CONNECTOR 2000 ASSOCIATION, INC.

ANNUAL REPORT

June 30, 2024

CUSIP Prefix 20786L

INTRODUCTION

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

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

OPERATION OF THE SOUTHERN CONNECTOR PROJECT

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

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

	2019	**2020**	**2021**	**2022**	**2023**
ETC Trans.	2,784,484	2,358,215	2,631,127	2,923,630	3,287,436
% of Total Trans.	42%	45%	45%	47%	48%
ETC Revenue	$4,357,401	$4,908,271	$5,755,192	$6,850,305	$7,925,216
% of Total Rev.	35%	42%	41%	44%	48%
Total Trans.	6,599,088	5,191,374	5,909,028	6,193,075	6,785,338
Total Revenue	$12,389,609	$11,627,333	$14,193,896	$15,386,376	$16,493,774

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

All toll rates were most recently adjusted January 2, 2024. The toll rates and discounts charged by the Association for the use of the Southern Connector are as follows:

LOCATION	East Plaza	West Plaza	SC 20 (on/off ramps)	Fork Shoals Rd. (on/off ramps)
2 axles	$2.25	$2.25	$1.50	$1.50
2 axle discount rate	$2.15	$2.15	$1.50	$1.50
3 axles	$4.80	$4.80	$1.50	$1.50
3 axle discount rate	$4.56	$4.56	$1.50	$1.50
4 axles	$6.40	$6.40	$1.50	$1.50
4 axle discount rate	$6.08	$6.08	$1.50	$1.50
5 axles	$8.00	$8.00	$1.50	$1.50
5 axle discount rate	$7.60	$7.60	$1.50	$1.50
6 + axles	$9.60	$9.60	$1.50	$1.50
6 + axle discount rate	$9.12	$9.12	$1.50	$1.50

One mainline toll plaza is located at the east end and one at the west end of the Southern Connector. The toll for all 2-axle vehicles at the mainline plazas is $2.25. At both mainline plazas a higher toll is required for vehicles having more than 2 axles. Unattended ramps are located at Fork Shoals Road and SC Route 20. A flat rate of $1.50 per vehicle, regardless of the number of axles, is charged at these ramps.

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

Audited Financial Statements

The financial statements of the Association for the period ended December 31, 2023 have been audited by Green Finney Cauley, LLP, Certified Public Accountants. Their examination report and the audited financial statements of the Association for its fiscal year ended December 31, 2023, are attached hereto as **Exhibit "A"**.

Other Financial Information

The Association did not receive any federal or State highway expansion money during its fiscal year ended December 31, 2023. The Association did not issue or remarket any other bonded indebtedness during its fiscal year ended December 31, 2023.

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

CONCLUDING STATEMENT

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

EXHIBIT "A"

AUDITED FINANCIAL STATEMENTS OF THE ASSOCIATION FOR THE YEAR ENDED DECEMBER 31, 2023.

[Attached]

CONNECTOR 2000 ASSOCIATION, INC.
PIEDMONT, SOUTH CAROLINA

(A Component Unit of the State of South Carolina and of the South Carolina Department of Transportation)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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

TABLE OF CONTENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Greene Finney Cauley, LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Connector 2000 Association, Inc. (the "Association"), a component unit of the State of South Carolina and of the South Carolina Department of Transportation ("SCDOT"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2023 and 2022, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Partial Payments on 2011 Bonds

As discussed in Notes 8 and 13 in the notes to the financial statements, for the years ended December 31, 2023 and 2022, the Association's Distributable Cash was insufficient to cover all regularly scheduled debt service due on January 1, 2024 and 2023, respectively, on the Association's 2011 Bonds. In addition, such Distributable Cash for the year ended December 31, 2022 was insufficient to cover certain Arrearages due on January 1, 2023. The unpaid debt service and Arrearage amounts will be deferred to future debt service dates and will continue to accrete interest from the date of non-payment at rates the same as those of the 2011 Bonds to which the unpaid debt service relates. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

GREENEFINNEYCAULEY.CPA · INFO@GREENEFINNEY.COM

GREENVILLE, SC 864.232.0653 | MAULDIN, SC 864.232.5204 | CHARLESTON, SC 843.735.5805 | ANDERSON, SC 864.225.8713

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
April 24, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Connector 2000 Association, Inc. (the "Association") annual financial report presents a discussion and analysis of the Association's financial performance for the years ended December 31, 2023 and 2022. Our analysis includes comparisons of 2023, 2022 and 2021 information. We ask that you read this section of our annual report in conjunction with the financial statements that follow this section.

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

FINANCIAL HIGHLIGHTS

- During 2023, utilization of the Southern Connector Toll Road and related toll revenues reached their highest levels since operation of the toll road began in 2001.

- During 2023, 2022 and 2021, toll revenues were insufficient to pay the full debt service due January 1, 2024, 2023 and 2022, respectively. Consequently, we paid as much as possible with monies accumulated in our Trust Debt Service Accounts. In January and February of 2024, we paid all of the debt service due on our 2011 Senior and Senior Subordinate Bonds, we paid off the balances of the 2011 Junior Subordinate Bond Arrearages that originated in 2021, 2022 and 2023 (the "2021 through 2023 Junior Subordinate Bond Arrearages") and we paid extraordinary mandatory prepayments and redemptions of certain 2011 Senior Bonds. In January 2023, we paid all of the debt service due on our 2011 Senior and Senior Subordinate Bonds and paid off the balances of the 2011 Senior Subordinate Bond Arrearages that originated in 2022 (the "2022 Senior Subordinate Bond Arrearages"). In January and February of 2022, we paid all of the debt service due on our 2011 Senior Bonds, we paid off the balances of the 2011 Senior Subordinate Bond Arrearages that originated in 2021 (the "2021 Senior Subordinate Bond Arrearages") and made partial payments of the debt service due on our 2011 Senior Subordinate Bonds. We paid no debt service due on our 2011 Junior Subordinate Bonds in early 2024, 2023 or 2022.

- At December 31, 2023 and 2022, the Association met the Debt Service Coverage ratios prescribed in our Trust Indenture, but we did not meet those ratios at December 31, 2021. The Association provided the Trustee with a Toll Rate Study in 2023 in connection with the adjustment of the Toll Rates that became effective in January 2024.

- The Southern Connector's annual toll road utilization increased by 9.6%, 4.8% and 13.8%, respectively, in 2023, 2022 and 2021. Toll transactions for the years 2023, 2022 and 2021 were 6,785,338, 6,193,075 and 5,909,028, respectively. Average daily toll transactions were 18,590, 16,967 and 16,189 in 2023, 2022 and 2021, respectively.

- Total operating revenues in 2023, 2022 and 2021 were $16,493,774, $15,386,376, and $14,193,896, respectively. These amounts represented increases over prior year operating revenues of 7.2%, 8.4% and 22.1%, respectively. Operating revenues in 2023, 2022 and 2021 solely consisted of toll and violation revenues.

- In 2023, 2022 and 2021, total operating expenses increased by 2.8%, 3.4% and 0.9% to $3,897,687, $3,792,839 and $3,668,906, respectively.

- The Association's net nonoperating expenses increased in each year 2023, 2022 and 2021. The totals of net nonoperating expenses were $20,048,705, $19,816,423 and $19,775,503 in 2023, 2022 and 2021, respectively and represented respective increases of 1.2%, 0.2% and 4.4%. The increases in net nonoperating expenses in each year were primarily attributable to accretion of interest on the Association's Bonds and SCDOT maintenance expense. In all three years, interest expense on our 2011 Bonds increased. The balances of our 2011 Bonds Payable were $244,777,849, $239,507,047 and $233,948,062 at December 31, 2023, 2022 and 2021, respectively. Those balances represented respective net increases over prior year balances of 2.2%, 2.4% and 3.4%. In both 2023 and 2021, SCDOT maintenance expense increased, while in 2022, such expense decreased.

