33

BCB: Sale of Surplus Real Property. Up to 50% of the proceeds, net of selling expenses, from the sale of surplus real properties shall be retained by the Budget and Control Board and used for the deferred maintenance of state-owned buildings. The remaining 50% of the net proceeds shall be returned to the agency that the property is owned by, under the control of, or assigned to and shall be used by that agency for non-recurring purposes. This provision applies to all state agencies and departments except: institutions of higher learning; the Public Service Authority; the Ports Authority; the MUSC Hospital Authority; the Myrtle Beach Air Force Redevelopment Authority; the Department of Transportation; the Columbia State Farmers Market; the Department of Agriculture's Columbia Metrology Lab building and property; the Charleston Naval Complex Redevelopment Authority; the Department of Commerce's Division of Public Railways; the Midlands Technical College Enterprise Campus Authority; the Trident Technical College Enterprise Campus Authority; the Commissioner's residence at the Department of Corrections and the Educational Television Commission's Key Road property.

The Educational Television Commission shall be authorized to retain the net proceeds from the sale of its property on Key Road, and such proceeds shall only be used for the renovation of the ETV Telecommunications Center. If it is determined that sufficient net proceeds are not to be derived from the sale of its property on Key Road to cover the cost of all renovations of the Telecommunications Center, the property on Key Road shall not be sold. Any proposed sale hereunder shall, prior to said sale, be submitted to the Budget and Control Board for approval as being in compliance with the requirements of this subsection.

The Department of Corrections shall be authorized to retain the net proceeds from the sale of the residence provided for the Commissioner of the Department of Corrections and use such proceeds for deferred maintenance needs at the Department of Corrections.

The Forestry Commission shall be authorized to retain the net proceeds from the sale of surplus land for use in firefighting operations and replacement of firefighting equipment.

The Department of Natural Resources shall be authorized to retain the net proceeds from the sale of existing offices originally purchased with a federal grant or with restricted revenue from hunting and fishing license sales for the improvement, consolidation, and/or establishment of regional offices and related facilities.

The Department of Agriculture, the Educational Television Commission, the Department of Corrections, the Department of Natural Resources, and the Forestry Commission shall annually submit a report, within sixty days after the close of the fiscal year, to the Senate Finance Committee and the House Ways and Means Committee on the status of the sale of the identified property and a detailed accounting on the expenditure of funds resulting from such sale.

This provision is comprehensive and supersedes any conflicting provisions concerning disposition of state owned real property whether in permanent law, temporary law or by provision elsewhere in this act.

Any unused portion of these funds may be carried forward into succeeding fiscal years and used for the same purposes.

AGENCY: State Budget Division

SUBJECT: Permanent Improvement Projects

Budget and Control Board approval is requested for the following permanent improvement project establishment requests and budget revisions which have been reviewed favorably by the Joint Bond Review Committee:

Establish Project for A&E Design

- (a) Summary 5-2012: JBRC Item 2. State Board for Technical and Comprehensive Education
Project: 6052, Horry-Georgetown Tech - Conway Buildings 100, 200, 1000 Energy Updates and Classroom Renovations
Funding Source: \$90,000 Other, One Cent Sales Tax funds which are derived from a local tax referendum approved in 2008 that provides funding over 15 years to Horry County School District, Coastal Carolina University, and Horry-Georgetown Tech.
Request: Establish project and budget for \$90,000 (Other, One Cent Sales Tax funds) to begin design work to renovate three academic buildings at Horry-Georgetown Tech's Conway campus. The work will include making weatherization and energy performance upgrades to the building envelopes and upgrading selected classrooms and labs in Buildings 100, 200 and 1000, which are the oldest and most used classrooms on campus. It will include replacing existing windows, re-engineering roof systems and water flows, sealing existing joints and seams, re-cladding exterior walls and renovating affected classrooms damaged by air and water infiltration. Horry-Georgetown Tech's energy consumption per square foot is among the highest in the state's Technical College System. Due to their age, these buildings are experiencing air and water leakage that is reducing energy efficiency, destroying internal walls and ceilings, and creating a less than desirable environment for inhabitants.
- (b) Summary 5-2012: JBRC Item 3. Department of Mental Health
Project: 9723, Broad River Correctional Institute - DMH Sexually Violent Predator Treatment Program Renovations
Funding Source: \$6,450 Excess Debt Service funds which are derived from daily room and board charges, physician charges, ancillary charges, and outpatient services charges received from patients and Medicare on behalf of patients.
Request: Establish project and budget for \$6,450 (Excess Debt Service funds) to begin design work to renovate four buildings at the Broad River Correctional Institution for the Department of Mental Health's Sexually Violent Predator Treatment Program (SVPTP). Mental Health houses SVPTP residents at Broad River, which outgrew the space there in 2008 and required the use of additional space in a privately operated correctional infirmary on the former Crafts Farrow grounds. The Sexually Violent Predator Treatment Program is experiencing unprecedented growth and Mental Health has been working with Corrections to expand the program at the Broad River facility. Four buildings at Broad River have been identified and will be renovated for the program. The work will include installing additional security measures, renovating four cells to create medical treatment rooms, converting a kitchen to administrative space and

AGENCY: State Budget Division

SUBJECT: Permanent Improvement Projects

visitation rooms, renovating utilities, and constructing additional sidewalks and gates. The renovations will increase the program's capacity by 90 cells.

Increase Budget for A&E Design

- (c) Summary 5-2012: JBRC Item 4. Governor's Office - Department of Veterans' Affairs
Project: 9522, M.J. Dolly Cooper Veterans Cemetery Areas I and J Expansion
Funding Source: \$30,000 Other, Increased Enforcement Collections funds which were part of a \$250,000 appropriation under Proviso 73.17 in the FY 05-06 Appropriations Act.
Request: Increase budget to \$30,000 (add \$11,175 Other, Increased Enforcement Collection funds) to provide for pre-design of additional work to be done at the Dolly Cooper Veterans Cemetery in Anderson. The project was established in April 2011 for pre-design work to construct approximately 500 additional burial crypts at the cemetery. Since that time, Veterans Administration staff has indicated that funding for additional crypts and repairs may be available if accurate cost estimates are provided during the grants process. The work will now include constructing approximately 1,000 double-depth, in-ground burial crypts in Areas I and J, providing up to 2,000 additional burial spaces, constructing an in-ground irrigation system for Areas H, I and J, and modifying storm drainage flows at columbarium walls in four areas. The irrigation system will reduce operating costs by watering more timely and efficiently and is required for expansions funded by the Veterans Administration. The existing supply of in-ground crypts is expected to be exhausted between February and June 2012. The additional crypts will provide for burials for the next six to seven years.

Establish Construction Budget

- (d) Summary 5-2012: JBRC Item 5. University of South Carolina
Project: 6082, South Tower Mechanical Renovation/Roof Replacement
Funding Source: \$6,700,000 Other, Housing Maintenance Reserve funds which are derived from the housing operating budget which includes housing fees, laundry operations, interest and conferences.
Request: Increase budget to \$6,700,000 (add \$6,607,000 Other, Housing Maintenance Reserve funds) to make mechanical renovations and replace the roof on the South Tower residence hall at USC. The project was established in December 2010 for pre-design work which is now complete. The work will include replacing the existing mechanical system, converting it from a two-pipe to a four-pipe system, and replacing the roof. It will also include installing new ceilings and lighting and making some modifications to the fire protection system. The major components of the mechanical system are original to the

AGENCY: State Budget Division

SUBJECT: Permanent Improvement Projects

46 year-old building and the roof is 21 years old and leaks. Energy savings and conservation measures will include installation of heat recovery systems, variable speed drives, variable air volume boxes and multiple speed fans in residence rooms. The agency reports the total projected cost of this project is \$6.7 million and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is March 2013 and for completion of construction is July 2014.

- (e) Summary 5-2012: JBRC Item 6. Medical University of South Carolina
Project: 9818, Psychiatric Institute Data Center UPS Side B Installation
Funding Source: \$2,500,000 - \$1,250,000 Other, Institutional Capital Project Funds, which are funds transferred each June from MUSC's State Treasurer's Office General Debt Service Account, and \$1,250,000 Other, Clinical Revenue funds, which are revenues from inpatient and outpatient clinical services.
Request: Establish project and budget for \$2,500,000 (\$1,250,000 Other, Institutional Capital Project Fund and \$1,250,000 Clinical Revenue funds) to install a second Uninterruptible Power Supply (UPS) for MUSC's main data center located in the Psychiatric Institute. The project was declared an emergency that, without it, threatened patient life safety and is currently underway as an emergency procurement. The main data center suffered two power outages from internal UPS component failures that took the University's information technology system offline, directly affecting patient care, electronic medical records, pharmacy, and other university functions. As a result of the two system failures and a thorough investigation, MUSC has determined that there are several single points of failure within the data system and, to have redundancy, a second UPS system and associated equipment are necessary. With the installation of the new system, the data center will have redundancy for all critical patient and support functions. Energy savings and conservation measures are not applicable to this project. The agency reports the total projected cost of this project is \$2.5 million and additional annual operating costs of \$370,000 will result in the three years following project completion. The agency also reports the date for execution of the construction contract was June 2011 and the projected date for completion of construction is February 2012. (See Attachment 1 for additional annual operating costs.)

BOARD ACTION REQUESTED:

Approve permanent improvement project establishment requests and budget revisions. All items have been reviewed favorably by the Joint Bond Review Committee.

ATTACHMENTS:

Attachments

**ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS
RESULTING FROM PERMANENT IMPROVEMENT PROJECT**

1. AGENCY
Code H51 Name Medical University of South Carolina

2. PROJECT
Project # 9818 Name Psych Institute Data Center UPS - Side B Installation

3. ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS (Check whether reporting costs or savings)

COSTS SAVINGS NO CHANGE

4. TOTAL ADDITIONAL OPERATING COSTS/SAVINGS

Projected Financing Sources

(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Other	Total
1) 2012	\$ 185,000			\$ 185,000*
2) 2013	\$ 370,000			\$ 370,000
3) 2014	\$ 370,000			\$ 370,000

*Partial Year

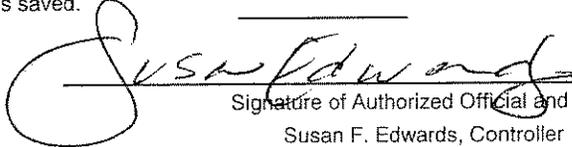
5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).

6. Will the additional costs be absorbed into your existing budget? YES NO
If no, how will additional funds be provided?

7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

COST FACTORS	AMOUNT
1. Electricity	\$ 315,000
2. Maintenance	\$ 55,000
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____
8. _____	_____
TOTAL	\$ 370,000

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved.

9. Submitted By:  12/13/11
Signature of Authorized Official and Title Date
Susan F. Edwards, Controller

Permanent Improvement Project Information for January 31, 2012 B&CB Meeting

Agency/ Project No.	Agency/Project Name	Original Approved Budget	Date of Original Approval	Phase I Amount	Date of Phase I Approval	Included in CPIP	Total Projected Project Cost
H59-6052	Horry-Georgetown Tech - Conway Buildings 100, 200, 1000 Energy Updates/Classroom Renovations	\$90,000 for pre-design	1/31/12	\$90,000	1/31/12	No	To Be Determined
J12-9723	Department of Mental Health - Broad River CI - DMH Sexually Violent Predator Treatment Program Renovations	\$6,450 for pre-design	1/31/12	\$6,450	1/31/12	No	To Be Determined
D17-9522	Governor's Office - Veterans' Affairs - M.J. Dolly Cooper Veterans Cemetery Areas I and J Expansion	\$18,825 for pre-design	5/2/11	\$30,000	1/31/12	No	To Be Determined
H27-6082	University of South Carolina - South Tower Mechanical Renovation/Roof Replacement	\$93,000 for pre-design	12/14/10	\$93,000	12/14/10	2011 CPIP Year 1	\$6,700,000
H51-9818	Medical University of South Carolina - Psychiatric Institute Data Center UPS Side B Installation	\$2,500,000	1/31/12	N/A	N/A	No	\$2,500,000

Attachment 3
Additional Information on Funding Sources for
Higher Education Permanent Improvement Projects

Item (a) – Horry-Georgetown Tech – Conway Buildings 100, 200, 1000 Energy Updates and Classroom Renovations

The source of funds for A&E pre-design for \$90,000 is Other, One Cent Sales Tax funds. The Educational Capital Improvement Sales and Use Tax (One Cent Sales Tax) was a local referendum approved in 2008 that provided approximately \$1 billion over 15 years in funding to the Horry County School District, Coastal Carolina University and Horry-Georgetown Technical College. The allocation of these funds is as follows: Horry County Schools 80%, Coastal Carolina University 13.5% and Horry-Georgetown Technical College 6.5%. The uncommitted fund balance of One Cent Sales Tax funds is \$3,135,000. The college has received \$9,135,636 since inception and has committed all but \$3,135,000 to other projects.

The sources of funds for construction include three fund sources: \$3 million from Educational Capital Sales and Use Tax (One Cent Sales Tax), \$2,340,000 from College funds, and \$660,000 from 2010-11 Capital Reserve funds. The One Cent Sales tax funds are defined with their uncommitted balance above. The College funds are excess state and local revenues over expenditures that have accumulated over more than 15 years and are earmarked for capital improvements. The uncommitted balance of College funds is \$3.5 million. The Capital Reserve Funds in the amount of \$9.5 million were appropriated in 2011 to the State Board for Technical and Comprehensive Education for deferred maintenance at the technical colleges and \$660,000 of that was allocated to Horry-Georgetown Tech. As most of this project addresses deferred maintenance on the buildings, the uncommitted \$660,000 will also be used as a funding source.

The College reports no increase in any student fee or tuition will be required for pre-design or construction of this project. The College further reports that no debt will be incurred for pre-design or construction of this project.

Item (d) – University of South Carolina South Tower Mechanical Renovation and Roof Replacement

The source of funds for pre-design work, already approved, was \$93,000 in Housing Maintenance Reserve funds. Housing Maintenance Reserve funds are derived from the housing operating budget which includes fees, laundry operations, interest and conferences.

The source of funds for construction, totaling \$6.7 million, is Housing Maintenance Reserve funds, which are defined above. When existing project commitments and projected increases to the fund are taken into account for the anticipated construction period, the total Housing Maintenance Reserve has an accumulated balance of \$8,814,215 available for use in funding this project.

The University reports no increase in any student fee or tuition will be required for pre-design or construction of this project.

Item (e) – Medical University of South Carolina Psychiatric Institute Data Center UPS Side B Installation

The sources of funds for construction, totaling \$2.5 million, include \$1,250,000 in Institutional Capital Project Funds and \$1,250,000 in Clinical Revenue, described below:

1) Institutional Capital Project Funds (ICPF) are funds transferred each June from MUSC's State Treasurer's Office General Debt Service Account. The funds originate from student tuition and fees. The amount of student fees that go into the ICPF each year varies depending on the needs of the university. For example, if the university plans to participate in the issuance of a state institution bond, the university is required to designate tuition and fees to maintain the legal debt margin. There is not a specific portion of student fees used to fund debt service that is designated as a specific capital or plant fee. The current uncommitted balance of ICPF funds is \$10.3 million.

2) Clinical Revenue is revenue derived from inpatient and outpatient clinical services provided by the university. The current uncommitted balance of clinical revenue funds is \$1,250,000 for use in this project.

The University reports no increase in any student fee or tuition will be required for construction of this project.

AGENCY: State Budget Division

SUBJECT: Real Property Acquisitions

- (a) **Agency:** **Piedmont Technical College**
Acreage: 10± acres
Location: On SC Highway 72 near Abbeville
County: Abbeville
Purpose: To construct a new Abbeville County Center to replace leased facilities.
Appraised Value: \$200,000
Price/Seller: \$200,000 / Piedmont Technical College Foundation
Source of Funds: Other, Local Plant funds
Project Number: H59-6035
Environmental Study: Approved
Building Condition Assessment: N/A
Additional Annual Op Cost/SOF: Additional annual operating costs for grounds maintenance are estimated at \$200 and will be paid from local county funds. Construction of the new center is estimated to cost \$1.5 million and will be paid from local funds.
Current Year Property Tax: N/A - Exempt
Approved By: CHE on 11/1/11; JBRC Staff on 12/14/11
- (b) **Agency:** **Clemson University**
Acreage: 2.62± acres
Location: At Pierside Street and Ninth Street at the old Charleston Naval Base in North Charleston.
County: Charleston
Purpose: To provide a clear dividing line between Clemson's Restoration Institute property and industrial shipyard activities and to isolate Clemson property from truck and crane traffic.
Appraised Value: \$1,115,000 for 2.62 acres Clemson will acquire and \$900,000 for 3.52 acres Clemson will exchange.
Price/Seller: Property exchange between Clemson and CMMC, LLC with property Clemson will acquire having greater appraised value than property CMMC will acquire.
Source of Funds: N/A
Project Number: H12-9897

AGENCY: State Budget Division

SUBJECT: Real Property Acquisitions

Environmental Study:	Approved
Building Condition Assessment:	N/A
Additional Annual Op Cost/SOF:	No additional annual operating costs are expected to result from the property exchange.
Current Year Property Tax:	\$1,435
Approved By:	CHE on 12/16/11; JBRC on 1/25/12
(c) <u>Agency:</u>	Coastal Carolina University
Acreage:	2± acres with a 20,000 square foot office/warehouse facility
Location:	At 624 Century Circle in Conway
County:	Horry
Purpose:	To acquire a leased property that houses the University's Procurement and Shipping and Receiving Departments.
Appraised Value:	\$1,750,000
Price/Seller:	\$1,372,815 / Horry County Higher Education Commission
Source of Funds:	Other, One Cent Sales Tax
Project Number:	H17-9577
Environmental Study:	Approved
Building Condition Assessment:	Approved
Additional Annual Op Cost/SOF:	Annual operating lease cost savings of \$24,000 will result from the acquisition.
Current Year Property Tax:	N/A - Exempt
Approved By:	CHE on 12/14/11; JBRC on 1/25/12
Additional Information:	This request includes approval of an increase to the permanent improvement project budget of \$1,392,700 from the fund source noted above.

BOARD ACTION REQUESTED:

Approve the property acquisitions and permanent improvement project budget increases as requested.

ATTACHMENTS:

Agenda item worksheet and attachments

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: January 31, 2012

Regular Agenda

1. Submitted by:

- (a) Agency: State Budget Division
(b) Authorized Official Signature:



Les Boles, Director

2. Subject: REAL PROPERTY ACQUISITIONS

3. Summary Background Information:

- (a) **Agency:** Piedmont Technical College
Acreage: 10± acres
Location: On SC Highway 72 near Abbeville
County: Abbeville
Purpose: To construct a new Abbeville County Center to replace leased facilities.
Appraised Value: \$200,000
Price/Seller: \$200,000 / Piedmont Technical College Foundation
Source of Funds: Other, Local Plant funds
Project Number: H59-6035
Environmental Study: Approved
Building Condition Assessment: N/A
Additional Annual Op Cost/SOF: Additional annual operating costs for grounds maintenance are estimated at \$200 and will be paid from local county funds. Construction of the new center is estimated to cost \$1.5 million and will be paid from local funds.
Current Year Property Tax: N/A - Exempt
Approved By: CHE on 11/1/11; JBRC Staff on 12/14/11

(b) **Agency:** **Clemson University**
Acreage: 2.62± acres
Location: At Pierside Street and Ninth Street at the old Charleston Naval Base in North Charleston.
County: Charleston
Purpose: To provide a clear dividing line between Clemson's Restoration Institute property and industrial shipyard activities and to isolate Clemson property from truck and crane traffic.
Appraised Value: \$1,115,000 for 2.62 acres Clemson will acquire and \$900,000 for 3.52 acres Clemson will exchange.
Price/Seller: Property exchange between Clemson and CMMC, LLC with property Clemson will acquire having greater appraised value than property CMMC will acquire.
Source of Funds: N/A
Project Number: H12-9897
Environmental Study: Approved
Building Condition Assessment: N/A
Additional Annual Op Cost/SOF: No additional annual operating costs are expected to result from the property exchange.
Current Year Property Tax: \$1,435
Approved By: CHE on 12/16/11; JBRC on 1/25/12

(c) **Agency:** **Coastal Carolina University**
Acreage: 2± acres with a 20,000 square foot office/warehouse facility
Location: At 624 Century Circle in Conway
County: Horry
Purpose: To acquire a leased property that houses the University's Procurement and Shipping and Receiving Departments.
Appraised Value: \$1,750,000
Price/Seller: \$1,372,815 / Horry County Higher Education Commission
Source of Funds: Other, One Cent Sales Tax
Project Number: H17-9577
Environmental Study: Approved
Building Condition Assessment: Approved
Additional Annual Op Cost/SOF: Annual operating lease cost savings of \$24,000 will result from the acquisition.
Current Year Property Tax: N/A - Exempt
Approved By: CHE on 12/14/11; JBRC on 1/25/12
Additional Information: This request includes approval of an increase to the permanent improvement project budget of \$1,392,700 from the fund source noted above.

4. What is Board asked to do?

Approve the property acquisitions and permanent improvement project budget increase as requested.

5. What is recommendation of Board Division involved?

Recommend approval of the property acquisitions and permanent improvement project budget increase as requested.

6. Recommendation of other Division/Agency (as required)?

- (a) Authorized Signature: _____
(b) Division/Agency Name: _____
-

7. List of Supporting Documents:

1. Code Section 1-11-65
 - (a) Piedmont Technical College
 - (b) Clemson University
 - (c) Coastal Carolina University

SECTION 1-11-65. Approval and recordation of real property transactions involving governmental bodies.

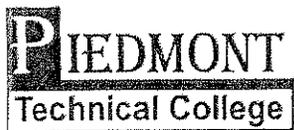
(A) All transactions involving real property, made for or by any governmental bodies, excluding political subdivisions of the State, must be approved by and recorded with the State Budget and Control Board. Upon approval of the transaction by the Budget and Control Board, there must be recorded simultaneously with the deed, a certificate of acceptance, which acknowledges the board's approval of the transaction. The county recording authority cannot accept for recording any deed not accompanied by a certificate of acceptance. The board may exempt a governmental body from the provisions of this subsection.

(B) All state agencies, departments, and institutions authorized by law to accept gifts of tangible personal property shall have executed by its governing body an acknowledgment of acceptance prior to transfer of the tangible personal property to the agency, department, or institution.

(a) **Piedmont Technical College**
Abbeville County
H59-6035

List of Supporting Documents:

1. Letter from Agency
2. Appraisal Results
3. Map
4. Environmental Results
5. Cost Implications



Your goals. Our mission.

DALE WILSON • Director of Facilities

Phone: (864) 941-8331 Email: wilson.d@ptc.edu Fax: (864) 941-8642 Cell: (864) 993-8324

10/12/11

Mr. Charles Shawver
Capital Budget Unit
State Budget Division
1205 Pendleton Street, Suite 529
Columbia, South Carolina 29201

Dear Charles,

Attached you will find an A-1 requesting approval for Phase II to purchase property from PTC Foundation. The property consists of 10 acres for a total of \$200,000. Piedmont Technical College will fund the purchase from College local funds. Enclosed you will find the following items: appraisal, environmental study, survey and copy of approved A-1. Documents are originals except for the survey (copy until I have recorded – at that time I will send original). Copies of the documents were sent to State Tech on 10/12/11.

Once the property is secured, PTC will submit an A-1 requesting Phase II for new construction (Abbeville County Center - Project # 9899).

If you have questions or need additional information please give me a call.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Dale Wilson', written in black ink.

Dale Wilson
Director of Facilities

cc: Paige Childs



STONE & ASSOCIATES, INC.

319 EAST WASHINGTON STREET • SUITE 8 • GREENVILLE, S.C. 29601
TEL: (864) 232-0057 • FAX: (864) 232-0103 • E-MAIL: cf@stoneandassociates.com

November 18, 2011

Mr. Dale Wilson
Piedmont Technical College
P. O. Box 1467
Greenwood, SC 29648

RECEIVED

NOV 28 2011

County & General Board
Council of State Subject

Subject: Vacant Land – 10.00 acres
SC Highway 72
Near Abbeville, Abbeville County, SC

Dear Mr. Wilson:

In accordance with your request, we have personally inspected the above referenced property and have made a Summary Appraisal. We are submitting herewith an appraisal report with applicable exhibits and addenda, which summarize the process used in completing this assignment.

This is a Summary Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2 (b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analysis that were used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analysis is retained in the appraisers' file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

The subject property consists of approximately 10.00 acres, or 435,600 square feet, of vacant land. The subject tract is a portion of a 40.922-acre parent tract and is located along the northern side of SC Highway 72, across from its intersection with Horton Drive and northeast SC Highway 28. The subject is located just west of the city limits of Abbeville, within Abbeville County, South Carolina. The property is further identified on Abbeville County Tax Map 134-00, Block -00, as a portion of Parcel 182.

The purpose of this appraisal is to determine the Market Value "As Is" of the Fee Simple Estate of the subject property. "As Is" Market Value, Market Value, and Fee Simple Estate are further defined and qualified in the following appraisal report.

Mr. Wilson
November 18, 2011
Page Two

After analyzing the subject property and its market, and considering the various factors entering into the appraisal analysis, including the Assumptions and Limiting Conditions contained in the attached report, it is our opinion that the Market Value "As Is" of the Fee Simple Estate of the subject property as of November 9, 2011, is:

TWO HUNDRED THOUSAND DOLLARS
(\$200,000)

It is our opinion that, based on the hypothetical condition that **sewer service** will be provided to the subject property (*Please see Limiting Condition No. 21*), the Market Value of the Fee Simple Estate of the subject property is:

TWO HUNDRED TWENTY THOUSAND DOLLARS
(\$220,000)

In this assignment, the existence of hazardous waste material, which may or may not be present on or in the subject property, was not observed by us. We have no knowledge of the existence of such materials on or near the subject property; however, we are not qualified to detect such substances. The presence of such material may have an effect on the value or use of the subject property. It is assumed that there are no hazardous material spills resulting from underground storage tanks or other causes associated with the subject property. Full compliance with all environmental laws is assumed. The client is urged to retain an expert in this field, if further clarification is desired. We wish to clearly emphasize that the detection of any such hazardous materials is beyond the scope of this valuation analysis. Furthermore, it is assumed that the presence of any hazardous materials, gases or toxic substances that would cause a loss in value is assumed not to exist on the property.

The value estimate assumes no impact on value because of "Section 404 - Wetlands" as defined by the US Army Corp. of Engineers. We have found no evidence of wetlands; however, we are unqualified in this field and urge the client to seek the advice of an expert to determine any potential impact of wetlands on the above referenced property.

The appraisal analysis, opinions and conclusions were developed and this appraisal report has been prepared in conformance with (and the use of this report is subject to) all regulations issued under Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) and the Uniform Standards of Professional Appraisal Practice (USPAP) 2010-2011 Edition as promulgated by the Appraisal Standards Board of the Appraisal Foundation.

We certify that we have the experience and knowledge to competently complete an appraisal of this type, and have made other appraisals of similar properties in the past.

Mr. Wilson
November 18, 2011
Page Three

We further certify that the subject property was inspected Tara V. Cox and Allen D. McCravy, MAI.

This appraisal assignment was not conditional upon the production of a specified value, or a value within a given range. Future employment prospects are not dependent upon a specified value. Employment and the payment of the fee are not based on whether a loan application is approved or disapproved.

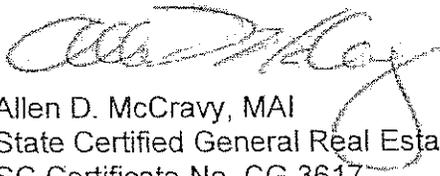
We appreciate the opportunity to be of service. If you have any questions, or require any additional information, please feel free to contact us anytime.

Respectfully submitted,

STONE & ASSOCIATES, INC.



Tara V. Cox
State Certified General Real Estate Appraiser
SC Certificate No. CG 5546



Allen D. McCravy, MAI
State Certified General Real Estate Appraiser
SC Certificate No. CG 3617



Charles B. Stone, MAI
State Certified General Real Estate Appraiser
SC Certificate No. CG 188

10.0 CONCLUSIONS

This Phase I ESA was performed in general conformance with the scope and limitations of ASTM Practice E 1527-05 for the aforementioned property, known as a portion of the Piedmont Technical College Foundation site (~10.0-acres) located on SC Hwy 72 West outside Abbeville, South Carolina. Exceptions to, or deletions from, this practice are described in Section 2.4 of this report. Deviations are described in Section 11.0.

This assessment has revealed no onsite or offsite RECs as described in Section 8.1 and 8.2 of this report.

**DAVIS
FLOYD**

Engineering
Architecture
Environmental & Laboratory Services

Davis & Floyd, Inc. • P.O. Drawer 428 Greenwood, SC 29648 • 816 East Durst Avenue Greenwood, SC 29649 • (864) 229-4413 (office) (864) 229-7119 (fax)

October 20, 2011
Serial No. WGH-041-11
File No. 12910.00

Mr. Dale Wilson
Piedmont Technical College
P.O. Box 1467
Greenwood, SC 29648

Reference: Phase 1 Environmental Site Assessment
Piedmont Technical College Foundation Site - ~10-Acres
S.C. Hwy 72 West, Abbeville, SC

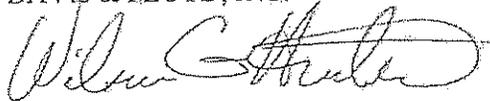
Dear Mr. Wilson:

The referenced Phase 1 Environmental Site Assessment report indicated that on the subject site there was a small area with inert trash and construction/demolition debris piles located on the front portion of the property near the highway. This material was inert and did not pose a hazard to the public. No immediate action is required on the part of Piedmont Technical College Foundation. This debris should eventually be disposed of in accordance with local and state regulations. This material could be disposed in a C&D (Class 2) type landfill.

Should you have any questions, please do not hesitate to contact us. We look forward to providing Piedmont Technical College with continued engineering and environmental services.

Very truly yours,

DAVIS & FLOYD, INC.



Wilson G. Hunter, REM 7653

WGH/ptl

APPENDIX F

PROPERTY ACQUISITION INFORMATION FORMAT

PART I

1. Project Number: 6035
2. County: Abbeville County
3. Description of Property: 10 Acres
4. Grantor(s) Name and Address: Piedmont Technical College Foundation, 620 North Emerald Rd., Greenwood S.C. 29648
5. Grantee(s) Name and Address: Piedmont Technical College, 620 North Emerald Rd., Greenwood S.C. 29648
6. County Location: Abbeville
7. Acreage: 10 Acres
8. Purpose for Acquisition: To construct new building -- Abbeville County Center
9. Demonstrate the need to acquire the property: Existing property is leased -- year by year per the owner's request. The Center consists of mobile classrooms and one old farm house. Space is limited and the facility needs immediate renovations and upgrades.
10. Purchase Price: \$200,000 (10 acres x \$20,000)
11. Current Year Property Tax Amount: N/A

PART II

1. How many sites were evaluated? Numerous sites were evaluated in 2003/04. Due to a newly paved four lane highway, high traffic area and land adjoining the hospital, Piedmont Technical College Foundation purchased the land hoping the College could build a facility on this property.
2. Please list the selection criteria used to evaluate sites. Location, appraisal value, road frontage, and suitable location for a future Abbeville County Center.
3. How was the final selection of the site made? PTC Foundation Board approved the purchase.
4. Why was this specific site selected? Great location and will allow high visibility.

Additional land available for expansion.

5. What is the estimated cost of any construction or renovations to be done on the property and the anticipated source of funds for such work? \$1,500,000 - Local Funds
6. What are the estimated additional annual operating costs which will result from acquisition of the property and the anticipated source of funds? Explain the factors that determine the cost. If no costs, explain why not. **Routine grounds work – monthly cutting \$200.00 until new construction. Local Funds**
7. What are the estimated additional annual operating costs which will result from construction/renovation on the property and the anticipated source of funds? Explain the factors that determine the costs. If no costs, explain why not. **Projected annual cost for new Construction (in addition to existing cost) = approx. \$6,000 - \$8,000. Local Funds**

(b) **Clemson University**
Charleston County
H12-9897

List of Supporting Documents:

1. Letter from Agency
2. Appraisal Results
3. Map
4. Environmental Results
5. Cost Implications

RECEIVED

December 8, 2011

DEC 14 2011

LEGISLATIVE COUNCIL
OFFICE OF STATE BUDGET

Carol Routh
State Budget Division
1205 Pendleton Street, Suite 529
Columbia, SC 29201

Office of the Vice President
Economic Development
John W. Kelly, Ph.D.

Subject: Clemson University Restoration Institute (CURI) Property Exchange

Clemson University
130 Lehotsky Hall
Clemson, SC
29634-0101

Dear Ms. Routh:

P 864-656-3642
F 864-656-3608
jkelly@clemson.edu

Clemson University has completed the due diligence required by the state to investigate a proposed land exchange outlined between CMMC, LLC and Clemson University. Included in our efforts, the University has completed an environmental assessment of the proposed parcels to be owned by the University and appraisals of all parcels involved in the referenced land exchange. Please find a map identifying the parcels in question attached and noted as Exhibit A.

Details of the proposed property exchange and the associated benefits to the University are outlined below.