- In 2023 and 2022, we received $2,073 and $24,472, respectively, toward settlement of the Association's claim against Lehman Brothers, Inc. in Lehman's bankruptcy case. In accordance with governmental accounting standards, because these settlement monies were deemed to be unusual in nature and infrequent in occurrence, we recorded these gains as extraordinary items in our financial statements. No settlement monies were received in 2021.

ECONOMIC FACTORS AND CURRENT CONDITIONS

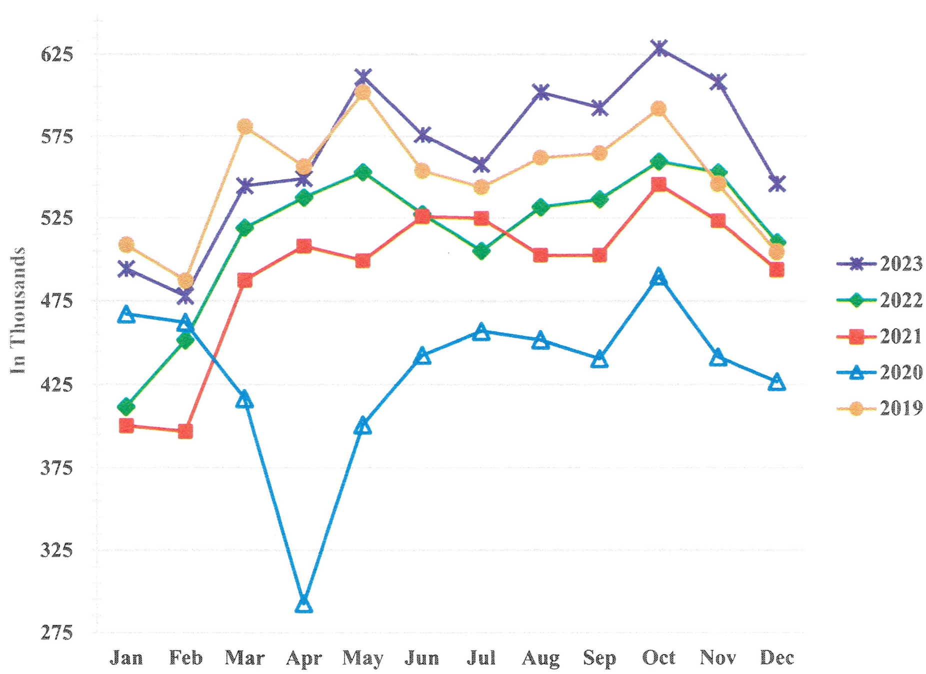
Traffic and Revenue Summary

During 2021, the COVID-19 pandemic travel restrictions that were recommended or mandated during 2020 were lifted, and Southern Connector utilization and toll collections began to rebound from the abrupt downturn in toll road traffic counts and toll revenue collection realized during the peak of the pandemic. In 2022, traffic levels recovered significantly, but were still well below those realized during our 2019 peak. Our 2022 toll transactions totaled 6,193,075 and represented an increase of 4.8% over the 2021 total of 5,909,028. However, in 2023, our toll transactions surpassed our previous 2019 record, totaling 6,785,338. Those transactions represented an increase of 9.6% over 2022 traffic levels. We realized consecutive record-breaking levels of toll revenues in each year 2021, 2022 and 2023. Toll revenues in 2022 totaled $15,386,376 and represented an 8.4% increase over 2021 toll revenues of $14,193,896, while our 2023 toll revenues increased 7.2% over 2022 levels to $16,493,774. In both years, the increases in toll revenues were attributable in part to traffic composition shifts towards vehicles with more than two axles.

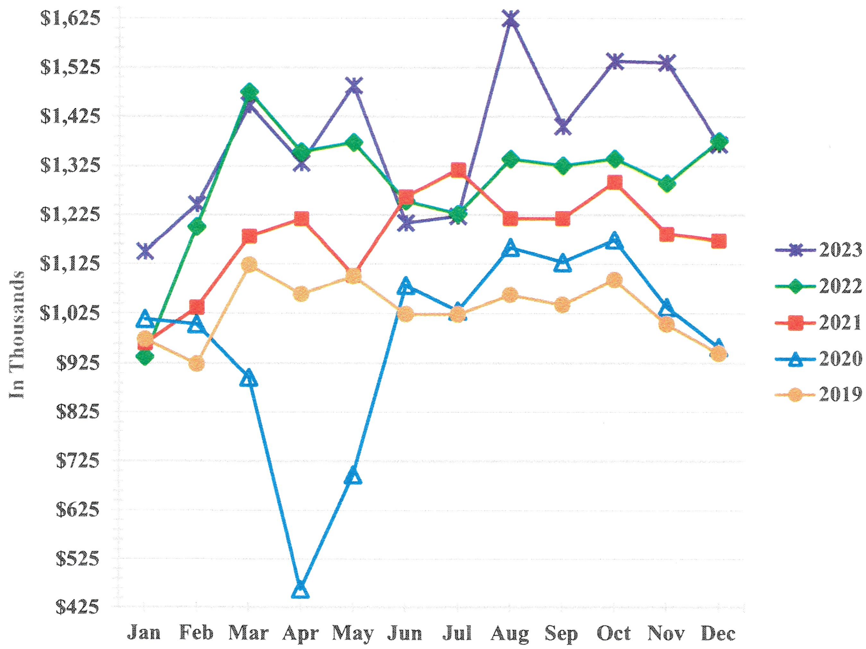
The tables below provide a visual summary of the Southern Connector's transactions and revenues since 2019.

Toll rates for the Southern Connector are determined by periodic toll rate studies and vary depending upon the class of vehicles (based on number of axles) that travel the road. For two-axle vehicles, the mainline plaza toll rates increased in 2020 as we implemented the recommended toll rates determined by the Toll Rate Study performed in 2019. The 2021 cash and PalPass toll rates for two-axle vehicles were $2.00 and $1.80, respectively. In January of each year 2022 and 2023, the PalPass toll rate for two-axle vehicles rose by $.05. Such rates represented a 2.8% increase in 2022 over the 2021 rate and a 2.7% increase in 2023 over the 2022 rate. In all years, toll rates for two-axle vehicles were lower than rates for vehicles with more than two axles. Accordingly, the mix of vehicles using the Southern Connector in any given year affects the amount of toll revenues collected.

Transactions by Month



Revenues by Month



Effective January 2, 2024, we implemented a toll rate increase determined by our latest Toll Rate Study completed during 2023. Accordingly, both cash and PalPass toll rates for two-axle vehicles rose by $0.25, to $2.25 and $2.15, respectively. The new toll rates represented increases of 12.5% and 13.2%, respectively, over 2023 rates.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Association's 2023 and 2022 financial statements consist of two parts – management's discussion and analysis (this section) and the financial statements, including the notes to the financial statements. The financial statements provide short-term and long-term information about the Association's overall financial status. The financial statements also include disclosures that explain some of the information in the financial statements and provide more detailed data.

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

Net position is one measure of the Association's financial health or financial position. It represents the difference between the Association's assets and liabilities. Because our liabilities exceeded our assets, the Association's net position at December 31, 2023, 2022 and 2021 was a deficit (or negative) balance. (See the *Net Position (Deficit)* subsection of the *Financial Analysis* section of this management's discussion and analysis below for more information.) Over time, decreases or increases in the Association's net position deficit provide an indicator that our financial health is improving or deteriorating. However, other factors such as transactions (including vehicle class and toll rates) and development along the Southern Connector corridor should also be considered in order to assess the Association's overall financial condition.

FINANCIAL ANALYSIS

This section of our management's discussion and analysis presents our analysis of the Association's overall financial position and results of operations for 2023 and 2022. In this section, we discuss significant transactions that occurred during the years, and compare each year's activities with those of the immediately preceding year.