- *CMMC, LLC will relinquish easements and right-of-ways that exist throughout the University waterfront parcel as noted in the attached Exhibit A. Without the proposed property exchange the University would perpetually deal with truck and crane traffic going through the waterfront parcel resulting in severely limited development and master planning opportunities.*
- *CMMC, LLC will benefit under the proposed property exchange by obtaining a parcel that is contiguous to their existing property. Additionally, the parcel the University is giving in exchange allows for much needed lay-down space of CMMC's bulk materials with the least amount of maneuvering around property lines.*
- *Immediate transfer of an existing lease generating over \$65,000 per year to Clemson University from a tenant currently renting the CMMC parcel for boat repair.*

- *The proposed property exchange would provide a clear dividing line between the industrial shipyard activities to the north and the Clemson University waterfront campus to the south. Currently these activities are intermingled.*
- *Clemson University will receive approximately 400 linear feet of waterfront property that is contiguous to the remaining University property to the south and Clemson Building 1174 to the west.*

The Phase I Environmental Site Assessment (ESA Phase I) was completed by S&ME, Inc. on October 25, 2011 for the parcel currently owned by CMMC, LLC. An executive summary of the report is attached for your reference as Exhibit B. In summary, S&ME, Inc. found no evidence of recognized environmental conditions (RECs) beyond those that are "typical" for the Naval Base Property and also found on the parcel owned by the University involved with this exchange. The full ESA Phase I report can be made available for your use upon request.

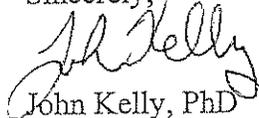
Appraisals, which were completed by Hartnett Realty Company on July 6, 2011, were also completed for both the CMMC, LLC owned land and the parcel owned by Clemson University. Below is a summary breakdown of the appraised values. Documentation verifying these values can be found attached as Exhibit C.

- *Clemson University 3.52 acre Parcel - \$900,000*
- *CMMC, LLC 2.62 acre waterfront Parcel - \$1,115,000*

As you will note the University would be receiving a parcel valued at \$215,000 above the appraised value of its current holding involved with the exchange.

Clemson University requests approval from the Joint Bond Review Committee and the South Carolina Budget & Control Board to proceed with the proposed land exchange as outlined in this letter. We sincerely appreciate your consideration of this request. Please feel free to contact me directly should you require any additional information.

Sincerely,



John Kelly, PhD

Vice President for Economic Development
Clemson University

Hartnett Realty Company, Inc.

Appraisers – Brokers - Consultants

134 Meeting St., Suite 120
Charleston, SC 29401

Telephone: 843-723-7222
Fax: 843-723-9403

July 18, 2011

Mr. Mason H. Ailstock, LEED BD+C
Office of Land and Capital Asset Stewardship
Clemson University
5 Research Drive
Greenville, South Carolina 294607

Re: An Appraisal Report of 2.62± Acres of Land Located at Pierside Street and Ninth Street, Old Charleston Naval Base, City of North Charleston, South Carolina
Tms# 400-00-00-189 and a portion of 400-00-00-099 & 190

Dear Mr. Ailstock:

Pursuant to your request, I have made an appraisal of the above captioned property. The purpose of the appraisal was to render an opinion of the market value of the property for internal use purposes of the client.

As a result of my appraisal and analysis, an opinion has been formed that the estimated market value of the subject site, as vacant and as of July 6, 2011, was:

One Million One Hundred Fifteen Thousand Dollars
(\$ 1,115,000)

Neither this assignment nor my compensation for making this report was based on a requested minimum valuation, a specific valuation, or the approval of a loan.

The appraisal has also been made in conformity with the Code of Ethics of the Appraisal Section of the National Association of Realtors and the Appraisal Institute.

Letter to Mason H. Ailstock
July 18, 2011
Page Two.

If you have any questions concerning any of the values reported herein please feel free to get in touch with me at anytime.

Thank you for allowing me to be of service to you and your clients in this matter.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas F. Hartnett, Jr.", written in a cursive style.

Thomas F. Hartnett, Jr.
SC Certified General Real Estate Appraiser #CG5005

TFH:jtr

Hartnett Realty Company, Inc.
Appraisers – Brokers - Consultants

134 Meeting St., Suite 120
Charleston, SC 29401

Telephone: 843-723-7222
Fax: 843-723-9403

July 15, 2011

Mr. Mason H. Ailstock, LEED BD+C
Office of Land and Capital Asset Stewardship
Clemson University
5 Research Drive
Greenville, South Carolina 294607

Re: An Appraisal Report of 3.52± Acres of Land Located at Pierside Street between
Ninth Street and Transportation Lane, Old Charleston Naval Base, City of North
Charleston, South Carolina
Tms# 400-00-00-099

Dear Mr. Ailstock:

Pursuant to your request, I have made an appraisal of the above captioned property. The purpose of the appraisal was to render an opinion of the market value of the property for internal use purposes of the client.

As a result of my appraisal and analysis, an opinion has been formed that the estimated market value of the subject site, as vacant and as of July 6, 2011, was:

Nine Hundred Thousand Dollars
(\$ 900,000)

Neither this assignment nor my compensation for making this report was based on a requested minimum valuation, a specific valuation, or the approval of a loan.

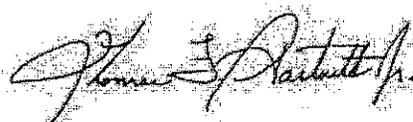
The appraisal has also been made in conformity with the Code of Ethics of the Appraisal Section of the National Association of Realtors and the Appraisal Institute.

Letter to Mason H. Ailstock
July 15, 2011
Page Two.

If you have any questions concerning any of the values reported herein please feel free to get in touch with me at anytime.

Thank you for allowing me to be of service to you and your clients in this matter.

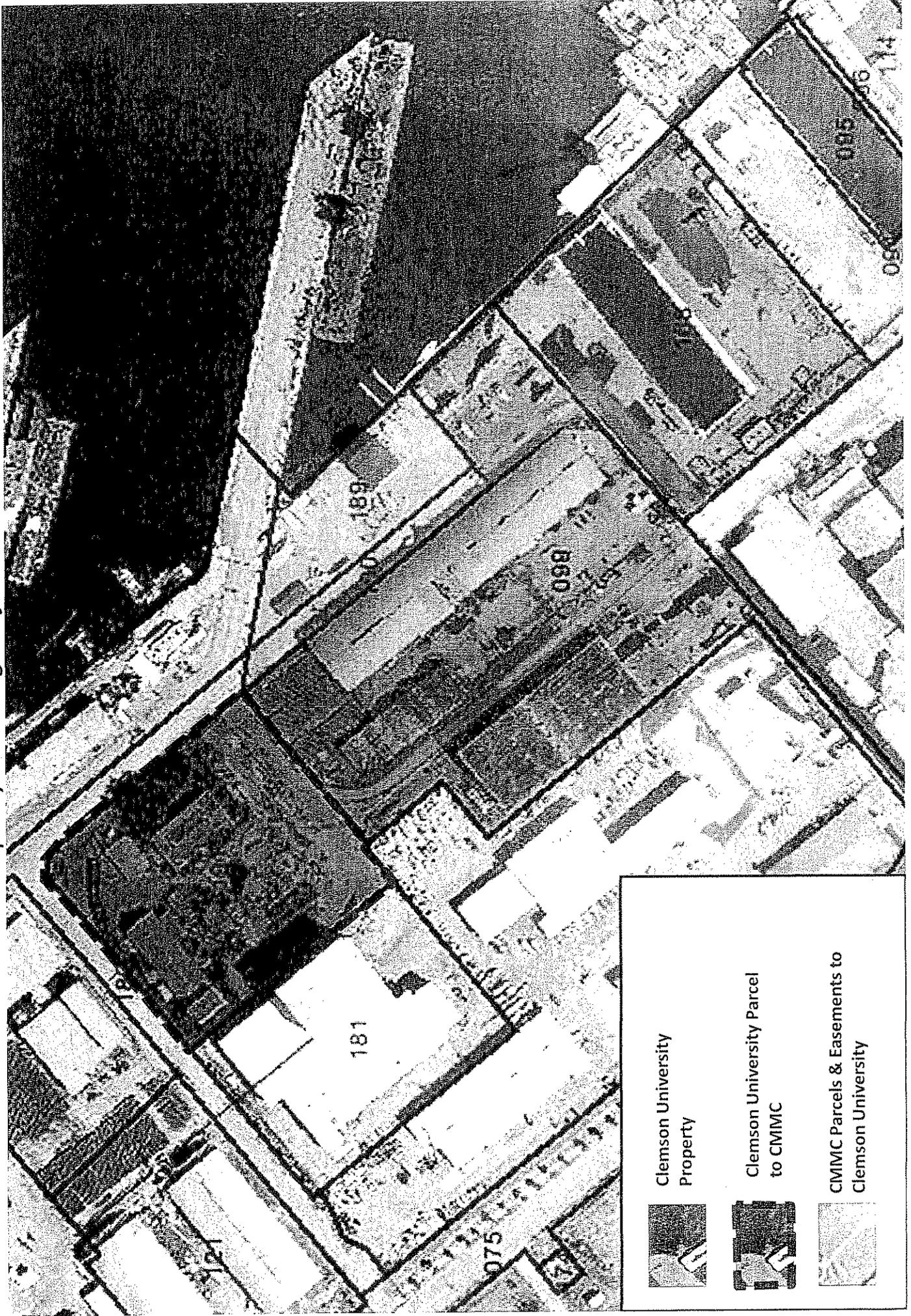
Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Thomas F. Hartnett, Jr.", written in dark ink on a light background.

Thomas F. Hartnett, Jr.
SC Certified General Real Estate Appraiser #CG5005

TFH:jtr

Clemson University Restoration Institute
Property Exchange Information



9. CONCLUSIONS

We have performed a Phase I Environmental Site Assessment in conformance with the scope and limitations of the ASTM E 1527-05 of the *subject property*. Any exceptions to, or deletions from, this practice are described in Section 1.4 of this report.

We have performed a *Phase I Environmental Site Assessment* in conformance with the scope and limitations of ASTM Practice E 1527 of the *Subject Property*. Any exceptions to, or deletions from, this practice are Described in Section 1.4 of this *report*. This assessment has revealed no evidence of onsite and offsite *recognized environmental conditions* in connection with the *property* except for the following:

- Historical uses of the subject property and adjacent properties have been military/industrial from the early 1900s to the base closure in 1996. Aerial and topographic maps reviewed as part of this ESA document the presence and expansion of the former base during those dates to include the filling in of marshlands and construction of additional buildings and facilities. Since the base closure to the present day, more commercial types of businesses are utilizing the base as tenants; however the majority of the subject property is vacant or marine/industrial in use. The subject property was not specifically listed in the EDR Report; however the parcel was part of the former Charleston Naval Complex operations which was listed in the database report. Based on historical records of past usage on the subject property, site reconnaissance and the database search results; this is considered a *recognized environmental condition*.
- Historical records and information provided by the US Navy indicate the subject property has LUCs in place which restrict the use of the property. Based on the current regulatory status of the subject property, this is considered a *recognized environmental condition*.
- Historical records and information provided by the US Navy indicate adjacent properties to the north, south, and west of the subject property have LUCs in place, from past operations, which restrict the use of the adjacent properties. Further, AOCs and SWMUs associated with adjacent properties that are currently active or have been issued an NFA, are near the subject property. Based on the current regulatory status of the adjacent properties to the north, south, and west, this is considered a *recognized environmental condition*.
- Zone J consists of water bodies adjacent to the upland areas of the CNC and contains portions of the Cooper River, Shipyard Creek, and Noisette Creek and their associated marsh areas. This zone is an estuarine system lacking static AOCs and SWMUs with definable boundaries. Sediment and surface water samples have been collected at several locations within the drainage basins with outfalls into the Cooper River and Shipyard Creek. Based on the sampling results, additional sampling was requested by the SCDHEC of multiple drainage

basins including those initially requiring no further investigation and a sediment sampling plan was approved in correspondence dated November 1, 2005. Based on the interview with the Navy representative, this Zone is currently under investigation with the submission of an RFI pending SCDHEC review. This includes AOC 556 along the quay wall of Dry Dock No. 3. Currently, the RFI is in the process of review and completion. Based on the current regulatory status and location adjacent to the subject property, this is considered a *recognized environmental condition*.

- Site 23 Building 1175 -According to CH2M-Jones, a petroleum release was reported for this site at the Commissioner of Public Works Site. The site is currently being monitored for natural attenuation with semi-annual sampling by CH2M-Jones and the Navy. Based on the location from the subject property and the current regulatory status, this is considered a *recognized environmental condition*.

10. DEVIATIONS

S&ME has endeavored to perform this Phase I ESA in substantial conformance with the scope and limitations of ASTM Standard Practice E1527-05 without significant deviation. Because of the limited availability of data, the operational history of the subject property was not documented at intervals of approximately 5 years and the use of the subject property prior to approximately 1940 could not be determined. In addition, chain-of-title and environmental lien and activity or use limitations information was not provided by the user. No other deviations to ASTM Practice E 1527-05 were made in the completion of this Environmental Site Assessment.

11. ADDITIONAL SERVICES

No additional services were provided.

12. REFERENCES

ASTM, 2005. *ASTM Standards on Environmental Site Assessments for Commercial Real Estate. E 1527-05, Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process*. American Society for Testing and Materials, Philadelphia, PA.

EDR Radius Map with GeoCheck: 1300 Pierside Street, North Charleston, South Carolina, prepared by EDR, Inc. September 21, 2011.

EDR Aerial Photo Decade Package: 1300 Pierside Street, North Charleston, South Carolina, prepared by EDR, Inc. September 22, 2011.

EDR Historical Topographic Map Report: 1300 Pierside Street, North Charleston, South Carolina, prepared by EDR, Inc. September 21, 2011.

PROPERTY ACQUISITION INFORMATION FORMATPART I

1. Project Number: H12-9897
2. County: Charleston
3. Description of Property: The property is approximately 2.62 acres of waterfront property which abuts the Clemson property located on the same quaywall. The property has a travel lift ramp for hauling craft of weights up to 140,000 lbs. the property is approximately 200 yards from the main channel leading to the North Charleston State Ports Authority Terminal. Permits exist to dredge the property to 36 feet of water. The property is currently leased to Pierside Boatworks, a company engaged in the repair of sail boats and other recreational craft. Pierside leases from CMMC, the current owner, and pays a yearly rent of \$65,220.00.

Included in the 2.62 acre land acquisition, CMMC, LLC will relinquish easements and right-of-ways that exist throughout the University waterfront parcel. Without the proposed property exchange the University would perpetually deal with truck and crane traffic going through the waterfront parcel resulting in severely limited research, development and master planning opportunities.

Exchanging the property would prevent future conflict and allow an improved terminal operation at Pier J that will be in the best interest of all parties.

Additionally, the proposed property exchange would provide a clear dividing line between the industrial shipyard activities to the north and the Clemson University waterfront campus to the south. Currently these activities are intermingled.
4. Grantor(s) Name and Address: CMMC, LLC
5. Grantee(s) Name and Address: Clemson University
Clemson, South Carolina
6. County Location:Charleston
7. Acreage: 2.62 acres
8. Purpose for Acquisition: Property Exchange - Clemson will receive approximately 2.62 acres of waterfront property that is contiguous to Clemson property to the south and Clemson Building 1174 to the west. Clemson will be isolated from the heavy rail & truck movement and the resultant material handling activities along Ninth Street & Pierside Street and across the Clemson property from Pier "J" and Building 241. Clemson waterfront property will be unencumbered from the south end of Pier "J" to the Hunley Lab without concern for rights-of-way through the Clemson waterfront, the property between the Hunley Lab and Building 1174, or access along Supply Street to Hobson Avenue.
9. Demonstrate the need to acquire the property: See Purpose #8
10. Purchase Price: Exchange. (The University would be receiving a parcel valued at \$215,000 above the appraised value of its current holding involved with the exchange).
11. Current Year Property Tax Amount:It is assumed that CMMC will pay MORE property taxes on the parcel they are receiving (3.52 acres) than the one that they are providing to us (2.62 acres). Currently approximately \$1,435

PART II

1. How many sites were evaluated? Only this site.
2. Please list the selection criteria used to evaluate sites. n/a
3. How was the final selection of the site made? n/a
4. Why was this specific site selected? n/a
5. What is the estimated cost of any construction or renovations to be done on the property and the anticipated source of funds for such work?None
6. What are the estimated additional annual operating costs which will result from acquisition of the property and the anticipated source of funds? Explain the factors that determine the cost. If no costs, explain why not.Not aware of any operating cost that will result from the acquisition (it is empty land).
7. What are the estimated additional annual operating costs which will result from construction/renovation on the property and the anticipated source of funds? Explain the factors that determine the costs. If no costs, explain why not.Not aware of any planned construction.