Net Position (Deficit)

As stated above, the Association's net position was negative in both 2023 and 2022. Our total revenues covered our operating expenses and the debt service that we paid in both years (see the discussion below in the *Operating Revenues and Expenses* subsection of this section of the management's discussion and analysis). However, such revenues were not sufficient to cover all of our nonoperating expenses, which included a portion of interest expense accretions payable at December 31, 2023 and 2022, those not yet payable on our 2011 Capital Appreciation Bonds and amortization of our interest in our License Agreement with SCDOT. Neither the interest expense accretions nor the amortization of our interest in our License Agreement represented cash outlays by the Association.

In 2023, total assets decreased by 1.7%, or $2,056,356, to $118,435,810, while total liabilities increased by 2.2%, or $5,394,189, to $246,004,136. During the year ended December 31, 2022, the Association's total assets decreased by $2,683,612, or 2.2%, to $120,492,166, and total liabilities increased by $5,514,802, or 2.3%, to $240,609,947. The majority of the asset decreases represent amortization of the Association's Interest in the License Agreement, while the bulk of liability increases represent accretions on the 2011 Capital Appreciation Bonds.

Table 1
Net Position (Deficit)
December 31

	2023	2022	2021
Current and Other Assets	$ 19,721,018	$ 18,209,674	$ 17,137,509
Capital Assets	98,714,792	102,282,492	106,038,269
Total Assets	118,435,810	120,492,166	123,175,778
Long-Term Liabilities (Bonds Payable):			
2011A Senior Capital Appreciation Bonds	(191,798,319)	(187,933,843)	(183,797,871)
2011B Senior Subordinate Capital Appreciation Bonds	(36,637,761)	(35,595,705)	(34,540,731)
2011C Junior Subordinate Capital Appreciation Bonds	(4,052,706)	(3,918,314)	(3,783,103)
Total Long-Term Liabilities	(232,488,786)	(227,447,862)	(222,121,705)
Other Liabilities:			
Current Portion of:			
2011A Senior Capital Appreciation Bonds	(9,115,697)	(8,521,403)	(8,060,071)
2011B Senior Subordinate Capital Appreciation Bonds	(2,080,591)	(1,968,354)	(1,861,799)
2011B Senior Subordinate Capital Appreciation Bond Arrearages	-	(809,711)	(1,435,027)
2011C Junior Subordinate Capital Appreciation Bonds	(257,144)	(243,287)	(230,105)
2011C Junior Subordinate Capital Appreciation Bond Arrearages	(835,631)	(516,430)	(239,355)
Accounts Payable, Unearned Revenue and Deposits	(1,165,130)	(1,061,363)	(973,786)
Amounts Payable to SCDOT	(61,157)	(41,537)	(173,297)
Total Other Liabilities	(13,515,350)	(13,162,085)	(12,973,440)
Total Liabilities	(246,004,136)	(240,609,947)	(235,095,145)
Net Position (Deficit):			
Net Investment in Capital Assets	(2,282,267)	(3,864,711)	(5,497,044)
Restricted for:			
SCDOT Maintenance	3,851,609	3,176,303	2,781,462
Unrestricted	(129,137,668)	(119,429,373)	(109,203,785)
Total Net Position (Deficit)	$ (127,568,326)	$ (120,117,781)	$ (111,919,367)

The Association's most significant asset is our Interest in our License Agreement with SCDOT. In order to account for the Association's Interest in the License Agreement, the Association capitalized all costs of acquisition and construction of the Southern Connector, including interest expense incurred during the construction period. As discussed further in the *Capital Assets* subsection of the *Capital Assets and Debt Administration* section of this management's discussion and analysis and in Note 1, items B and I to the financial statements, the Association's accounting for this asset is in conformity with Governmental Accounting Standards Board ("GASB")

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* ("GASBS No. 94"), that became effective in 2023. Under GASB No. 94, this asset constitutes a P3 Arrangement and is classified as a right-to-use capital asset. Upon commencement of toll road operations, the Association began amortizing its interest in the License Agreement. The net book value of that asset was $98,594,867 and $102,169,307 at December 31, 2023 and 2022, respectively. The Association's Interest in our License Agreement with SCDOT is included in capital assets in Table 1, and represented 83.2% and 84.8%, respectively, of our total assets at December 31, 2023 and 2022. The net book value of that asset decreased by 3.5% in 2023 and by 3.4% in 2022 from the previous year's net book value. The decrease of $3,574,440 in both years 2023 and 2022 represented amortization for each year. The Association is amortizing the Interest in our License Agreement with SCDOT over the remaining term of the License Agreement, or a period of approximately 27.5 years as of December 31, 2023.

The Association's Capital Appreciation Bonds Payable totaled $244,777,849 and $239,507,047 at December 31, 2023 and 2022, and comprised our most significant liabilities, representing 99.5% of total liabilities in both 2023 and 2022, respectively. The balance of our Capital Appreciation Bonds Payable increased by 2.2% in 2023 and by 2.4% in 2022, due to the accretions that occurred during each year.

In 2023, the net deficit increased by $7,450,545, or 6.2%, to $127,568,326, while the 2022 net deficit increased by $8,198,414, or 7.3%, to $120,117,781. The Association's net position was classified in three categories as follows:

- The "net investment in capital assets" category of net position represents amounts invested in capital assets, less accumulated depreciation on those assets, less any liabilities attributable to those assets. At December 31, 2023, the balance of this category of net position was a deficit of $2,282,267 and represented a decrease of 40.9%, or $1,582,444 from the 2022 deficit. The December 31, 2022 deficit totaled $3,864,711. That balance represented a decrease of $1,632,333, or 29.7%, from the 2021 deficit balance. The changes in this category of net position result from depreciation and amortization of our capital assets and paydowns of the 2011 Bonds Payable balances at their April 21, 2011 effective date.

- The "restricted" category represents the portion of net position with attached constraints on the use of the assets. The constraints are externally imposed by such means or parties as debt covenants, laws, enabling legislation or creditors. The restricted assets in this category are offset by any related liabilities. Governmental generally accepted accounting principles do not allow this category of net position to be negative. At December 31, 2023 and 2022, amounts in this category of net position were restricted for reimbursement of SCDOT maintenance costs and totaled $3,851,609 and $3,176,303, respectively. The 2023 balance represented an increase of $675,306, or 21.3%, over the 2022 balance, while the 2022 balance increased by $394,841, or 14.2%, over the 2021 balance. Such 2023 and 2022 balances represented amounts transferred to the Association's Renewal & Replacement Fund offset by amounts accrued for any SCDOT maintenance expense reimbursement requisitions.

- The "unrestricted" category represents the residual net position that is not included in the net investment in capital assets or restricted net position categories as defined above. This category includes assets offset by liabilities, and may be used to finance daily operations. No constraints have been imposed upon this category of net position. At December 31, 2023, unrestricted net position was a deficit balance of $129,137,668, while the balance at December 31, 2022 was a deficit of $119,429,373. The 2023 change in unrestricted net position deficit totaled $9,708,295, which represented an 8.1% increase over the 2022 balance. The 2022 change in unrestricted net position deficit was $10,225,588, an increase of 9.4% over the 2021 balance.

Changes in Net Position (Deficit)

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

Operating Revenues and Expenses

The Association's operating revenues far exceeded its operating expenses in both years 2023 and 2022, and operating income of $12,596,087 and $11,593,537, respectively, was realized. The 2023 operating income represented an increase of $1,002,550, or 8.6%, over 2022 operating income. The 2022 operating income increased 10.2%, or $1,068,547, over 2021 operating income.

We recognized record-breaking levels of operating revenues in both 2023 and 2022. Our total operating revenues for 2023 were $16,493,774, an increase of $1,107,398, or 7.2%, over 2022 amounts. In 2022, we recognized total operating revenues of $15,386,376, which rose $1,192,480, or 8.4%, over 2021 amounts. In each of the years 2021, 2022 and 2023, total operating revenues consisted of toll and violation revenues.

Overall, the Association's total operating expenses increased during both 2023 and 2022. In 2023, our total operating expenses changed by a net increase over 2022 amounts of $104,848, or 2.8%, to $3,897,687, while 2022 total operating expenses increased over 2021 amounts by a net amount of $123,933, or 3.4%, to $3,792,839. Certain of the operating expense increases were commensurate with the increase in traffic along the Southern Connector during the respective years, while other increases were due to specific events that occurred during the years.

Table 2
Changes in Net Position
Years Ended December 31

	2023	2022	2021
Revenues:			
Operating revenues:			
Charges for Services (Toll Revenues)	$ 16,493,774	$ 15,386,376	$ 14,193,896
Nonoperating Revenues:			
Interest and Investment Earnings	532,275	172,888	581
Gain on Disposal of Capital Assets	-	-	11,166
Total Revenues	17,026,049	15,559,264	14,205,643
Expenses:			
Operating Expenses	3,897,687	3,792,839	3,668,906
Nonoperating Expenses:			
Interest Expense on Bonds	16,570,270	16,169,597	15,727,805
Amortization	3,574,440	3,574,440	3,574,440
SCDOT Highway Maintenance Costs	433,933	245,274	485,005
Loss on Disposal of Capital Assets	2,337	-	-
Total Expenses	24,478,667	23,782,150	23,456,156
Income (Loss) before Extraordinary Item	(7,452,618)	(8,222,886)	(9,250,513)
Extraordinary Item:			
Extraordinary Gain on Claim Against Lehman Brothers	2,073	24,472	-
Increase (Decrease) in Net Position (Deficit)	(7,450,545)	(8,198,414)	(9,250,513)
Beginning Net Position (Deficit)	(120,117,781)	(111,919,367)	(102,668,854)
Ending Net Position (Deficit)	$ (127,568,326)	$ (120,117,781)	$ (111,919,367)

The single largest operating expense increase in 2023 was attributable to our Toll Rate Study, performed at a cost of $150,000. The study is required to be performed periodically prior to any toll increase to determine the optimum toll rates to be charged for the Southern Connector, projected for the following five years. The increased toll rates recommended in the study were implemented by us in January 2024. The previous Toll Rate Study was performed in 2019 prior to the January 2020 toll rate increase.

Other 2023 operating expense increases occurred primarily in card processing fees, salaries, office supplies and miscellaneous expenses. Card processing fees increased 12.7%, or $46,666, to $413,261. That increase correlated with the increase in utilization of the Southern Connector and with the continuing increase in patrons' use of credit and debit cards to pay toll revenues or to increase PalPass account balances. Salaries totaled $1,637,394, and rose 2.4%, or $38,582 due to annual raises given to eligible employees and to recruiting challenges faced during 2023. Office supplies increased 23.8% or $38,244, to $199,105. The increase was due primarily to payments for services performed by a third-party print house to print and mail the Association's violation notices and debt letters. These print house services are being performed under a new three-year service contract that became effective in July 2023. Miscellaneous expenses were $183,447 in 2023 and represented an increase of $34,088, or 22.8%, over 2022 amounts. The miscellaneous expense increases were mainly due to increases in violation court fines and fees that were paid as we continue our efforts to pursue toll revenue collections from toll violators and to increases in equipment expense due to adjustments made to our spare parts and sticker tag inventories to account for used parts, revaluations of our best estimates of the replacement costs of inventory items no longer in production and sticker tags issued during the year.

The 2022 increases were primarily attributable to and spread over several different expenses - salaries, miscellaneous expense, repairs and maintenance, card processing fees, employee benefits, office supplies and insurance. Salaries totaled $1,598,812, an increase of $60,321, or 3.9%, due primarily to mid-year raises given to hourly associates in order to curb the effects of inflation and to remain competitive with other employers in the area. In 2022, miscellaneous expense rose $58,843, or 65.0%, to $149,359. The majority of the miscellaneous expense increase was due to increased Department of Motor Vehicle fees incurred during our ongoing efforts to collect toll violations and to the adjustment of our sticker tag and spare parts inventories when we expensed sticker tags issued and spare parts used during the year. Repairs and maintenance in 2022 increased by $40,894, or 59.5%, to $109,681 due to the costs (below our capitalization limits) of repairs to several HVAC units in our toll booths and facilities and repairs made to treadles in our toll lanes. Card processing fees continued to increase as more patrons use credit and debit cards to pay toll revenues or to increase their PalPass account balances. Those fees rose 11.7%, or $38,323, to $366,595 during 2022. Employee benefits increased 15.5%, or $37,369, to $278,139. That 2022 increase was mainly attributable to the ever-rising costs of health insurance. In 2022, office supplies totaled $160,861 and represented an increase of $33,494, or 26.3%, due to large purchases of stamps and increased purchases of mailing supplies as we ramped up efforts to collect toll violations. Our 2022 insurance expense rose 17.3%, or $26,094, to $176,959 resulting from premium increases in our workers' compensation, directors and officers, employment practices liability and cyber insurance renewals.

We also realized certain operating expense decreases in 2023 and 2022. In 2023, the largest decreases occurred in depreciation expense, professional fees and repairs and maintenance. Depreciation expense decreased 73.9%, or $144,441, to $51,146 because many of our capital assets were fully depreciated by the end of 2022. Professional fees totaled $313,119 and represented a net decline of $64,252, or 17.0% from 2022 amounts due to the recognition of a full year of reduced toll system support payments discussed in the following paragraph. Repairs and maintenance costs fell $40,601, or 37.0%, to $69,080 as we incurred fewer repairs to our building facilities in 2023.

Our largest 2022 operating expense decreases were recognized in depreciation and professional fees. Depreciation totaled $195,587 and represented a reduction of 41.6%, or $139,197, because our 2017 toll system upgrade was fully depreciated mid-year. Professional fees fell $46,817, or 11.0%, to $377,371. That net reduction was comprised of lower toll system support payments as our contract for such support payments expired mid-year and was renegotiated at a lower cost and the cessation of unsuccessful lobbying efforts offset by an increase in legal and accounting fees.

Nonoperating Revenues and Expenses

During both 2023 and 2022, the Association realized increases in nonoperating expenses resulting from increased interest expense accretions on our 2011 Bonds offset by nonoperating income. Overall, 2023 net nonoperating expenses increased by $232,282, or 1.2%, to $20,048,705. Our 2022 net nonoperating expenses increased by 0.2%, or $40,920, to $19,816,423. Nonoperating income in 2023 was $532,275, an increase of $359,387, or 207.9%, over 2022 amounts. In 2022, nonoperating income increased by $161,141, or 1,371.8%, to $172,888. In both years 2023 and 2022, nonoperating income comprised interest income and unrealized gains on our government obligation mutual funds. The return on our government obligation mutual funds rose significantly during 2023 and 2022 due to surging inflation as compared to the 2021 return that drastically declined during the pandemic. The annual average return on our government obligation mutual funds was 4.60% for 2023, 1.27% for 2022, and 0.01% for 2021. In 2023 and 2022, our most significant nonoperating expense was interest expense, which increased by 2.5% in 2023 and by 2.8% in 2022, or $400,673 and $441,792, to $16,570,270 and $16,169,597, respectively. Our interest expense was attributable to accretions on our 2011 Capital Appreciation Bonds in both years. Cash outlays for debt service on our 2011 Bonds totaled $11,299,468 paid in January 2023 and consisted of debt service then due on our 2011 Senior and Senior Subordinate Bonds and the payoff of our 2022 Senior Subordinate Bond Arrearages. In 2022, cash outlays for debt service payments totaled $10,610,612 paid in January and February. Such payments represented debt service then due on our 2011 Senior Bonds, partial payments of debt service due on our 2011 Senior Subordinate Bonds and the payoff of our 2021 Senior Subordinate Bond Arrearages. Debt service payments in January and February of 2021 totaled $8,059,844 and included debt service then due on our 2011 Senior Bonds and partial payments of debt service due on our 2011 Senior Subordinate Bonds.