(c) Coastal Carolina University
Horry County
H17-9577

List of Supporting Documents:

1. Letter from Agency
2. Appraisal Results
3. Map
4. Environmental Results
5. Cost Implications

December 12, 2011

Ms. Carol Routh
Assistant Director, Capital Budgeting Section
Office of State Budget
1205 Pendleton Street,
Edgar A. Brown Building, Suite 529
Columbia, SC 29201

Re: Procurement Building (Atlantic Hall) – 642 Century Circle

Dear Carol:

Please accept this letter as a request for State Budget and Control Board approval for the purchase of 2 acres of land with a 20,000 gross square foot building in the amount of \$1,372,815. Purchase price is estimated based on a March 30, 2012 closing. Should the closing take place at an earlier date, the purchase price will be reduced. This facility provides much needed office and warehouse space for our Procurement and Shipping and Receiving Departments.

Thank you for your assistance in this regard.

Sincerely,



Stacie A. Bowie
Vice President/CFO
Finance & Administration

magrath 
appraisal

George N. Magrath, Jr., MAI
CG 1391

gmagrath@magrathappraisal.com

January 11, 2012

Sandy Williams
Coastal Carolina University
PO Box 261954
Conway, SC 29528-6054

Re: 642 Century Circle, Conway, SC 29526
Appraisal as of January 5, 2011

Dear Sandy:

Last year, I appraised the captioned property and judged the market value of the real estate to be \$1,750,000 as of January 5, 2011. I have again reviewed the again property as well as the 2011 report. As a result, I judge the market value of the captioned property to be:

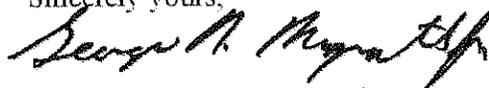
One Million Seven Hundred Fifty Thousand and 00/100 Dollars (\$1,750,000)

That value estimate is as of January 11, 2012 and the estimate is for real property only. No personal property is included. Finally, the estimated exposure time for the property is approximately 12 months.

This letter and analysis specifically incorporates the January 5, 2011 appraisal which I did for Coastal Carolina University along with all assumptions, limiting conditions as well as the appraisal certification that is included in that report.

Please don't hesitate to call if you have questions and thank you for this business. With kind regards, I remain

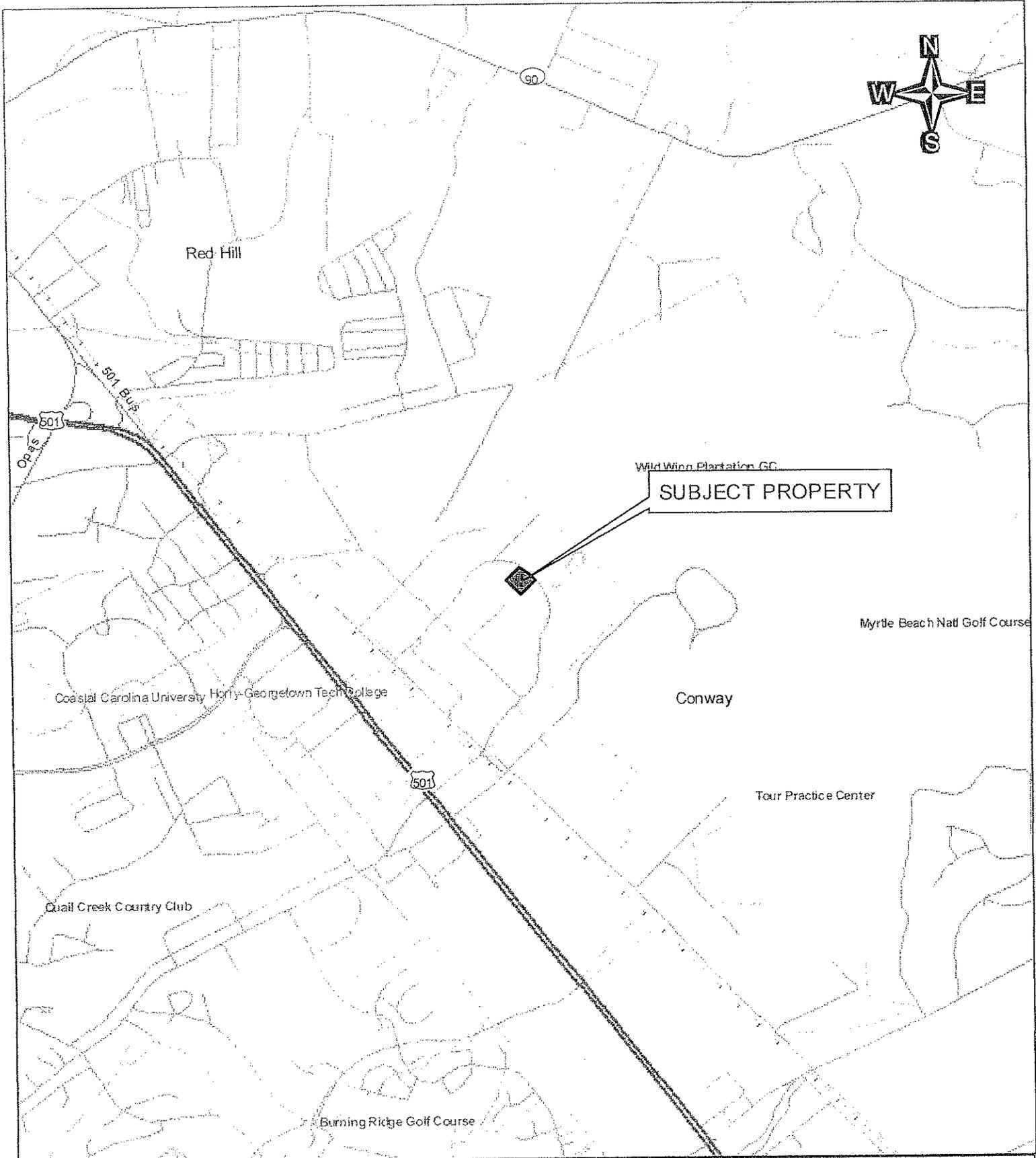
Sincerely yours,



George N. Magrath, Jr., MAI

Magrath Appraisal Services, Inc.
PO Box 1665
Conway, SC 29528-1665

(843) 488-2103 phone
(843) 248-4876 fax
www.magrathappraisal.com



SCALE:	1" = 2,000'
SOURCE:	ESRI
SOURCE DATE:	2006
DATE:	FEBRUARY 2011



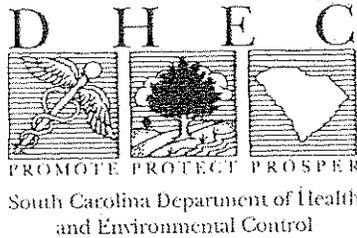
WWW.S&MEINC.COM

SITE VICINITY MAP
642 CENTURY CIRCLE PROPERTY
HORRY COUNTY, SC

S & ME PROJECT # 1634-11-031

FIGURE #

1



RECEIVED

DEC 13 2011

OFFICE OF STATE ELECTRONIC DELIVERY

December 9, 2011

Mr. Mark Avant
Coastal Carolina University
PO Box 261954
Conway, SC 29528-6054

Re: Submittal of Groundwater Quality Data
DHEC ID 26-04921
624 Century Circle
No Further Action
Horry County, South Carolina

Mr. Avant:

The Department has reviewed the referenced assessment report. No constituents were detected in groundwater above the USEPA's Maximum Contaminant Levels (MCL) for drinking water or Regional Screening Levels (RSLs) for soils and sediments.

As the Department did not specifically request this data, and the work conducted at this site received no prior review by the Department, we cannot provide any comments on the completeness of the work performed or the overall environmental conditions of the site. Based on the information and analytical data submitted, no investigation will be required at this time. Please note, this statement pertains only to the data submitted and does not apply to other areas of the site and/or any other potential regulatory violations. Further, the Department retains the right to request further investigation if deemed necessary.

On all correspondence regarding this site, please reference **DHEC ID 26-04921**. If you have any questions, please call me at (803) 896-4161.

Sincerely,

Jason C Williams, Environmental Health Manager
State & Federal Site Assessment Section
SCDHEC Bureau of Land & Waste Management

cc: Region 6 District EQC
Technical File

Hayward Key
S&ME, Inc.
1330 Hwy 501 Bus
Conway, SC 29526

1.0 PROJECT BACKGROUND

The subject property is located at 642 Century Circle in Conway (Horry County), South Carolina. The property is approximately two acres in total area and is currently developed with a one-story office/warehouse building approximately 20,000 square feet in plan area with associated parking and driveway areas. A site vicinity map is included as Figure 1 in Appendix A.

S&ME completed a Phase I Environmental Site Assessment (ESA) at the above referenced site for Coastal Carolina University (CCU). The Phase I ESA report, dated March 24 2011, identified one recognized environmental condition (REC) in connection with the subject property:

- The subject site is located within the former Grove Manufacturing Company (GMC) facility which operated from 1975 through 1984.

GMC, primarily a manufacturer of cranes, operated multiple petroleum underground storage tanks (USTs), a painting and maintenance facility, and at least one landfill near the subject property. Prior environmental sampling events at the GMC facility, primarily in the 1980s, indicated the presence of certain Resource Conservation Recovery Act (RCRA) metals, Volatile Organic Compounds (VOCs) and Semi Volatile Organic Compounds (SVOCs) exceeding regulatory levels in soil and groundwater. However, S&ME was unable to locate documentation indicating sampling activities were performed specifically on the subject property.

Based on the findings of our Phase I, CCU requested S&ME conduct a Limited Soil and Groundwater Assessment at the property, which included installing direct push borings to collect soil samples and then converting the borings to temporary monitoring wells for the purpose of collecting groundwater samples.

S&ME mobilized to the subject property on May 5, 2011, to conduct the limited soil and groundwater assessment activities. Direct push borings were installed at four locations on the subject property using a Geoprobe[®]. One shallow boring/temporary well and one deep boring/temporary well were constructed at each direct push boring location. Soil and groundwater samples were collected from each shallow boring/temporary well and analyzed for RCRA metals, SVOCs, and VOCs. Groundwater samples were collected from each deep boring/temporary well and analyzed for VOCs.

The analytical results for two of the soil samples collected for this assessment contained detectable levels of arsenic above the EPA Regional Screening Levels (RSLs) and EPA Protection for Groundwater Soil Screening Levels (SSLs). The analytical results of one of the shallow groundwater samples collected for this assessment contained total and dissolved concentrations of arsenic above the EPA established MCL for drinking water. No other detected constituents in the soil and groundwater samples were above comparable levels.

S&ME concluded that the arsenic concentrations in subsurface soil samples collected at the subject site appear to be consistent with published background arsenic concentrations in South Carolina soil. S&ME concluded that the elevated levels of arsenic in the shallow groundwater sample may have been attributed to increased turbidity of the groundwater from that temporary well. On July 15, 2011, S&ME submitted the report to the South Carolina Department of Health and Environmental Control (SCDHEC) and requested the site be issued a no further action (NFA).

On September 15, 2011, Mr. Heyward Key of S&ME contacted Mr. Jason Williams of the SCDHEC via telephone regarding the status of the report. Mr. Williams indicated that he had reviewed the report and was going to request that a permanent shallow monitoring well be installed at the location of the shallow temporary well which contained groundwater with arsenic concentrations above the MCL, and that a groundwater sample be collected from the newly installed well and analyzed for total and dissolved arsenic.

Following the telephone conversation with Mr. Williams of the SCDHEC, Mr. Key contacted Mr. Mark Avant of CCU and relayed the request from the SCDHEC. Mr. Avant requested S&ME submit a proposal to install and sample a permanent shallow monitoring well for total and dissolved arsenic as requested by the SCDHEC.

2.0 SITE ASSESSMENT ACTIVITIES

S&ME mobilized to the site on October 21, 2011 to conduct the well installation activities. Probe Technology, Inc. (Probe-Tech) was contracted to install the permanent monitoring well. S&ME conducted a brief Health and Safety Meeting before beginning field activities.

2.1 Monitoring Well Installation

On October 21, 2011, one shallow groundwater monitoring well (MW-1) was installed using a Geoprobe near the area where arsenic was previously detected in the groundwater (previous temporary well STW-1). The monitoring well was installed to a depth of 12 feet below existing grade and was constructed of schedule 40, threaded PVC with a 10-foot 0.01- inch slotted screen. The well annulus was filled with #2 filter sand around the well screen to 1 foot above the screen. The well annulus above the filter sand was filled with a bentonite/cement seal to the surface. A flush-mounted well head was installed within a concrete pad to protect the well from damage. After installation activities were completed, the well was properly developed to remove sediments in the well column and restore the natural hydraulic flow conditions of the aquifer. Soil cuttings, drilling fluid and development water were containerized on-site in appropriately labeled, steel 55-gallon drums.

Prior to installing the monitoring well, S&ME obtained the required approval of the SCDHEC. A copy of the SCDHEC monitoring well approval is included as Appendix B. The well was installed by a South Carolina Certified Well Driller (#1810) and was constructed in compliance with South Carolina Well Regulations and Standards (R. 61-71). The SCDHEC Water Well Records and well logs are provided in Appendix C.

2.2 Groundwater Sampling and Analysis

S&ME returned to the site on October 31, 2011, to sample the newly installed groundwater monitoring well. The groundwater sample was collected via low-flow techniques using a peristaltic pump and disposable polyethylene tubing. The sample was collected into laboratory-supplied containers and placed on ice in a laboratory-supplied cooler. The sample was shipped via overnight to Test America in Nashville, Tennessee and analyzed for total and dissolved arsenic by EPA Method 6010C. A site map identifying the approximate location of the monitoring well is included as Figure 2 in Appendix A.

2.3 Investigative Derived Waste (IDW) Disposal

One (1) 55-gallon drum of solids and liquids was generated during the site assessment activities. The drum was disposed of by Saf-Way Recycler of Conway, South Carolina. Copies of the waste disposal manifests are included in Appendix D.

3.0 LABORATORY ANALYTICAL RESULTS

The laboratory analytical data indicated that total and dissolved levels of arsenic were below the laboratory method detection limit (MDL) in the groundwater sample collected from MW-1. A copy of the laboratory analytical report is provided in Appendix E.

4.0 CONCLUSIONS AND RECOMMENDATIONS

The analytical results of the groundwater sample collected from the newly installed monitoring well (MW-1) did not contain total or dissolved levels of arsenic above the laboratory MDL. The laboratory MDL (0.005 parts per million) is less than the Drinking Water Maximum Contaminant Level for arsenic (0.010 parts per million); therefore, S&ME requests the SCDHEC issue a no further action (NFA) for the subject property.

As a condition of the well permits issued for this project, this report is copied to the SCDHEC for their review and concurrence.

PROPERTY ACQUISITION INFORMATION
PART I

1. Project Number: 9577
2. County: Horry
3. Description of Property: 642 Century Circle, Conway, SC
4. Grantor(s) Name and Address:

Horry County Higher Education Commission
PO Box 261954
Conway, SC 29528-6054
5. Grantee(s) Name and Address:

Coastal Carolina University
PO Box 261954
Conway, SC 29528-6054
6. County Location: Horry County, South Carolina
7. Acreage: 2
8. Purpose for Acquisition: To house Procurement and Shipping and Receiving Departments of the University.
9. Demonstrate the need to acquire the property: Property provides much needed office and warehouse space for the University's Procurement Department and Shipping and Receiving Department. The building is located on the University's east campus and provides conditioned warehouse space and loading docks required for the needs of these Departments.
10. Purchase Price: \$1,372,815
11. Current Year Property Tax Amount: N/A - Exempt

PART II

1. How many sites were evaluated? One
2. Please list the selection criteria used to evaluate sites: Office and meeting space to accommodate 15 employees and conditioned warehouse space with loading docks.
3. How was the final selection of the site made? University currently leases this property which meets the needs of the departments housed there and it is conveniently located on the University's east campus.
4. Why was this specific site selected? It is convenient to the University's main campus and east campus for deliveries.
5. What is the estimated cost of any construction or renovations to be done on the property and the anticipated source of funds for such work? \$103,439.
Anticipated source of funds is Institutional Capital Project Funds.
6. What are the estimated additional annual operating costs which will result from acquisition of the property and the anticipated source of funds? Explain the factors that determine the cost. If no costs, explain why not. None, University currently leases and maintains the property and operating costs are already covered in University's current budget. University will experience a \$24,000/year lease savings. Should the University not purchase the facility we anticipate a significant increase in lease payment to the Horry County Higher Education Commission at the time of lease renewal to cover their loan on the facility.
7. What are the estimated additional annual operating costs which will result from construction/renovation on the property and the anticipated source of funds? Explain the factors that determine the costs. If no costs, explain why not. None. Renovation involves one-time expense for some suggested structural improvement (from Phase II Building Condition Assessment) in warehouse only.

STATE BUDGET AND CONTROL BOARD
MEETING OF January 31, 2012

REGULAR SESSION
ITEM NUMBER 6

AGENCY: Budget and Control Board

SUBJECT: Future Meeting

The next regular meeting of the Budget and Control Board will be held at 9:30 a.m. on Tuesday, March 6, 2012, in Room 252, Edgar A. Brown Building.