In 2023 and 2022, other nonoperating expenses consisted of SCDOT maintenance expense and amortization of our intangible right-to-use License Agreement with SCDOT. The SCDOT maintenance expense rose 76.9%, or $188,659, to $433,933 in 2023. In 2022, such expense totaled $245,274, and fell $239,731, or 49.4%, from the 2021 total. These reimbursements of Southern Connector maintenance costs incurred by SCDOT are paid solely from and to the extent of monies accumulated in the Association's 2011 R&R Fund as prescribed by the terms of the Trust Indenture and License Agreement. Monies transferred into the 2011 R&R Fund in 2023 in accordance with the Waterfall provisions of the Trust Indenture totaled $966,375, an increase of $359,713, or 59.3%, over the 2022 additions of $606,662. The 2022 transfers increased 8.6%, or $48,209, over 2021 additions of $558,453. (See Note 1, item J and Notes 5, 6, 8 and 10 to the financial statements for more information about deposits into and payments from our 2011 R&R Fund.) The amortization of our License Agreement with SCDOT totaled $3,574,440 in 2023, 2022 and 2021.

Extraordinary Items

In 2023 and 2022, the Association received $2,073 and $24,472, respectively, as partial settlement of its claim filed several years ago against Lehman Brothers, Inc. in Lehman's bankruptcy case. No such settlement monies were received in 2021. The Lehman Brothers claim was filed for losses incurred by the Association in 2008 when Lehman Brothers defaulted under a collateralized repurchase agreement held in connection with investments of monies in our 1998 Bonds Debt Service Reserve Accounts. Governmental accounting standards require that a gain or loss be reported as an extraordinary item if it is both unusual in nature and infrequent in occurrence. The monies that we received in this settlement are clearly unrelated to our ordinary and typical activity of operating the Southern Connector, so they meet the "unusual" criteria specified by accounting literature. They also meet the "infrequent" criteria since (a) at the time that we filed our claim against Lehman Brothers, we had no reasonable expectation of recovery, and (b) upon each receipt of monies, the Association had no further expectation of receiving additional sums from our claim. Accordingly, we reported these gains as extraordinary items in our 2023 and 2022 financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2023 and 2022, capital assets, net of depreciation and amortization, totaled $98,714,792 and $102,282,492, respectively. Those amounts represented net decreases from the prior year of 3.5% for both years, or $3,567,700 and $3,755,777, respectively.

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

	2023	2022	2021
Nondepreciable Capital Assets	$ 5,390	$ -	$ -
Capital Assets, Net of Depreciation and Amortization:			
Equipment	51,553	83,232	128,938
Software	-	-	110,767
Vehicles	62,982	29,953	54,817
Interest in License Agreement with SCDOT (Right-to-Use Asset)	98,594,867	102,169,307	105,743,747
Total Capital Assets, Net of Depreciation and Amortization	$ 98,714,792	$ 102,282,492	$ 106,038,269

In 2023, we incurred $5,390 of costs related to the purchase, refurbishment and installation of automated toll payment machines ("ATPMs") discussed in the following paragraph and capitalized those costs as nondepreciable construction in progress at December 31, 2023. Our remaining capital assets in 2023 and all of our capital assets in 2022 and 2021 were subject to depreciation/amortization. During 2023, we purchased two trucks at a cost totaling $76,000. One of the trucks purchased was the replacement of a truck that was totaled in an accident. At the time of the accident, that truck had an undepreciated value of $23,504. We received insurance proceeds of $21,167 for the totaled truck; accordingly, we recorded a loss of $2,337 in 2023 related to the totaled truck. During 2022, we purchased a new air conditioning unit for our server room at a cost of $14,250. We disposed of no capital assets during the year. In late 2021, we purchased a vehicle for $30,006 to replace another vehicle that was totaled in an accident. We received $15,946 of insurance proceeds on the totaled vehicle, which had an undepreciated value at the time of the accident of $4,780. Accordingly, we recognized a 2021 gain of $11,166 on the disposal of that wrecked vehicle.

During 2022, the remaining toll system support provisions of our 2015 toll system development contract with A-to-Be expired, and an amended toll system support contract was negotiated at a lower monthly cost. The original 2015 contract included 60 monthly payments of $15,623 to be paid to A-to-Be beginning in July 2017. Following expiration of that contract, we negotiated an amended contract for the purchase, refurbishment and installation of ATPMs and the development of related software to operate the ATPMs and integrate them into our existing toll software (the "2022 toll system contract"). That contract includes provisions that became effective in June 2022 for A-to-Be to continue its toll system support for an additional period of time – originally, 46 months ("the toll system support period"). The 2022 toll system contract calls for toll system support payments of $8,000 per month until the ATPMs are operating and $10,000 per month once that equipment is operational. The terms of the contract specify a projected Go-Live Date in April 2023 at which the ATPMs were expected to be operational, but include provisions to extend the toll system support period if the ATPMs are not operational by that date. (See Notes 4 and 13 to the financial statements for more information.) In 2021, we included $187,482 of toll system support related to the 2015 toll system development contract in our professional fees. In 2022, contractual toll system support payments included in professional fees totaled $149,740 and included $93,740 representing the final toll system support payments due under the 2015 toll system development contract and $56,000 of toll system support payments under the 2022 toll system contract. During 2023, issues were encountered during the development of the software needed to integrate the ATPMs into our existing toll software and accordingly, the Go-Live Date for the ATPMs was postponed until approximately mid-2024. The Association exercised the provisions of the 2022 toll system contract that allow for the extension of the toll system support period. Thus, we incurred $96,000 of toll system support in 2023 that is included in our professional fees. Assuming a revised Go-Live Date estimated to occur in mid-2024, our outstanding commitments at December 31, 2023 and 2022 related to the 2022 toll system contract totaled approximately $408,000 and $504,000, respectively.

Debt Administration

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

The balances of the Association's 2011 Bonds totaled $244,777,849 and $239,507,047 at December 31, 2023 and 2022, respectively. Of the December 31, 2023 balances, $12,289,063 was due to be paid in early 2024. Since monies accumulated in our Trust Debt Service accounts were insufficient to pay the full amounts due January 1, 2024, we instead paid as much as possible of the debt service due. In January 2024, we paid $11,923,559 of debt service, including $9,007,337 applicable to our 2011 Senior Bonds, $2,080,591 applicable to our Senior Subordinate Bonds and the 2021 through 2023 Junior Subordinate Bond Arrearages totaling $835,631. In February, we paid $113,778 of extraordinary mandatory prepayments and redemptions towards our 2011 Senior Bonds, including $5,418 of premiums. Of the December 31, 2022 balances, $12,059,185 was due to be paid in early 2023. Monies accumulated in our Trust Debt Service accounts were sufficient to pay the full amount due only on our 2011 Senior and Senior Subordinate Bonds and our 2022 Senior Subordinate Bond Arrearages. Accordingly in January 2023, we paid $11,299,468 of debt service, including $8,521,403 towards our 2011 Senior Bonds, $809,711 due on our 2022 Senior Subordinate Bond Arrearages and $1,968,354 of scheduled debt service due on our 2011 Senior Subordinate Bonds. Of the December 31, 2021 balances, $11,826,357 was due to be paid in early 2022. Accumulated monies in our Trust Debt Service accounts were insufficient to pay the full amount due at that time, so we instead paid the amount available, a total of $10,610,612. That amount consisted of $8,060,071 paid in January as scheduled on our 2011 Senior Bonds, $1,435,027 of debt service due on the 2021 Senior Subordinate Bond Arrearages paid in February and $1,115,514 paid in February as partial payments of the scheduled debt service due on our 2011 Senior Subordinate Bonds.