Remaining Meetings in 2012

Wednesday, May 9th	9:00 AM
Tuesday, June 19th	10:00 AM
Tuesday, August 14th	10:00 AM
Tuesday, October 30th	10:00 AM
Tuesday, December 11th	10:00 AM

BOARD ACTION REQUESTED:

Agree to meet at 9:30 a.m. on Tuesday, March 6, 2012, in Room 252, Edgar A. Brown Building.

ATTACHMENTS:

STATE BUDGET AND CONTROL BOARD

Meeting of January 31, 2012 -- 9:30 A. M.

Room 252, Edgar A. Brown Building

BLUE AGENDA INDEX

Item	Agency	Subject
1.	State Treasurer	Bond Counsel Selection
2.	Division of General Services	Real Property Conveyance
3.	Division of Procurement Services	Procurement Audit and Certification
4.	Division of State Budget	Bank Account Transparency and Accountability
5.	Executive Director	Qualified Public Educational Facilities (2011 Volume Cap Carryforward)
6.	Executive Director	Revenue Bonds
7.	Department of Corrections	Legal Settlements: <u>Anthony v. SCDC, Ward and Sheppard ("Anthony I"); Anthony v. SCDC, Ozmint, Ward, Sheppard and Insurance Reserve Fund ("Anthony II"); Pridgen v. Robert Ward, Charles Sheppard, and Karen Hair</u>

AGENCY: State Treasurer

SUBJECT: Bond Counsel Selection

The State Treasurer's Office has provided the following notification of the assignment of bond counsel for conduit issues (for ratification of issuer's counsel only) for which Board approval is requested:

CONDUIT ISSUES: (For ratification of Issuer's Counsel only)

Description of Issue	Agency/Institution (Borrower)	Borrower's Counsel	Issuer's Counsel
\$80,000,000 SC JEDA	Chester Biocoal, LLC	Nexsen Pruet	Haynsworth Sinkler Boyd
\$28,000,000 SC JEDA	Park Pointe Village, Inc.	Haynsworth Sinkler Boyd	Nexsen Pruet
\$11,100,000 SC JEDA	Pharmaceutical Associates, Inc.	Haynsworth Sinkler Boyd	Nexsen Pruet

BOARD ACTION REQUESTED:

Approve the referenced bond counsel assignment.

ATTACHMENTS:

Bond Counsel Selection Approved by the State Treasurer's Office

Items for January 31, 2012 Budget & Control Board Meeting
 Bond Counsel and Issuer Counsel Selections by the State Treasurer's Office are as follows:

CONDUIT ISSUES: (For ratification of Issuer's Counsel only)

Description of Issue	Agency/Institution (Borrower)	Borrower's Counsel	Issuer's Counsel	Date STO Approved
\$80,000,000 SC JEDA	Chester Biocoal, LLC	Nexsen Pruet	Haynsworth Sinkler Boyd	11/29/2011
\$28,000,000 SC JEDA	Park Pointe Village, Inc.	Haynsworth Sinkler Boyd	Nexsen Pruet	12/20/2011
\$11,100,000 SC JEDA	Pharmaceutical Associates, Inc.	Haynsworth Sinkler Boyd	Nexsen Pruet	01/09/2011

OTHER REVENUE ISSUES:

Description of Issue	Agency/Institution	Approved Bond Counsel	Date STO Approved

SPECIAL ASSIGNMENT OF BOND COUNSEL:

Description of Issue	Agency/Institution	Approved Bond Counsel	Date STO Approved

AGENCY: Division of General Services

SUBJECT: Real Property Conveyance

The Division of General Services recommends approval of the following property conveyance:

Agency:	Clemson University
Acreage:	3.52± acres
Location:	At Pierside Street and Ninth Street at the old Charleston Naval Base in North Charleston
County:	Charleston
Purpose:	To convey a 3.52-acre tract of land in exchange for a 2.62-acre tract owned by CMMC, LLC to provide a clear dividing line between Clemson's Restoration Institute property and industrial shipyard activities and to isolate Clemson's property from truck and crane traffic. CMMC, LLC will relinquish easements and right-of-ways that exist throughout Clemson's property.
Price/Transferred To:	Property exchange between Clemson University and CMMC, LLC with the property Clemson will acquire having a greater appraised value (\$1,115,000) than the property CMMC will acquire (\$900,000).
Disposition of Proceeds:	N/A

BOARD ACTION REQUESTED:

Approve the property conveyance as requested.

ATTACHMENTS:

Agenda item worksheet and attachments

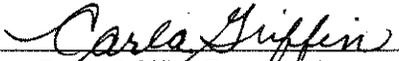
BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: January 31, 2012

Blue Agenda

1. Submitted by:

- (a) Agency: Division of General Services
(b) Authorized Official Signature:


Carla Griffin, Deputy Director

2. Subject: REAL PROPERTY CONVEYANCE

3. Summary Background Information:

Agency:	Clemson University
Acreage:	3.52± acres
Location:	At Pierside Street and Ninth Street at the old Charleston Naval Base in North Charleston
County:	Charleston
Purpose:	To convey a 3.52-acre tract of land in exchange for a 2.62-acre tract owned by CMMC, LLC to provide a clear dividing line between Clemson's Restoration Institute property and industrial shipyard activities and to isolate Clemson's property from truck and crane traffic. CMMC, LLC will relinquish easements and right-of-ways that exist throughout Clemson's property.
Price/Transferred To:	Property exchange between Clemson University and CMMC, LLC with the property Clemson will acquire having a greater appraised value (\$1,115,000) than the property CMMC will acquire (\$900,000).
Disposition of Proceeds:	N/A

4. What is Board asked to do? Approve the property conveyance as requested.

5. What is recommendation of the Division of General Services? Recommend approval of the property conveyance as requested.

6. List of Supporting Documents:

1. SC Code of Laws Section 1-11-65
2. Letter of December 8, 2011 from Clemson University
3. Map

December 8, 2011

Lisa H. Catalanotto
South Carolina Budget and Control Board
Division of General Services
Real Property Services
1200 Senate Street, Suite 460
Columbia, SC 29201

Office of the Vice President
Economic Development
John W. Kelly, Ph.D.

Clemson University
130 Lehotsky Hall
Clemson, SC
29634-0101

P 864-656-3642
F 864-656-3608
jkelly@clemson.edu

Subject: Clemson University Restoration Institute (CURI) Property Exchange

Dear Ms. Catalanotto:

Clemson University has completed the due diligence required by the state to investigate a proposed land exchange outlined between CMMC, LLC and Clemson University. Included in our efforts, the University has completed an environmental assessment of the proposed parcels to be owned by the University and appraisals of all parcels involved in the referenced land exchange. Please find a map identifying the parcels in question attached and noted as Exhibit A.

Details of the proposed property exchange and the associated benefits to the University are outlined below.

- *CMMC, LLC will relinquish easements and right-of-ways that exist throughout the University waterfront parcel as noted in the attached Exhibit A. Without the proposed property exchange the University would perpetually deal with truck and crane traffic going through the waterfront parcel resulting in severely limited development and master planning opportunities.*
- *CMMC, LLC will benefit under the proposed property exchange by obtaining a parcel that is contiguous to their existing property. Additionally, the parcel the University is giving in exchange allows for much needed lay-down space of CMMC's bulk materials with the least amount of maneuvering around property lines.*

- *Immediate transfer of an existing lease generating over \$65,000 per year to Clemson University from a tenant currently renting the CMMC parcel for boat repair.*
- *The proposed property exchange would provide a clear dividing line between the industrial shipyard activities to the north and the Clemson University waterfront campus to the south. Currently these activities are intermingled.*
- *Clemson University will receive approximately 400 linear feet of waterfront property that is contiguous to the remaining University property to the south and Clemson Building 1174 to the west.*

The Phase I Environmental Site Assessment (ESA Phase I) was completed by S&ME, Inc. on October 25, 2011 for the parcel currently owned by CMMC, LLC. An executive summary of the report is attached for your reference as Exhibit B. In summary, S&ME, Inc. found no evidence of recognized environmental conditions (RECs) beyond those that are "typical" for the Naval Base Property and also found on the parcel owned by the University involved with this exchange. The full ESA Phase I report can be made available for your use upon request.

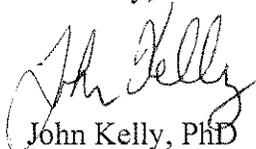
Appraisals, which were completed by Hartnett Realty Company on July 6, 2011, were also completed for both the CMMC, LLC owned land and the parcel owned by Clemson University. Below is a summary breakdown of the appraised values. Documentation verifying these values can be found attached as Exhibit C.

- *Clemson University 3.52 acre Parcel - \$900,000*
- *CMMC, LLC 2.62 acre waterfront Parcel - \$1,115,000*

As you will note the University would be receiving a parcel valued at \$215,000 above the appraised value of its current holding involved with the exchange.

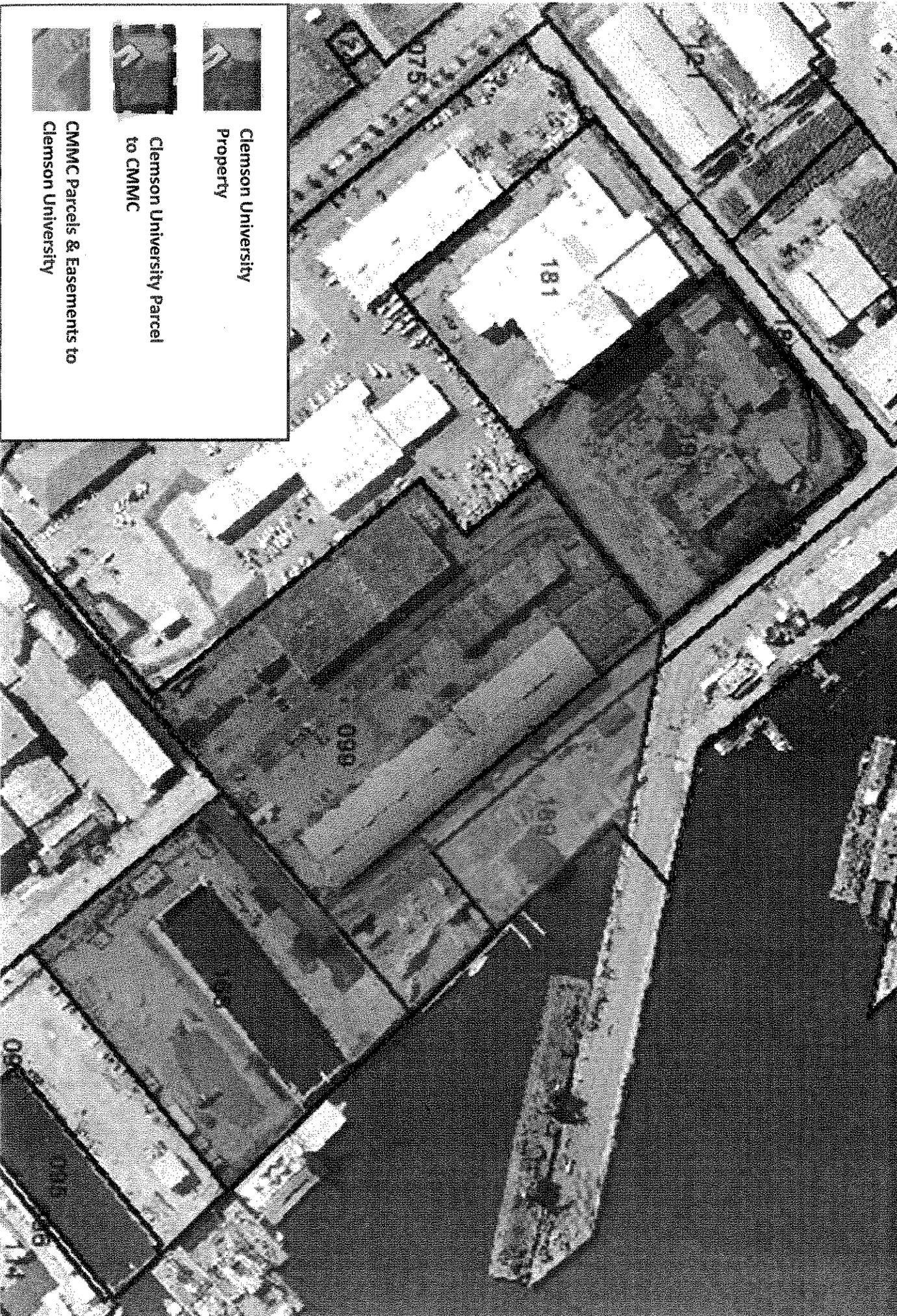
Clemson University requests approval from the South Carolina Budget & Control Board to proceed with the proposed land exchange as outlined in this letter. We sincerely appreciate your consideration of this request. Please feel free to contact me directly should you require any additional information.

Sincerely,



John Kelly, PhD
Vice President for Economic Development
Clemson University

Clemson University Restoration Institute Property Exchange Information



Clemson University
Property



Clemson University Parcel
to CMMC



CMMC Parcels & Easements to
Clemson University

AGENCY: Division of Procurement Services

SUBJECT: Procurement Audit and Certification

The Division of Procurement Services, in accord with Section 11-35-1210, has audited the following agency and recommends certification within the parameters described in the audit reports for the following limits (total potential purchase commitment whether single-or multi-year contracts are used):

South Carolina Arts Commission (for a period of three years): supplies and services, \$100,000* per commitment; printing and design, \$125,000* per commitment; information technology, \$100,000* per commitment.

*Total potential purchase commitment whether single or multi-term contracts are used.

The audit confirms the South Carolina Arts Commission's Procurement Office has the internal controls and expertise to ensure compliance with applicable requirements for the certifications. The Commission requested to remain at its current certification.

BOARD ACTION REQUESTED:

In accord with Section 11-35-1210, grant the following procurement certification within parameters described in the audit reports for the following limits (total potential purchase commitment whether single-or multi- year contracts are used) for the following agencies:

South Carolina Arts Commission (for a period of three years): supplies and services, \$100,000* per commitment; printing and design, \$125,000* per commitment; information technology, \$100,000* per commitment.

*Total potential purchase commitment whether single or multi-term contracts are used.

The audit confirms the South Carolina Arts Commission's Procurement Office has the internal controls and expertise to ensure compliance with applicable requirements for the certifications. The Commission requested to remain at its current certification levels.

ATTACHMENTS:

Agenda item worksheets and attachments

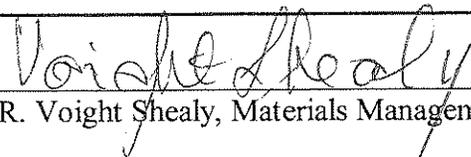
BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting scheduled for: January 31, 2012

Blue Agenda

1. Submitted by:

- (a) Agency: Division of Procurement Services
- (b) Authorized Official Signature:


R. Voight Shealy, Materials Management Officer

2. Subject: Procurement Certification for the South Carolina Arts Commission

3. Summary Background Information:

In accordance with Section 11-35-1210 of the South Carolina Consolidated Procurement Code, the Division of Procurement Services has reviewed the procurement system of the South Carolina Arts Commission and recommends its certification within the parameters described in the audit report for the following limits for a period of three years.

	<u>Current Certification</u>	<u>Certification Recommended</u>
I. Supplies and Services	*\$100,000 Per Commitment	*\$100,000 Per Commitment
II. Printing and Design	*\$125,000 Per Commitment	*\$125,000 Per Commitment
III. Information Technology	*\$100,000 Per Commitment	*\$100,000 Per Commitment

*Total potential purchase commitment whether single year or multi-term contracts are used.

The audit confirms the South Carolina Arts Commission's Procurement Office has the internal controls and expertise to ensure compliance with applicable requirements for the certifications. The Commission requested to remain at its current certification levels.

4. What is Board asked to do?

Grant procurement certification for the South Carolina Arts Commission by approval of the Blue Agenda.

5. What is recommendation of Board division involved? Approve.

6. Recommendation of other office (as required)?

- (a) Authorized Signature: _____
- (b) Division/Agency Name: _____

7. List of supporting documents:

- (a) Section 11-35-1210 of the Consolidated Procurement Code

South Carolina Consolidated Procurement Code

Auditing and Fiscal Reporting

§ 11-35-1210. Certification

- (1) Authority. The board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The designated board office shall review the respective governmental body's internal procurement operation, shall certify in writing that it is consistent with the provisions of this code and the ensuing regulations, and recommend to the board those dollar limits for the respective governmental body's procurement not under term contract.
- (2) Policy. Authorizations granted by the board to a governmental body are subject to the following:
 - (a) adherence to the provisions of this code and the ensuing regulations, particularly concerning competitive procurement methods;
 - (b) responsiveness to user needs;
 - (c) obtaining of the best prices for value received.
- (3) Adherence to Provisions of the Code. All procurements shall be subject to all the appropriate provisions of this code, especially regarding competitive procurement methods and nonrestrictive specifications.