No Trust monies were available for payment of, and therefore, no debt service was paid related to, our 2011 Junior Subordinate Bonds in either 2023, 2022 or 2021.

Increases in our Bonds payable balances totaled $5,270,802 and $5,558,985, or 2.2% and 2.4%, during 2023 and 2022, respectively. In both years, the net increases resulted from interest expense accretions offset by debt service paid early in the year. Interest expense for 2023 and 2022 totaled $16,570,270 and $16,169,597, respectively. The 2023 interest expense represented regularly scheduled accretions as well as accretions on the 2021 through 2023 Junior Subordinate Bond Arrearages. The 2022 interest expense represented regularly scheduled accretions and accretions on the 2022 Senior Subordinate Bond Arrearages and on both the 2021 and 2022 Junior Subordinate Bond Arrearages. Interest expense in 2023 and 2022 increased by 2.5% and 2.8%, respectively, and translated to changes of $400,673 and $441,792, respectively.

At December 31, 2023 and 2022, we were in compliance with the Debt Service Coverage Ratios as defined in the Trust Indenture, but we did not meet those ratios in 2021. Section 706, Toll Rate Covenant, of such Trust Indenture obligates the Association to deliver a Toll Rate Study to the Trustee every five years. Such Section further provides that if the Debt Service Coverage Ratio for any annual period ending on January 1 of each calendar year is less than (i) 1.25 for the Senior Bonds or (ii) 1.00 for the Senior Subordinate Bonds, or if the Association fails to pay any Debt Service then due on any Senior Bonds or Senior Subordinate Bonds, then in such event, the Association shall retain a Consultant to undertake a Toll Rate Study to establish toll charges equal to the Optimum Rates as set forth in Section 6.4 of the License Agreement. However, Section 706 of the Trust Indenture further provides that the Association shall not be required to retain a Consultant or undertake a Toll Rate Study more frequently than once every two years. The Association provided the Trustee with a Toll Rate Study in 2023 in connection with the adjustment of the Toll Rates that became effective in January 2024.

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

SUBSEQUENT EVENTS

At December 31, 2023, insufficient funds were accumulated in our Trust Debt Service accounts to pay the full amounts of all scheduled debt service due in January 2024. Instead, in accordance with the terms of our Trust Indenture, we paid the monies that were available, totaling $12,031,919, towards the debt service that was due. In early January 2024, we paid the regularly scheduled debt service due on our 2011 Senior and Senior Subordinate Bonds of $9,007,337 and $2,080,591, respectively. We also paid off the outstanding balances of our 2021 through 2023 Junior Subordinate Bond Arrearages, which totaled $835,631. On February 15, 2024, in accordance with provisions of the Trust Indenture, we paid extraordinary mandatory prepayments and redemptions on our 2011 Senior Bonds totaling $113,778. Of that amount, $108,360 represented the accreted amounts of the bonds paid and $5,418 represented premiums paid. The remaining unpaid debt service due at February 15, 2024 represented the regularly scheduled debt service due on our 2011 Junior Subordinate Bonds; accordingly, at that date, $257,144 of debt service was classified as the 2024 Junior Subordinate Bond Arrearages. See Note 1, item J, and Notes 8 and 13 to the financial statements for more information about the Association's Trust Fund accounts, the extraordinary mandatory prepayments/redemptions paid and the related nonpayment of debt service and subsequent classification as Arrearages.

Effective January 2, 2024, we implemented the toll rate increases recommended in the 2023 Toll Rate Study. See Notes 5, 8 and 13 to the financial statements for more information.

Due to a delay in development of the custom software required to integrate our ATPMs into our existing toll software system, certain provisions of our 2022 toll system contract with A-to-Be (discussed above in the *Capital Assets* subsection of the *Capital Assets and Debt Administration* section of this management's discussion and analysis) were postponed and are expected to become effective in mid-2024. At the time this management's discussion and analysis was written, the ATPMs were purchased from another vendor at a cost of $305,600. A-to-Be is currently in the process of refurbishing the ATPMs and developing the software to operate them, and will begin installation and testing of the ATPMs in the coming weeks. Once the Go-Live Date as defined in the contract has been achieved, the $484,640 cost of the equipment refurbishment and installation and related software development will be payable over 36 months in monthly installments of $14,863, including interest imputed at 6.542 percent. The Association provides no collateral to A-to-Be under the finance terms included in our 2022 toll system contract. See Notes 4 and 13 to the financial statements for more information.

CONTACTING THE CONNECTOR 2000 ASSOCIATION, INC.

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

Basic Financial Statements

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

STATEMENTS OF NET POSITION - PROPRIETARY FUND

DECEMBER 31, 2023 AND 2022

	Business-Type Activities - Enterprise Fund	
ASSETS	**2023**	**2022**
Current Assets:		
Cash and Cash Equivalents	$ 1,541,057	$ 1,400,519
Prepaid Expenses	75,950	78,408
Inventories	51,471	111,445
Total Current Assets	1,668,478	1,590,372
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	18,052,540	16,619,302
Total Noncurrent Restricted Assets	18,052,540	16,619,302
Capital Assets:		
Construction In Progress	5,390	-
Equipment	893,910	893,910
Software	1,129,948	1,129,948
Vehicles	257,608	211,613
Right-to-Use - Interest in License Agreement with SCDOT	192,623,492	192,623,492
Less: Accumulated Depreciation and Amortization	(96,195,556)	(92,576,471)
Total Capital Assets	98,714,792	102,282,492
Total Noncurrent Assets	116,767,332	118,901,794
TOTAL ASSETS	**$ 118,435,810**	**$ 120,492,166**
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 84,697	$ 83,894
Unearned Toll Revenue	1,080,433	977,469
Revenue Bonds Payable, Current Portion	12,289,063	12,059,185
SCDOT Maintenance Payable	61,157	41,537
Total Current Liabilities	13,515,350	13,162,085
Noncurrent Liabilities:		
Revenue Bonds Payable, Less Current Portion	232,488,786	227,447,862
TOTAL LIABILITIES	**246,004,136**	**240,609,947**
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	(2,282,267)	(3,864,711)
Restricted for:		
SCDOT Maintenance	3,851,609	3,176,303
Unrestricted	(129,137,668)	(119,429,373)
TOTAL NET POSITION (DEFICIT)	**$ (127,568,326)**	**$ (120,117,781)**

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

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

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

YEARS ENDED DECEMBER 31, 2023 AND 2022

	Business-Type Activities - Enterprise Fund	
	2023	**2022**
OPERATING REVENUES		
Toll Revenues	$ 16,493,774	$ 15,386,376
TOTAL OPERATING REVENUES	**16,493,774**	**15,386,376**
OPERATING EXPENSES		
Automobile	42,547	32,002
Bank Fees and Charges	10,823	14,414
Contract Services	52,292	61,973
Card Processing Fees	413,261	366,595
Employee Benefits	292,260	278,139
Miscellaneous	183,447	149,359
Office Supplies	199,105	160,861
Payroll Taxes	121,528	118,189
Repairs and Maintenance	69,080	109,681
Salaries	1,637,394	1,598,812
Telephone	33,679	32,865
Toll Rate Study	150,000	-
Utilities	57,659	48,859
Advertising	11,057	6,240
Depreciation	51,146	195,587
Insurance	199,865	176,959
Marketing	20,312	25,820
Professional Fees	313,119	377,371
Trustee Fees and Costs	39,113	39,113
TOTAL OPERATING EXPENSES	**3,897,687**	**3,792,839**
OPERATING INCOME	**12,596,087**	**11,593,537**
NONOPERATING REVENUES (EXPENSES)		
Interest Earned on Cash Equivalents and Investments	532,273	172,870
Realized and Unrealized Gain (Loss) on Investments	2	18
Interest Expense	(16,570,270)	(16,169,597)
SCDOT Maintenance Expense	(433,933)	(245,274)
Gain (Loss) on Disposal of Capital Assets	(2,337)	-
Amortization of Interest in License Agreement with SCDOT	(3,574,440)	(3,574,440)
TOTAL NONOPERATING REVENUES (EXPENSES)	(20,048,705)	(19,816,423)
LOSS BEFORE EXTRAORDINARY ITEM	(7,452,618)	(8,222,886)
EXTRAORDINARY ITEM		
Extraordinary Gain on Claim against Lehman Brothers	2,073	24,472
CHANGE IN NET POSITION	(7,450,545)	(8,198,414)
NET POSITION (DEFICIT), Beginning of Year	(120,117,781)	(111,919,367)
NET POSITION (DEFICIT), End of Year	**$ (127,568,326)**	**$ (120,117,781)**