AGENCY: Division of State Budget

SUBJECT: Bank Account Transparency and Accountability

Proviso 89.110 of the FY 2011-12 Appropriation Act required agencies with composite reservoir bank accounts or any other accounts containing public funds which are not included in the Comptroller General's Statewide Accounting and Reporting System or the South Carolina Enterprise Information System to prepare a report for each account disclosing every transaction of the account in the prior fiscal year. The institutions of higher learning were exempted from this requirement.

The State Budget Division was requested to survey state agencies and institutions of higher learning for verification of account information and to compile the reports required by Proviso 89.110 of the FY 2011-12 Appropriation Act, Bank Account Transparency and Accountability. The State Treasurer's Office provided a list of composite accounts to be used by the agencies for verification of all inclusiveness. Agencies were asked to verify that the accounts were still active, account numbers were correct, and add additional accounts not listed.

State agencies were asked to provide a copy of their report if the account was not included in the Comptroller General's Statewide Accounting and Reporting System or the South Carolina Enterprise Information System. The report at a minimum was to include: 1) the name and title of each person authorized to sign checks; 2) the name and title of each person responsible for reconciling each account; 3) the year-end balance of funds in each account; and, 4) data related to both deposits and expenditures of each account. If the account is operated within SCEIS or STARS, a report was not required.

Agencies were also requested to notify the State Budget Division if an exemption to the proviso was being sought and the reason for the exemption.

The State Budget Division was notified by several agencies of composite accounts that were not included in the list provided by the State Treasurer. Additionally, several corrections were noted, including some account closures. This information will be forwarded to the State Treasurer's office.

Attached is a summary of agency responses.

BOARD ACTION REQUESTED:

Receive as information a report on Proviso 89.110.

ATTACHMENTS:

Agenda item worksheet; Proviso 89.110; Summary of agency responses

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

2012-04

For Meeting Scheduled for: January 31, 2012

Blue Agenda

1. Submitted By:

(a) Agency: Office of State Budget

(b) Authorized Official Signature: _____



2. Subject:

Bank Account Transparency and Accountability

3. Summary:

Proviso 89.110 of the FY 2011-12 Appropriation Act required agencies with composite reservoir bank accounts or any other accounts containing public funds which are not included in the Comptroller General's Statewide Accounting and Reporting System or the South Carolina Enterprise Information System to prepare a report for each account disclosing every transaction of the account in the prior fiscal year. The institutions of higher learning were exempted from this requirement.

The State Budget Division was requested to survey state agencies and institutions of higher learning for verification of account information and to compile the reports required by Proviso 89.110 of the FY 2011-12 Appropriation Act, Bank Account Transparency and Accountability. The State Treasurer's Office provided a list of composite accounts to be used by the agencies for verification of all inclusiveness. Agencies were asked to verify that the accounts were still active, account numbers were correct, and add additional accounts not listed.

State agencies were asked to provide a copy of their report if the account was not included in the Comptroller General's Statewide Accounting and Reporting System or the South Carolina Enterprise Information System. The report at a minimum was to include: 1) the name and title of each person authorized to sign checks; 2) the name and title of each person responsible for reconciling each account; 3) the year-end balance of funds in each account; and, 4) data related to both deposits and expenditures of each account. If the account is operated within SCEIS or STARS, a report was not required.

Agencies were also requested to notify the State Budget Division if an exemption to the proviso was being sought and the reason for the exemption.

The State Budget Division was notified by several agencies of composite accounts that were not included in the list provided by the State Treasurer. Additionally, several corrections were noted, including some account closures. This information will be forwarded to the State Treasurer's office.

Attached is a summary of agency responses.

4. What is Board asked to do?

Receive as information.

5. What is recommendation of Board Office involved?

6. Recommendation of other office (as required)?

Authorized Signature: _____

Office Name:

Supporting Documents:

List those attached:

-Proviso 89.110

-Summary of agency responses

List those not attached but available:

FY 2011-12 APPROPRIATION ACT

89.110. (GP: Bank Account Transparency and Accountability) Each state agency, except state institutions of higher learning, which has composite reservoir bank accounts or any other accounts containing public funds which are not included in the Comptroller General's Statewide Accounting and Reporting System or the South Carolina Enterprise Information System shall prepare a report for each account disclosing every transaction of the account in the prior fiscal year. The report shall be submitted to the Governor, the Chairman of the Senate Finance Committee, the Chairman of the House Ways and Means Committee, the State Treasurer, and the Comptroller General by October first of each fiscal year. The report shall include the name(s) and title(s) of each person authorized to sign checks or make withdrawals from each account, the name and title of each person responsible for reconciling each account, the year-end balance of funds in each account, and data related to both deposits and expenditures of each account. The report shall include, but not be limited to, the date, amount, and source of each deposit transaction and the date, name of the payee, the transaction amount, and a description of the goods or services purchased for each expenditure transaction. In order to promote accountability and transparency, a link to the report shall be posted on the Comptroller General's website as well as the agency's homepage.

If an agency determines that the release of the information required in this provision would be detrimental to the state or the agency, the agency may petition the Budget and Control Board to grant the agency an exemption from the reporting requirements for the detrimental portion. The meeting to determine whether an exemption should be granted shall be closed. However, the exemption may only be granted upon a majority vote of the Budget and Control Board in a public meeting.

AGENCY COMPOSITE BANK ACCOUNTS

Agency Number	Agency Name	Number of Composite Accounts	Status of Report per 89.110
Exemption Requested			
D10	Governor's Off. - SLED	1	Account Verified/Exemption Requested
D17	Governor's Off. - OEPP	2	Account Verified/Exemption Requested for Both Accounts
E20	Attorney General's Off.	7	Account Verified/Exemption Requested
H73	Vocational Rehabilitation	2	Account Verified/Exemption Requested for Both Accounts
J12	Dept. of Mental Health	25	Accounts Verified/Exemption Request for One Account/Other Accounts included in SCEIS/One Account Closed
J16	Dept. of Disabilities & Special Needs.	13	Accounts Verified/Exemption Requested for All Accounts
L12	John de la Howe	1	Account Verified/Exemption Requested
N12	Dept. of Juvenile Justice	4	Accounts Verified/Exemption Requested for All Accounts
P24	Dept. of Natural Resources	2	Accounts Verified/Exemption Requested for 1 Account
R12	State Accident Fund	1	Account Verified/Exemption Requested
R28	Dept. of Consumer Affairs	1	Account Verified/Exemption Requested
R40	Dept. of Motor Vehicles	2	Account Verified/Exemption Requested for Both Accounts
R44	Dept. of Revenue	4	Accounts Verified/Exemptions Requested for All
Accounts Verified and Reports Submitted			
A01	Legislative Dept. - Senate	1	Account Verified/Report Received
B04	Judicial Dept.	1	Account Verified/Report received
D20	Governor's Off. - Mansion & Grounds	1	Account Verified/Report Received
F03	Budget & Control Board	6	Accounts Verified/Reports Received/One Account Closed 12-5-11
H71	Wil Lou Gray Opportunity School	1	Account Verified/Report Received
H75	School for the Deaf & the Blind	2	Accounts Verified/Reports Received
H95	Museum Commission	1	Account Verified/Report Received
J02	Dept. of Health & Human Svcs.	3	Accounts Verified/One Report Received/Two Accounts included in SCEIS
J04	Dept. of Health & Environmental Control	9	Accounts Verified/Reports Received/One Account Closed/Six Accounts Added
K05	Dept. of Public Safety	1	Account Verified/Report Received
L04	Dept. of Social Services	1	Account Verified/Report Received
P12	Forestry Commission	5	Account Verified/Report Received
P16	Dept. of Agriculture	1	Account Verified/Report Received
P28	Dept. of Parks, Recreation & Tourism	2	Accounts Verified/Reports Received
P32	Dept. of Commerce	4	Accounts Verified/Reports Received/One to be Closed/2 Additional Accounts Identified
P34	Jobs-Economic Development Authority	2	Accounts Verified/Reports Received
R36	Dept. of Labor, Licensing & Regulation	1	Account Verified/Report Received
R60	Dept. of Employment & Workforce	1	Account Verified/Report Received
Accounts Verified - Account Included in STARS or SCEIS			
E08	Secretary of State's Off.	1	Account Verified/Account is included in STARS/Account will be closed
H91	Arts Commission	1	Account Verified/Account included in SCEIS
L32	State Housing Finance & Development Authority	1	Account included in SCEIS
N04	Dept. of Corrections	14	Accounts included in SCEIS/Additional Accounts Identified
U12	Dept. of Transportation	1	Account included in SCEIS

AGENCY COMPOSITE BANK ACCOUNTS

Agency Number	Agency Name	Number of Composite Accounts	Status of Report per 89.110
Accounts Closed			
E25	Adjutant General's Off.	1	Account Verified/Account closed
N08	Dept. of Probation, Parole & Pardon Svcs	5	Accounts Verified/Accounts are closed/Working to clear balances
P36	Patriots Point Development Authority	1	Account Verified/Account to be Closed/No Activity
Other			
E16	State Treasurer's Off. Student Loan Corporation	4	Accounts Verified
Y08	Dept. of Commerce Public Railways	3	Accounts Verified
<u>HIGHER EDUCATION</u>			
H09	The Citadel	8	Accounts Verified/No Report Required
H12	Clemson University	12	Accounts Verified/No Report Required
H15	University of Charleston	3	Accounts Verified/No Report Required/Additional Accounts Identified
H17	Coastal Carolina	7	Accounts Verified/No Report Required
H18	Francis Marion University	5	Accounts Verified/No Report Required
H21	Lander University	4	Accounts Verified/No Report Required
H24	SC State University	4	Accounts Verified/No Report Required
H27	University of SC	10	Accounts Verified/No Report Required/Additional Account Identified/Corrections Noted
H29	USC - Aiken	5	Accounts Verified/No Report Required/Corrections Noted
H34	USC - Spartanburg	3	Accounts Verified/No Report Required
H36	USC - Beaufort	2	Accounts Verified/No Report Required
H37	USC - Lancaster	1	Accounts Verified/No Report Required
H39	USC - Sumter	2	Accounts Verified/No Report Required
H40	USC - Union	1	Accounts Verified/No Report Required
H47	Winthrop University	4	Accounts Verified/No Report Required
H51	Medical University of SC	4	Accounts Verified/No Report Required/Corrections Noted

AGENCY: Executive Director

SUBJECT: Qualified Public Educational Facilities (2011 Volume Cap Carryforward)

Internal Revenue Code Section 26 U.S.C. Section 142(k) for qualified public educational facilities and Section 142(a)(13) were added by Section 422(a) and (b) of P.L. 107-16 in 2001. Section 142(k) provides a separate and independent volume cap for qualified public educational facilities to be used for the issuance of bonds for public educational facilities. These bonds are not subject to the general volume limitation under Code Section 146 but are subject to a separate volume limitation set forth in Code Section 142(k). No regulations for this provision have been promulgated.

The volume cap for qualified public educational facilities is governed by Section 142(k)5. That Section provides, in part, the following:

(B) Allocation rules.

....

(ii) Rules for carryforward of unused limitation. A State may elect to carry forward an unused limitation for any calendar year for 3 calendar years following the calendar year in which the unused limitation arose under rules similar to the rules of section 146(f), except that the only purpose for which the carryforward may be elected is the issuance of exempt facility bonds described in subsection (a)(13).

The volume cap for calendar year 2011 was \$46,253,640 and has been unused. The Board is asked to elect to carryforward the entire volume cap for 2011 to be used for the issuance of bonds for qualified public educational facilities as described in Section 142(a)(13) and authorize the filing of a carryforward election with the Internal Revenue Service in connection with such allocation. Pursuant to Section 142(k)(5)(B)(ii) the carryforward will be valid for the next three calendar years.

BOARD ACTION REQUESTED:

Approve the carryforward of the unused volume cap allocation for qualified public educational facilities for calendar year 2011 to be used for the issuance of bonds of such bonds and authorize the filing of a carryforward election with the Internal Revenue Service in connection with such allocation to be valid for the next three calendar years.

ATTACHMENTS:

Internal Revenue Code 26 U.S.C. Section 142; Certification of 2011 State Ceiling for Qualified Public Educational Facilities Bonds

(not later than 6 months after the close of such period) to redeem bonds which are part of such issue.

(j) Environmental enhancements of hydro-electric generating facilities.

(1) **In general.** For purposes of subsection (a)(12), the term "environmental enhancements of hydroelectric generating facilities" means property—

(A) the use of which is related to a federally licensed hydroelectric generating facility owned and operated by a governmental unit, and

(B) which—

(i) protects or promotes fisheries or other wildlife resources, including any fish by-pass facility, fish hatchery, or fisheries enhancement facility, or

(ii) is a recreational facility or other improvement required by the terms and conditions of any Federal licensing permit for the operation of such generating facility.

(2) **Use of proceeds.** A bond issued as part of an issue described in subsection (a)(12) shall not be considered an exempt facility bond unless at least 80 percent of the net proceeds of the issue of which it is a part are used to finance property described in paragraph (1)(B)(i).

(k) Qualified public educational facilities.

(1) **In general.** For purposes of subsection (a)(13), the term "qualified public educational facility" means any school facility which is—

(A) part of a public elementary school or a public secondary school; and

(B) owned by a private, for-profit corporation pursuant to a public-private partnership agreement with a State or local educational agency described in paragraph (2).

(2) **Public-private partnership agreement described.** A public-private partnership agreement is described in this paragraph if it is an agreement—

(A) under which the corporation agrees—

(i) to do 1 or more of the following: construct, rehabilitate, refurbish, or equip a school facility, and

(ii) at the end of the term of the agreement, to transfer the school facility to such agency for no additional consideration, and

(B) the term of which does not exceed the term of the issue to be used to provide the school facility.

(3) **School facility.** For purposes of this subsection, the term "school facility" means—

(A) any school building,

(B) any functionally related and subordinate facility and land with respect to such building, including any stadium or other facility primarily used for school events, and

(C) any property, to which section 168 applies (or would apply but for section 179), for use in a facility described in subparagraph (A) or (B).

(4) **Public schools.** For purposes of this subsection, the terms "elementary school" and "secondary school" have the meanings given such terms by section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801), as in effect on the date of the enactment of this subsection.

(5) **Annual aggregate face amount of tax-exempt financing.**

(A) **In general.** An issue shall not be treated as an issue described in subsection (a)(13) if the aggregate face amount of bonds issued by the State pursuant thereto (when added to the aggregate face amount of bonds previously so issued during the calendar year) exceeds an amount equal to the greater of—

(i) \$10 multiplied by the State population, or

(ii) \$5,000,000.

(B) **Allocation rules.**

(i) **In general.** Except as otherwise provided in this subparagraph, the State may allocate the amount described in subparagraph (A) for any calendar year in such manner as the State determines appropriate.

(ii) **Rules for carryforward of unused limitation.** A State may elect to carry forward an unused limitation for any calendar year for 3 calendar years following the calendar year in which the unused limitation arose under rules similar to the rules of section 146(f), except that the only purpose for which the carryforward may be elected is the issuance of exempt facility bonds described in subsection (a)(13).

[Last amended by P.L. 107-16]

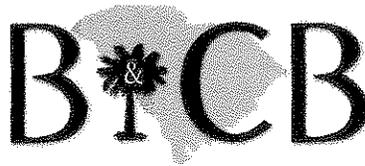
[2]—Statutory History

2001—P.L. 107-16 (Economic Growth and Tax Relief Reconciliation Act of 2001)

NIKKI R. HALEY, CHAIR
GOVERNOR

CURTIS M. LOFTIS, JR.
STATE TREASURER

RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL



SC BUDGET AND CONTROL BOARD

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CHAIRMAN, HOUSE WAYS AND MEANS
COMMITTEE

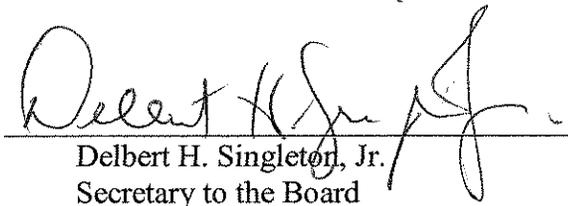
January 4, 2011

**CERTIFICATION OF
2011 STATE CEILING ON ISSUANCE OF QUALIFIED PUBLIC EDUCATIONAL FACILITIES
BONDS ESTABLISHED IN THE ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION
ACT OF 2001**

In accord with Code Section 142(k) of the Economic Growth and Tax Relief Reconciliation Act of 2001, I have determined that the most recent census estimate of the resident population of the State of South Carolina published by the Bureau of the Census before the beginning of 2011 is 4,625,364.

That population estimate is included in Census Bureau release CB10-CN dated December 21, 2010.