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

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

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND

YEARS ENDED DECEMBER 31, 2023 AND 2022

	Business-Type Activities - Enterprise Fund 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from:		
Toll Collections	$ 16,596,738	$ 15,490,227
Payments for:		
Toll Road Employees and Contract Labor	(2,042,699)	(1,990,727)
Vendors and Service Providers	(2,154,920)	(2,029,643)
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,399,119	11,469,857
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(81,390)	(14,250)
Principal Paid on Bonds Payable	(11,299,468)	(10,610,612)
Insurance Recoveries Received from Totaled Vehicle	21,167	-
Proceeds from Lehman Brothers Settlement	2,073	24,472
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(11,357,618)	(10,600,390)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Investments	2	18
Interest Received	532,273	172,870
NET CASH PROVIDED BY INVESTING ACTIVITIES	532,275	172,888
INCREASE IN CASH AND CASH EQUIVALENTS	**1,573,776**	**1,042,355**
CASH AND CASH EQUIVALENTS, Beginning of Year	18,019,821	16,977,466
CASH AND CASH EQUIVALENTS, End of Year	**$ 19,593,597**	**$ 18,019,821**
Reconciliation of Cash and Cash Equivalents - Statements of Cash Flows to Statements of Net Position		
Unrestricted Cash and Cash Equivalents - Current Assets	$ 1,541,057	$ 1,400,519
Restricted Cash and Cash Equivalents - Noncurrent Assets	18,052,540	16,619,302
Total Cash and Cash Equivalents Shown on Statements of Net Position	**$ 19,593,597**	**$ 18,019,821**
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Operating Income	$ 12,596,087	$ 11,593,537
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	51,146	195,587
SCDOT Maintenance Expense	(433,933)	(245,274)
Change In:		
Prepaid Expenses	2,458	(27,747)
Inventories	59,974	(2,063)
Accounts Payable	803	(16,274)
Unearned Toll Revenue	102,964	103,851
SCDOT Maintenance Payable	19,620	(131,760)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 12,399,119	$ 11,469,857
NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ITEMS		
Amortization of Interest in License Agreement with SCDOT	$ 3,574,440	$ 3,574,440
Interest Accreted on Series 2011 Revenue Bonds	16,570,270	16,169,597
Loss on Disposal of Capital Assets	$ 2,337	$ -

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

The Association has no component units.

B. Measurement Focus, Basis of Presentation and Accounting

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Proprietary fund types are accounted for using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The Association has no internal service funds and has one enterprise fund.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

During 2023, the Association implemented GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* ("GASBS No. 94"). This statement prescribes accounting and financial reporting guidance for public-private and public-public partnerships ("P3 Arrangements") and availability payment arrangements as defined within the statement. The P3 Arrangement provisions of GASBS No. 94 apply to the Association's intangible interest in its License Agreement with SCDOT. Those provisions apply to arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset such as infrastructure or other capital asset for a period of time in an exchange or exchange-like transaction. Implementation of GASBS No. 94 required no change in the Association's method of accounting for or disclosure of its interest in its License Agreement with SCDOT except to identify that intangible capital asset as a right-to-use asset.

The Association also implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* ("SBITAs" and "GASBS No. 96") during 2023. This statement provides guidance on the accounting and financial reporting for SBITAs for governments. The Association reviewed all of its information technology agreements and determined that none are SBITAs; therefore, the implementation of the provisions of GASBS No. 96 had no effect on the Association's financial statements.

During 2022, the Association implemented GASB Statement No. 87, *Leases* ("GASBS No. 87"). The provisions of this statement establish financial statement presentation and disclosure requirements for lease agreements that the Association may enter into as either lessee or lessor. The Association reviewed all of its agreements and determined that it is not a party to any leases; therefore, the application of the provisions of GASBS No. 87 had no effect on the Association's financial statements.

C. Use of Estimates

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

D. Budget

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

E. Cash and Cash Equivalents

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

F. Investments

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Investments (Continued)

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

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

G. Receivables

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

H. Prepaid Expenses and Inventories

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

I. Interest in License Agreement with SCDOT (A Right-To-Use Asset and a P3 Arrangement)

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

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

See Notes 4 and 5 for additional detailed information pertaining to the Association's License Agreement.

J. Restricted Assets

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Restricted Assets (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Restricted Assets (Continued)

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

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

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

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

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

See Notes 5, 8, 10 and 13, respectively, for additional information regarding deposits of Distributable Cash into the 2011 R&R Fund and payments of Distributable Cash for debt service on the 2011 Bonds.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Restricted Assets (Continued)

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

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

The 2011 *Rebate Fund* was established for the purpose of holding and paying arbitrage investment earnings to the U.S. Treasury. Because tax-exempt bond proceeds are invested at rates of return not exceeding the maximum amount that is permitted under the applicable tax code, at December 31, 2023 and 2022, there were no monies on deposit in this Fund. Although the 2011 Rebate Fund is maintained by the Trustee, it is not a part of the 2011 Trust Estate.

K. Compensated Absences

The Association grants its regular full-time employees paid vacation days based on years of service and 10 paid holidays per year. Employees receive no sick days but are allowed to use vacation or holiday time when sick. All vacation and holiday time must be taken in the year earned. Therefore, at December 31, 2023 and 2022, there are no accumulating vacation or holiday benefits, thus no liability for such items was recognized.

L. Capital Assets

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

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

M. Bonds Payable and Related Bond Issuance Costs

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Rebatable Arbitrage

Arbitrage involves the investment of proceeds resulting from the sale of tax-exempt securities in a taxable investment that yields a higher rate, which produces income in excess of interest costs. With certain exceptions, federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from those earnings exceeds the effective yield on the related tax-exempt debt issued. The Federal Government only requires arbitrage rebates to be calculated, reported and paid every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes, and any arbitrage rebate liability incurred is recognized at that time. The liability is recorded using the revenue reduction method, whereby the rebate is recorded as a reduction of interest revenue. At December 31, 2023 and 2022, the Association had no arbitrage liability.

O. Net Position (Deficit)

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

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

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

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

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

The Association's net deficit at December 31, 2023 and 2022, represents accumulated shortfalls since commencement of operations because toll revenues have been insufficient to cover all interest accretions on the Association's Bonds. The majority of such accretions are not payable from current toll revenues, but from revenues to be received in future years.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Association's deposits might not be recovered. The Association does not have a formal deposit policy for custodial credit risk, but follows the guidelines outlined in the Association's Trust Indenture (as noted earlier) which are consistent with federal and South Carolina law. At December 31, 2023, approximately $1,107,300 of the Association's bank balances of approximately $1,362,400 (with a carrying value of $1,541,057) were uninsured and uncollateralized. At December 31, 2022, approximately $1,034,200 of the Association's bank balances of approximately $1,287,300 (with a carrying value of $1,400,519) were uninsured and uncollateralized. The South Carolina State Treasurer held none of the deposits noted above.