On that basis, I have calculated and I certify the 2011 state ceiling on the issuance of qualified public educational bonds for the State of South Carolina, as established in Economic Growth and Tax Relief Reconciliation Act of 2001, to be \$46,253,640.


Delbert H. Singleton, Jr.
Secretary to the Board

AGENCY: Executive Director

SUBJECT: Revenue Bonds

The required reviews on the following proposals to issue revenue bonds has been completed with satisfactory results. The project requires approval under State law.

- a. Issuing Authority: State Housing Finance and Development Authority
Amount of Issue: N/E \$4,500,000 Rental Housing Revenue Bonds \$ (refunding involved \$4,500,000)
Allocation Needed: - 0 -
Name of Project: Belton Woods Apartments
Employment Impact: n/a
Project Description: refunding of Series 2001 bonds issued to finance a 200 unit multi-family rental housing facility located at 110 Howard Lane, Anderson
Bond Counsel: John Van Duys, Haynsworth Sinkler Boyd, P. A.
- b. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: N/E \$35,000,000 Hospital Revenue Bonds
Allocation Needed: - 0 -
Name of Project: Georgetown Hospital System
Employment Impact: maintain 1373 jobs and add 8 within 12 months
Project Description: constructing and equipping 4 additional surgical suites at Waccamaw Community Hospital (WCH) and additional equipment for WCH which does not require a Certificate of Need
Note: private sale
Bond Counsel: Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P. A.
- c. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: N/E \$28,000,000 Economic Development Revenue Bonds (\$28,000,000 refunding involved)
Allocation Needed: - 0 -
Name of Project: Park Pointe Village, Inc. Obligated Group
Employment Impact: 80 (immediate); 90 (12 months); 98 (24 months)
Project Description: a skilled nursing facility, an assisted living facility, and independent living cottages and apartments, including certain equipment and furnishing required therefor, to provide services to senior citizens and 62 additional independent living units, a pool/fitness/wellness center, and kitchen and dining room renovations, including the acquisition and installation of machinery and equipment related thereto.
Note: negotiated private sale
Bond Counsel: F. Mitchell Johnson, Jr., Haynsworth Sinkler Boyd, P.A.

BOARD ACTION REQUESTED:

Adopt resolutions approving the referenced proposals to issue revenue bonds.

ATTACHMENTS: Resolutions

Haynsworth
Sinkler Boyd, P.A.

ATTORNEYS AND COUNSELORS AT LAW

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January 10, 2011

Via Hand Delivery

Delbert H. Singleton, Jr.
Board Secretary
State Budget and Control Board
604 Wade Hampton Building
Columbia, SC 29201

Re: Amendments to Belton Woods Apartments Bonds, Series 2001
HSB File No. 4732-33

Dear Delbert:

As we discussed yesterday, the South Carolina State Housing Finance and Development Authority (the "**Authority**") issued its Multifamily Housing Rental Revenue Bonds (Belton Woods Apartments Project), Series 2001 (the "**Bonds**") on December 28, 2001 in the original principal amount of \$5,795,000. The Bonds were secured by a letter of credit (the "**L/C**") issued by SunTrust Bank (the "**Bank**"). The Bonds were issued pursuant to an Indenture of Trust dated as of December 1, 2001 (the "**Indenture**") between the Authority and SunTrust Bank, as Trustee (the "**Trustee**"). The proceeds of the sale of the Bonds were loaned to Belton Woods, LP (the "**Borrower**") to finance a portion of the costs of the acquisition and rehabilitation of a 200-unit rental housing facility known as Belton Woods Apartments (the "**Project**") located in Anderson County, South Carolina. There remains \$4,500,000 in principal amount of the Bonds outstanding.

The L/C was originally issued with a 5-year term. In 2006 the L/C was renewed for an additional 5-year term and has recently been extended for one additional year. In the current market, however, it makes little economic sense to leave the Bonds outstanding in the public market with the L/C since the cost of the L/C relative to the general level of interest rates is too high. The Borrower and the Bank have agreed to an amendment to the terms of the Bonds and the Indenture to add a new interest rate mode (the "**Bank Rate Mode**") and the Bank has agreed to acquire the Bonds for its own account as an investment and not for purposes of resale or distribution. The Bonds will continue to be Series 2001 Bonds but will be held by the Bank, not by public investors. The amendment will be accomplished by certain revisions to the Indenture and changes to the form of the Bonds.

The addition of the Bank Rate Mode will cause the Bonds to be materially modified under federal income tax laws and "re-issued" for federal income tax purposes. Although an argument can

Delbert H. Singleton, Jr.
January 10, 2011
Page 2

be made that such changes do not result in a new debt for State law purposes, the Authority is treating the re-issuance as a refunding which requires approval of the State Board under Section 31-13-260 Code of South Carolina of 1976, as amended.

I enclose with this letter an executed transmittal form together with two copies of the forms of the preliminary resolution of the Authority, the petition and our Bond Counsel opinion. This matter is on the agenda of the Bond Committee of the Authority for its next meeting which will be held on January 17. I will send you executed copies of the resolution and petition on that date. Please include the consideration of the amendment of the Bonds on the agenda of the Board for its meeting on January 31, 2012. Please do not hesitate to call me if you have any questions regarding this request.

Sincerely yours,



John Van Duys

cc: Tracey Easton (with enclosures)
F. Richard Harmon, Jr.

JVD/nwe

A RESOLUTION

GRANTING APPROVAL TO THE MODIFICATION BY THE SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY OF ITS MULTIFAMILY RENTAL HOUSING REVENUE BONDS, SERIES 2001 (BELTON WOODS APARTMENTS PROJECT)

WHEREAS, it is provided by the South Carolina State Housing Finance and Development Authority Act of 1977, as amended (the "*Act*"), that, upon approval of the State Budget and Control Board (the "*Board*"), that the South Carolina State Housing Finance and Development Authority (the "*Authority*") may issue from time to time bonds or notes for the purpose of obtaining funds with which to make (1) construction and/or rehabilitation loans secured by mortgages of housing sponsors; and (2) permanent mortgage loans to housing sponsors who agree to and shall be required to provide construction rehabilitation of residential housing for rental by persons or families of either Beneficiary Class as defined in the Act; however, with respect to any particular issue of notes or bonds one of the following conditions must be met: (a) if there is a public distribution of the notes or bonds, the issue must be rated by one or more of the national rating agencies, and one or more of the following conditions must be met: (i) there must be in effect a Federal program providing assistance in repayment of such loans; (ii) the proceeds must be used to acquire either Federally insured mortgage loans or mortgage loans insured by a private mortgage insurer authorized to do business in the State of South Carolina; (iii) the payment of the notes or bonds to the purchasers and holders of them must be assured by the maintenance of adequate reserves or insurance or a guaranty from a responsible entity which has been determined to be sufficient by the Board; or (b) if the notes or bonds are sold or placed either as "mortgage bonds sold as a unit" or in "transactions with banks, institutional buyers, etc." as provided in Section 35-1-320(5) and (8) of the Code of Laws of South Carolina, 1976, as amended, the documents pursuant to which the notes or bonds are issued must permit the Authority to avoid any default by it by completing an assignment of, or foregoing its rights with respect to, any collateral or security pledged to secure the notes or bonds; and

WHEREAS, BELTON WOODS LP, a South Carolina limited partnership (the "*Sponsor*"), previously requested that the Authority assist it through the issuance of its bonds to be known as Multifamily Rental Housing Revenue Bonds (Belton Woods Apartments Project), Series 2001 in the aggregate principal amount of \$5,795,000, (the "*Series 2001 Bonds*") for the acquisition and rehabilitation of a 200 unit multifamily residential rental housing facility located in Anderson, South Carolina, known as Belton Woods Apartments (the "*Project*"); at the request of the Sponsor, the Authority submitted petitions to the State Board for an allocation of private activity bond volume cap and for the approval of the Series 2011 Bonds and the Board approved the Series 2001 Bonds by resolution adopted December 13, 2001; and

WHEREAS, the Series 2001 Bonds were issued by the Authority December 28, 2001 pursuant to an Indenture of Trust, dated as of December 1, 2001 (the "*Original Indenture*"), between the Authority and U.S. Bank National Association, as successor trustee (the "*Trustee*"), and the proceeds of the sale of the Series 2001 Bonds were loaned to the Sponsor pursuant to a Loan Agreement, dated as of December 1, 2001 (the "*Original Agreement*") between the Authority and the Sponsor secured by a mortgage on the Project created by that certain

Mortgage, Assignment of Leases, Rents and Profits, Security Agreement and Fixture Filing from the Sponsor the Authority (the "*Original Mortgage*") assigned to the Trustee to finance the acquisition and rehabilitation of the Project; and

WHEREAS, the Sponsor has requested the Authority to amend and restate the Original Indenture in order to allow the outstanding \$4,500,000 principal amount of the Bonds to be converted to a mode that will allow for the Bonds to be purchased by **SUNTRUST BANK** (the "*Bank*") and to bear interest at the rates applicable during the "Bank Rate Period" which the Sponsor expects to be lower interest rates, as provided in an Amended and Restated Indenture of Trust (the "*Amended Indenture*") between the Authority and the Trustee (the Series 2001 Bonds as modified are referred to herein as the "*Amended Bonds*"); and

WHEREAS, the Authority has presented to the Board its Petition dated as of January 10, 2012 (the "*Petition*"), which, together with the exhibits thereto attached, sets forth certain information with respect to the Amended Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD IN MEETING DULY ASSEMBLED:

Section 1. Approval is granted to the undertaking of the Authority as outlined in the Petition, including the exhibits attached thereto.

Section 2. Subject to the requirements of Section 3 hereof, approval is hereby granted by the Board to the modification of the Series 2001 Bonds and the issuance of the Amended Bonds in the principal amount not to exceed \$4,500,000. The funds estimated to be available for the repayment of the Authority's notes and bonds, including the Amended Bonds, will be sufficient to provide for the payment of the principal and interest thereon.

Section 3. The documents pursuant to which the Amended Bonds are being issued shall provide that all expenses, costs and fees of the Authority in connection with the issuance of the Amended Bonds, including legal fees, printing and all disbursements shall be paid by the Sponsor.

Section 4. This Resolution shall take effect immediately upon its adoption.

EXECUTIVE SUMMARY

TO: Paul Koch, Esq.
State Budget and Control Board

FROM: Kathleen C. McKinney

DATE: January 10, 2012

RE: Not Exceeding \$35,000,000 South Carolina Jobs-Economic Development Authority Hospital Revenue Bonds (Georgetown Hospital System Project) Series 2012A (the "2012A Bonds")

Pursuant to Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "Act"), the South Carolina Jobs-Economic Development Authority (the "Authority") has the power to issue bonds through public or private sale in order to provide funds for any program authorized by the Act and to secure payment of such bonds. The 2012A Bonds are not an obligation of the Authority nor do they constitute an indebtedness of the Authority or the State of South Carolina but are payable solely from a revenue producing source and secured by a pledge of said revenues. The Act requires that the following language must be stated on the face of each 2012A Bond:

THIS BOND AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE REVENUES AND RECEIPTS DERIVED BY THE ISSUER PURSUANT TO THE AGREEMENT AND FROM PAYMENTS ON THE BORROWER NOTE, WHICH REVENUES AND RECEIPTS HAVE BEEN PLEDGED AND ASSIGNED TO SECURE PAYMENT THEREOF WHICH OBLIGATIONS CONSTITUTE AN INDEBTENESS PAYABLE ONLY FROM A REVENUE-PRODUCING PROJECT OR SPECIAL SOURCE WITHIN THE MEANING OF ARTICLE X, SECTION 13(9) OF THE CONSTITUTION OF THE STATE OF SOUTH CAROLINA, WHICH SOURCE DOES NOT INCLUDE REVENUES FROM ANY TAX OR LICENSE. THIS BOND AND THE INTEREST HEREON DO NOT AND SHALL NEVER CONSTITUTE A GENERAL OBLIGATION OR INDEBTEDNESS OF THE ISSUER OR OF THE STATE OF SOUTH CAROLINA WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND DO NOT AND SHALL NEVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER OR THE STATE OF SOUTH CAROLINA OR A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER OR THE STATE OF SOUTH CAROLINA OR AGAINST THE TAXING POWER OF THE STATE OF SOUTH CAROLINA. THE ISSUER DOES NOT HAVE TAXING POWER.

The 2012A Bonds will be issued for the following purposes:

1. To defray the cost of (i) construction and equipping of four surgical suites (which requires a certificate of need) at the Waccamaw Community Hospital ("WCH") campus located at 4070 Highway 17 Bypass in Murrells Inlet, South Carolina, in addition to acquiring additional equipment at WCH (which does not require a certificate of need) (collectively, the "Project").



2. To defray certain costs of issuance of the 2012A Bonds.

Background Information

On March 24, 2011, the Authority adopted a resolution authorizing an inducement agreement between the Authority and Georgetown Hospital System (the "Borrower") regarding the issuance of not exceeding \$45,000,000 Hospital Revenue Bonds (Georgetown Hospital System Project) for the purpose of defraying the cost of constructing and equipping four additional surgical suites at WCH (the "WCH Project").

On May 3, 2011, the Authority adopted a resolution to amend the inducement agreement to reflect that the \$45,000,000 would be used to defray the WCH Project and also to defray the cost of remodeling a nursing unit and the emergency room, plus redesign of the laboratory and renovation of all public corridors/restroom and replacement of furnishing for GMH (the "GMH Project" and together with the WCH Project, the "Project").

On July 18, 2011, the Authority adopted a resolution to further amend the inducement agreement to allow for the issuance of one or more series of bonds in the aggregate principal amount of not to exceed \$73,000,000 for the Project as well as the current refunding of the outstanding principal amount of (a) the \$25,760,000 original principal amount South Carolina Jobs-Economic Development Authority Hospital Revenue Bonds (Georgetown Memorial Hospital) Series 1998 (the "1998 Bonds"); (b) the \$23,870,000 original principal amount South Carolina Jobs-Economic Development Authority Hospital Revenue Bonds (Georgetown Memorial Hospital) Series 1999 (the "1999 Bonds"); and (c) the \$45,000,000 original principal amount South Carolina Jobs-Economic Development Authority Hospital Revenue Bonds (Georgetown Memorial Hospital) Series 2001 (the "2001 Bonds").

On September 22, 2011, \$25,565,000 original principal amount South Carolina Jobs-Economic Development Authority Hospital Revenue Refunding Bonds (Georgetown Hospital System) Series 2011A, were issued to defray the cost of (i) currently refunding the outstanding principal amount of the 1999 Bonds maturing on November 1, 2012 (exclusive of the November 1, 2011 sinking fund account requirement), November 1, 2014, November 1, 2016 and November 1, 2019; and (ii) currently refunding the outstanding principal amount of the 2001 Bonds, maturing on February 1, 2021.

On December 22, 2011, \$12,190,000 original principal amount South Carolina Jobs-Economic Development Authority Hospital Revenue Refunding Bonds (Georgetown Hospital System) Series 2011B, were issued to defray the cost of (i) currently refunding a portion of the outstanding principal amount of the 1998 Bonds maturing on November 1, 2018 and November 1, 2023; and (ii) currently refunding the outstanding principal amount of the 1999 Bonds maturing on November 1, 2029.

On January 19, 2012, the Authority will be amending the resolution and petition to revise the description of the Project to delete the portion of the WCH Project relating to the office building and other renovations, as well as the GMH Project, approved on May 3, 2011, and to add additional equipment at WCH in addition to the construction and equipping of the surgical suites.

Paul Koch
January 10, 2012
Page 3

2012 Project

Of the not exceeding \$73,000,000 aggregate principal amount approved by the Authority for the purposes shown above, there remains \$35,245,000 in principal amount to be used to defray the cost of the 2012 Project and to pay certain costs of issuance of the 2012A Bonds. The 2012A Bonds will be purchased by TD Bank, N.A. through private placement.

A RESOLUTION APPROVING THE ISSUANCE BY THE SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY THROUGH PRIVATE SALE OF NOT EXCEEDING \$35,000,000 AGGREGATE PRINCIPAL AMOUNT HOSPITAL REVENUE BONDS (GEORGETOWN HOSPITAL SYSTEM) SERIES 2012A, PURSUANT TO THE PROVISIONS OF SECTION 41-43-110 OF SOUTH CAROLINA CODE ANNOTATED, TITLE 41, CHAPTER 43 (1976), AS AMENDED.

WHEREAS, the South Carolina Jobs-Economic Development Authority (the "*Authority*") has heretofore under and pursuant to the provisions of Section 41-43-110 of South Carolina Code Annotated, Title 41, Chapter 43 (1976), as amended (the "*Act*"), requested approval by the State Budget and Control Board of the issuance by the Authority pursuant to the Act of its Hospital Revenue Bonds (Georgetown Hospital System) Series 2012A, in the aggregate principal amount of not exceeding \$35,000,000 (the "*2012A Bonds*") through private sale, which the Authority has determined to be most advantageous; and

WHEREAS, the Authority represents to the State Budget and Control Board that the 2012A Bonds will be sold by the Authority through private sale;

NOW, THEREFORE, BE IT RESOLVED, by the State Budget and Control Board of the State of South Carolina, as follows:

Section 1. It is hereby found, determined and declared by the Board that: the Petition filed by the Authority contains all matters required by law and the rules of this Board to be set forth therein, and that in consequence thereof the jurisdiction of this Board has been properly invoked under and pursuant to Section 41-43-110 of the Act.

Section 2. In consequence of the foregoing, the proposal of the Authority to issue the 2012A Bonds through private sale be and the same is hereby in all respects approved.

Section 3. This Resolution shall take effect immediately.



STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

A RESOLUTION

APPROVING THE UNDERTAKING OF THE SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY TO ISSUE SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY ECONOMIC DEVELOPMENT REVENUE BONDS (PARK POINTE VILLAGE, INC. OBLIGATED GROUP) SERIES 2012 IN ONE OR MORE SERIES AND IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$28,000,000 (the "*Bonds*") PURSUANT TO TITLE 41, CHAPTER 43 CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED (the "*Act*").

WHEREAS, heretofore the South Carolina Jobs - Economic Development Authority (the "*Authority*"), did, pursuant to the Act, petition the State Budget and Control Board of South Carolina (the "*State Board*") seeking the approval of the State Board for an undertaking by the Authority pursuant to the Act; and

WHEREAS, the proposed undertaking (the "*Undertaking*") consists of the issuance and delivery of economic development revenue bonds in one or more series and in an aggregate principal amount not to exceed \$28,000,000 (the "*Bonds*") pursuant to the Act, to a resolution (the "*Bond Resolution*") adopted by the Board of Directors of the Authority, and to a Trust Agreement (the "*Indenture*") between the Authority and U.S. Bank, National Association, as Trustee (the "*Trustee*") to finance (i) the refunding and retiring of the outstanding principal amount of the \$13,750,000 South Carolina Jobs - Economic Development Authority Health Facilities Revenue Bonds (Carolina Village) Series 2000, the proceeds of which financed a portion of the acquisition, construction, and equipping of a skilled nursing facility, an assisted living facility, and independent living cottages and apartments, including certain equipment and furnishings required therefor, to provide services to senior citizens (the "*2000 Project*"); (ii) the refinancing all or a portion of a construction loan in connection with the construction of 62 additional independent living units, a pool/fitness/wellness center, and kitchen and dining room renovations, including the acquisition and installation of machinery and equipment related thereto (the "*2012 Project*" and, together with the 2000 Project, the "*Project*"); and (iii) the payment of certain fees and expenses to be incurred in connection with the issuance of the Bonds; and

WHEREAS, the Authority proposes to enter into a Loan Agreement (the "*Loan Agreement*") with the Borrower pursuant to which the Authority will lend the proceeds of the Bonds to the Borrower to finance the above-described costs; and

WHEREAS, pursuant to the Loan Agreement, the Borrower will agree to pay to the Authority amounts sufficient to provide for the payment of the Bonds and the costs and expenses resulting from the issuance thereof; and

WHEREAS, the Authority proposes to enter into the Indenture prescribing the terms and conditions upon which the Bonds will be issued and pledging to the payment of the Bonds the loan repayments to be made by the Borrower pursuant to the Loan Agreement; and

WHEREAS, the Authority has heretofore determined that:

(a) the Borrower is a responsible party engaged in the business of owning and operating the Project, and the Project is located in York County, South Carolina (the "*County*"),

(b) the Borrower has demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation or maintenance of employment (both direct and indirect) for approximately 80 people (79.5 full-time equivalents) and providing additional employment for approximately 10 people (10.4 full-time equivalents) within 12 months and 8 people (full-time equivalents) within 24 months, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (*i.e.*, the principal amount of the Bonds) taking into account factors such as the amount of dollars invested per employee at comparable facilities,

(c) the amount of program funds committed (*i.e.*, the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Project, and

(d) the size and scope of the Project is such that a definite benefit to the economy of the State, and the County, in particular, is reasonably expected to result therefrom; and

WHEREAS, the Authority has also determined that prior to the issuance of the Bonds it will find that:

(a) the provisions, terms, and conditions of the agreements to be entered into by the Authority in connection with the issuance of the Bonds are reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds involved, and the number and type of jobs involved, and

(b) the public interest is adequately protected by the terms of such documents; and

WHEREAS, the Authority proposes to provide for the issuance and delivery of the Bonds pursuant to the Act, to the Bond Resolution, and to the Indenture, payable by the Authority from the amounts derived from the Loan Agreement and secured by the Indenture pursuant to which the Authority will pledge substantially all of its right, title, and interest in and to the Loan Agreement to the Trustee; and

WHEREAS, it is the intention of the Authority and the Borrower that the Bonds be sold to Branch Banking and Trust Company (the "*Bank*") who will purchase the Bonds with no intent to resell them to the public,

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA IN MEETING DULY ASSEMBLED:

1. It has been found and determined by the State Board that the Authority has filed a proper petition with the State Board in accordance with the provisions of the Act and that it has made the findings required by the Act.

2. On the basis of the foregoing findings, the financing of the Undertaking through the issuance by the Authority's of the Bonds through a negotiated private sale to the Bank, to be payable from the revenues to be derived by the Authority from the Loan Agreement, and to be secured by the Indenture, all pursuant to the Act (including changes in any details of the Undertaking as finally consummated that do not materially affect the Undertaking) be and the same are hereby approved.

AGENCY: Department of Corrections

SUBJECT: Legal Settlements: Anthony v. SCDC, Ward and Sheppard ("Anthony I"); Anthony v. SCDC, Ozmint, Ward, Sheppard and Insurance Reserve Fund ("Anthony II"); Pridgen v. Robert Ward, Charles Sheppard, and Karen Hair

The South Carolina Department of Corrections ("SCDC") requests approval for the universal settlement that will forever end and resolve three lawsuits. Settlements would end years of litigation, loss of productive time by agency employees, and growing litigation costs. The settlement reached is for less than the verdict amounts. While SCDC is seeking approval for three lawsuits, an explanation of four cases provide the backdrop for the settlement. These four cases are Anthony I, Anthony II, Pridgen, and Morrow, which are described below.

Anthony v. SCDC, Ward and Sheppard ("Anthony I");
Anthony v. SCDC, Ozmint, Ward, Sheppard and Insurance Reserve Fund ("Anthony II").

In Anthony I, the Plaintiff, Calvin Anthony, was awarded a verdict against SCDC employees Robert Ward and Charles Sheppard for \$510,000 for civil conspiracy. Along with post judgment interest, the current value of the judgment exceeds \$550,000. In Anthony II, Calvin Anthony sued the original defendants and the IRF on various theories to collect that judgment. The original defendants in the Anthony I and Pridgen lawsuits also cross claimed against the IRF.

Pridgen v. Robert Ward, Charles Sheppard, and Karen Hair ("Pridgen").

The Plaintiff Henry Pridgen was awarded a verdict for \$372,000 against defendants Robert Ward, Charles Sheppard, and Karen Hair for civil conspiracy. Along with post judgment interest, the current judgment value exceeds \$510,000.

Morrow v. Robert Ward, Charles Sheppard, Karen Hair, and Jon E. Ozmint ("Morrow").

The Plaintiff Morrow filed a lawsuit alleging similar facts to the Anthony I and Pridgen suits, and he asserted a civil conspiracy cause of action against the Morrow Defendants. This case never reached trial because the parties agreed to stay the case pending the result of Anthony II. The Morrow Defendants have reached a settlement amount of \$42,000 with Plaintiff Morrow. Because this settlement is less than \$100,000, the Budget and Control Board does not need to approve this settlement pursuant to S.C. Code of Laws Section 11-1-45.

Universal Settlement Terms

The settlement reached among all parties regarding these four cases is for Anthony to be paid \$342,500, Pridgen to be paid \$225,000 and Morrow to be paid \$42,000. The total global settlement amount is \$609,500. The funds to be used to settle all claims by all parties would be paid as follows: IRF would contribute \$50,000, and SCDC would contribute the remainder of the settlement, \$559,500, from its funds, including operating funds. Because settlement of the Morrow case does not require Budget and Control Board approval, SCDC only seeks the Budget and Control Board's approval to settle Anthony I, Anthony II, and Pridgen. The settlement would release all parties and bring a final end to the litigation.

AGENCY: Department of Corrections

SUBJECT: Legal Settlements: Anthony v. SCDC, Ward and Sheppard ("Anthony I");
Anthony v. SCDC, Ozmint, Ward, Sheppard and Insurance Reserve Fund
("Anthony II"); Pridgen v. Robert Ward, Charles Sheppard, and Karen Hair

Pursuant to S.C. Code of Laws Section 11-1-45, SCDC seeks Budget and Control Board approval to universally settle these lawsuits to avoid further litigation in these cases. The negotiated settlement amount is far less than the original verdicts in Anthony I and Pridgen and far less than the current judgment amounts.

As a result of the proposed settlement, all parties will be dismissed with prejudice.

BOARD ACTION REQUESTED:

Approve the universal settlement of the cases of Anthony I, Anthony II, and Pridgen as requested by the South Carolina Department of Corrections.

ATTACHMENTS:

Vincent 1/19/12 letter; Vincent 1/24/12 memo; S.C. Code Ann. Section 11-1-45

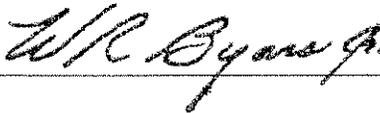
BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: January 31, 2012

Blue Agenda

1. Submitted by:

- (a) Agency: Department of Corrections
(b) Authorized Official Signature:



2. Subject: Legal Settlements: Anthony v. SCDC, Ward and Sheppard ("Anthony I");
Anthony v. SCDC, Ozmint, Ward, Sheppard and Insurance Reserve Fund ("Anthony II");
Pridgen v. Robert Ward, Charles Sheppard, and Karen Hair

3. Summary Background Information:

The South Carolina Department of Corrections ("SCDC") requests approval for the universal settlement that will forever end and resolve three lawsuits. Settlements would end years of litigation, loss of productive time by agency employees, and growing litigation costs. The settlement reached is for less than the verdict amounts. While SCDC is seeking approval for three lawsuits, an explanation of four cases provide the backdrop for the settlement. These four cases are Anthony I, Anthony II, Pridgen, and Morrow, which are described below.

Anthony v. SCDC, Ward and Sheppard ("Anthony I");

Anthony v. SCDC, Ozmint, Ward, Sheppard and Insurance Reserve Fund ("Anthony II").

In Anthony I, the Plaintiff, Calvin Anthony, was awarded a verdict against SCDC employees Robert Ward and Charles Sheppard for \$510,000 for civil conspiracy. Along with post judgment interest, the current value of the judgment exceeds \$550,000. In Anthony II, Calvin Anthony sued the original defendants and the IRF on various theories to collect that judgment. The original defendants in the Anthony I and Pridgen lawsuits also cross claimed against the IRF.

Pridgen v. Robert Ward, Charles Sheppard, and Karen Hair ("Pridgen").

The Plaintiff Henry Pridgen was awarded a verdict for \$372,000 against defendants Robert Ward, Charles Sheppard, and Karen Hair for civil conspiracy. Along with post judgment interest, the current judgment value exceeds \$510,000.

Morrow v. Robert Ward, Charles Sheppard, Karen Hair, and Jon E. Ozmint ("Morrow").

The Plaintiff Morrow filed a lawsuit alleging similar facts to the Anthony I and Pridgen suits, and he asserted a civil conspiracy cause of action against the Morrow Defendants. This case never reached trial because the parties agreed to stay the case pending the result of Anthony II. The Morrow Defendants have reached a settlement amount of \$42,000 with Plaintiff Morrow. Because this settlement is less than \$100,000, the Budget and Control Board does not need to approve this settlement pursuant to S.C. Code of Laws Section 11-1-45.

Universal Settlement Terms

The settlement reached among all parties regarding these four cases is for Anthony to be paid \$342,500, Pridgen to be paid \$225,000 and Morrow to be paid \$42,000. The total global settlement amount is \$609,500. The funds to be used to settle all claims by all parties would be paid as follows: IRF would contribute \$50,000, and SCDC would contribute the remainder of the settlement, \$559,500, from its

funds, including operating funds. Because settlement of the Morrow case does not require Budget and Control Board approval, SCDC only seeks the Budget and Control Board's approval to settle Anthony I, Anthony II, and Pridgen. The settlement would release all parties and bring a final end to the litigation.

Pursuant to S.C. Code of Laws Section 11-1-45, SCDC seeks Budget and Control Board approval to universally settle these lawsuits to avoid further litigation in these cases. The negotiated settlement amount is far less than the original verdicts in Anthony I and Pridgen and far less than the current judgment amounts.

As a result of the proposed settlement, all parties will be dismissed with prejudice.

4. What is Board asked to do?

Approve the universal settlement of the cases of Anthony I, Anthony II, and Pridgen as requested by the South Carolina Department of Corrections.

5. What is recommendation of Board Division involved?

N/A

6. Recommendation of other office (as required)?

- (a) Authorized Signature: N/A _____
(b) Office Name: _____

7. Supporting Documents:

- (a) List those attached:
1. Vincent Letter 1/19/2012
 2. Vincent Memorandum 1/24/2012
 3. S.C. Code Ann. Section 1-11-45



NIKKI R. HALEY, Governor
WILLIAM R. BYARS, JR., Director

January 19, 2012

Mr. Delbert H. Singleton, Jr.
Secretary, Budget and Control Board
P.O. Box 12444
612 Wade Hampton Building
Columbia, SC 29211

Re: Budget and Control Board Meeting

Dear Mr. Singleton:

On behalf of the South Carolina Department of Corrections, please place us on the agenda for the Budget and Control Board meeting on January 31, 2012. We are asking that the Board approve two settlements that were recently reached in Anthony v. SCDC and Insurance Reserve Fund, et al. and Pridgen v. Robert Ward, Charles Sheppard, and Karen Hair. Contingent upon the Board's approval, the Anthony matter has been settled for \$342,500 and Pridgen for \$225,000. Please provide where the meeting will take place and the time.

Thank you for your attention to this matter. If you need additional information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Barton J. Vincent". The signature is written in a cursive style with a large, prominent "V".

Barton J. Vincent
Deputy General Counsel

cc: File



SOUTH CAROLINA DEPARTMENT OF CORRECTIONS

MEMORANDUM

TO: Delbert H. Singleton, Jr. Secretary, Budget and Control Board

FROM: Barton J. Vincent, Deputy General Counsel

RE: Supplemental Information for Board Meeting on January 31, 2012

DATE: January 24, 2012

The South Carolina Department of Corrections requests approval of two settlements recently entered into, contingent upon Board approval. Both settlements would end years of litigation and put an end to growing litigation costs.

Anthony v. SCDC and Insurance Reserve Fund et. al., is the second action brought by the Plaintiff, Calvin Anthony, this time to recover from SCDC, the Insurance Reserve Fund, and the individual defendants. A judgment was reached against Robert Ward and Charles Sheppard for \$510,000 for conspiracy. The current value of the judgment exceeds \$550,000. The settlement is for \$342,500. The settlement calls for all parties to be dismissed, including the Insurance Reserve Fund, and an end to the litigation.

Pridgen v. Robert Ward, Charles Sheppard, and Karen Hair resulted in a judgment for \$372,000 based on a conspiracy cause of action. The current value exceeds \$510,000. The settlement calls for dismissal of all parties and a payment of \$225,000.

The second Anthony suit resulted in malpractice claims being filed against the initial lawyers assigned by the Insurance Reserve Fund. Also, cross-claims were filed against the Insurance Reserve Fund by the individual defendants. To avoid further litigation in these cases, and to avoid the possibility that the Department of Corrections will have to pay both judgments in full, the Department is respectfully requesting that the settlements be approved at the Board meeting on January 31, 2012. As indicated above, all parties will be dismissed with prejudice as a result of this settlement.

SECTION 11-1-45. Settlement of certain litigation, dispute, or claim by state agencies; approval of Budget and Control Board required; exemptions.

(A) No state agency or instrumentality of the State, excluding the General Assembly, Senate, House of Representatives, local political subdivisions, special purpose districts, and special taxing districts, shall enter into a settlement of any litigation, dispute, or claim over one hundred thousand dollars requiring the expenditure of monies appropriated or provided for in a general or supplemental appropriations act, or from any other source of public funds without prior written approval from the Budget and Control Board.

(B) The intent of this provision is to prevent state agencies or instrumentalities of the State, other than local political subdivisions, special purpose districts, and special taxing districts, from entering into settlements that can bind and commit the State to unreasonable funding requirements from current or future revenues of the State. In keeping with this intent, the Budget and Control Board may exempt in its discretion any entity or specific litigation matter from this provision.