Investments

The South Carolina State Treasurer held none of the investments noted below. As of December 31, 2023 and 2022, the Association had the following investments as defined by GASB:

Investment Type	Credit Rating [1]	Fair Value Level [2]	Fair Value	Percentage of Total Investments	Weighted Average Maturity (in Years)
December 31, 2023:					
Money Market Mutual Funds	AAAm, Aaa-mf, AAAmmf	1	$ 18,052,540	100.00%	0.1178
December 31, 2022:					
Money Market Mutual Funds	AAAm, Aaa-mf, AAAmmf	1	$ 16,619,302	100.00%	0.0466

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

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

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Association will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Association does not have a formal investment policy for custodial credit risk, but follows the guidelines outlined in the Association's Trust Indenture (as noted earlier) which are consistent with federal and South Carolina law. As of December 31, 2023 and 2022, none of the Association's investments were exposed to custodial credit risk.

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits and Investments

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

Statements of Net Position			Notes		
	2023	2022		2023	2022
Unrestricted Current Assets:					
Cash and Cash Equivalents	$ 1,541,057	$ 1,400,519	Deposits	$ 1,541,057	$ 1,400,519
Investments	-	-	Investments	18,052,540	16,619,302
Restricted Noncurrent Assets:					
Cash and Cash Equivalents	18,052,540	16,619,302			
Investments	-	-			
	$ 19,593,597	$ 18,019,821		$ 19,593,597	$ 18,019,821

See Note 1, item J, and Notes 5, 8, 10 and 13 for additional information about restrictions on deposits and balances of the various Trust Funds at December 31, 2023 and 2022.

NOTE 3 – RECEIVABLES

At December 31, 2023 and 2022, the Association had no receivable balances.

NOTE 4 – CAPITAL ASSETS

The following tables summarize the changes in capital assets of the Association during the past two years and their balances at December 31, 2023 and 2022.

For the years ended December 31, 2023 and 2022, depreciation and amortization expense related to capital assets totaled $3,625,586 and $3,770,027, respectively. Such amounts are reported in the accompanying 2023 and 2022 Statements of Revenues, Expenses and Changes in Net Position – Proprietary Fund as $51,146 and $195,587, respectively, of depreciation within operating expenses and as $3,574,440 (for both years) of amortization within nonoperating expenses. See Note 1, items B, I and L and Note 5 for additional information about the Association's capitalization policy and its methods of calculating depreciation and amortization.

Description	Balance December 31, 2022	Additions	Disposals	Balance December 31, 2023
Capital Assets, Not Being Depreciated:				
Automated Toll Payment System Development In Progress	$ -	$ 5,390	$ -	$ 5,390
Capital Assets, Not Being Depreciated	-	5,390	-	5,390
Capital Assets, Being Depreciated:				
Equipment	893,910	-	-	893,910
Software	1,129,948	-	-	1,129,948
Vehicles	211,613	76,000	(30,005)	257,608
Interest in License Agreement with SCDOT (a Right-to-Use Asset)	192,623,492	-	-	192,623,492
Less: Accumulated Depreciation and Amortization	(92,576,471)	(3,625,586)	6,501	(96,195,556)
Capital Assets, Being Depreciated, Net	102,282,492	(3,549,586)	(23,504)	98,709,402
Capital Assets, Net	$ 102,282,492	$ (3,544,196)	$ (23,504)	$ 98,714,792

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Description	Balance December 31, 2021	Additions	Disposals	Balance December 31, 2022
Capital Assets (All Being Depreciated):				
Equipment	$ 879,660	$ 14,250	$ -	$ 893,910
Software	1,129,948	-	-	1,129,948
Vehicles	211,613	-	-	211,613
Interest in License Agreement with SCDOT (a Right-to-Use Asset)	192,623,492	-	-	192,623,492
Less: Accumulated Depreciation and Amortization	(88,806,444)	(3,770,027)	-	(92,576,471)
Capital Assets, Net	$ 106,038,269	$ (3,755,777)	$ -	$ 102,282,492

The Association's toll system development contract with A-to-Be USA LLC ("A-to-Be") included a minimum one-month training period and a minimum 60-month support period (to overlap the training period) during which the Association paid 60 monthly installments totaling $937,409 to A-to-Be. The monthly toll system support payments began in July 2017, when provisional acceptance of the toll system was granted. These monthly toll system support payments ended in June of 2022. Accordingly, the Association's professional fees expense for 2022 included $93,740 paid to A-to-Be for such toll system support.

During 2022, the Association negotiated an amended contract with A-to-Be that contains provisions relating to the purchase, refurbishment and installation of automated toll payment machines ("ATPMs"), the development of custom software to operate the ATPMs and integrate them into the Association's existing toll system and continuation of toll system support, to include the ATPMs once they are installed (the "ATPM contract"). Originally the "Go-Live Date", the date on which the ATPMs become operational and final acceptance of the project is achieved, was projected to be April 1, 2023. However, due to delays in the development of the software required to integrate the ATPMs with the Association's toll system, the estimated Go-Live Date has been revised to mid-2024. Accordingly, at December 31, 2022 and 2023, the contract provisions related to the ATPMs and their related software had not become effective. However, the contract provisions relating to continued toll system support became effective in June 2022 and will remain in effect until 36 months after the ATPM Go-Live Date. Those provisions call for initial monthly payments of $8,000 of toll system support from June 2022 until the ATPM Go-Live Date, followed by 36 monthly payments of toll system support of $10,000 once the ATPMs become operational. See Note 13 for additional information regarding the ATPM contract. The Association's 2022 professional fees expense included $56,000 paid to A-to-Be for toll system support under this contract. Total toll system support paid under both contracts in 2022 was $149,740.

All of the Association's 2023 toll system support payments were made under the ATPM contract discussed above and totaled $96,000 at December 31 2023.

Based on an estimated mid-2024 Go-Live Date for the ATPMs, at December 31, 2023 and 2022, the Association had $408,000 and $504,000, respectively, of outstanding toll system support commitments related to the above ATPM contract.

NOTE 5 – INTEREST IN LICENSE AGREEMENT WITH SCDOT – A P3 ARRANGEMENT

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

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

NOTE 5 – INTEREST IN LICENSE AGREEMENT WITH SCDOT – A P3 ARRANGEMENT (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

A toll rate study was performed during 2023; accordingly, in January 2024, the Association implemented the new toll rates recommended in the toll rate study.

NOTE 5 – INTEREST IN LICENSE AGREEMENT WITH SCDOT – A P3 ARRANGEMENT (CONTINUED)

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

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

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

The Association is amortizing the License Agreement through its contractual termination date, or July 2051. Amortization of the License Agreement was $3,574,440 for each of the years ended December 31, 2023 and 2022.

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

NOTE 6 – PAYABLES

At December 31, 2023 and 2022, the Association's accounts payable comprised the following:

Description	Balance December 31, 2023	Balance December 31, 2022
Accounts Payable - Trade	$ 27,924	$ 33,170
Accrued Payroll	33,073	25,180
Accrued Payroll Taxes	2,468	1,878
Accrued Professional Fees	21,232	23,666
Total Accounts Payable	$ 84,697	$ 83,894

At December 31, 2023 and 2022, the Association accrued $61,157 and $41,537, respectively, of maintenance payable to SCDOT solely from the 2011 R&R Fund. These amounts were billed by SCDOT for maintenance performed during the respective year's fourth quarter in accordance with the maintenance provisions of the License Agreement. See Note 1, items B and J, and Notes 5, 8 and 10 for additional information.

NOTE 7 – INTEREST COSTS INCURRED

Interest costs expensed during the years ended December 31, 2023 and 2022 totaled $16,570,270 and $16,169,597, respectively. Interest expense in both years included interest accreted on the Association's 2011 Bonds, including any outstanding Arrearages.

NOTE 8 – BONDS PAYABLE

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

NOTE 8 – BONDS PAYABLE (CONTINUED)

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

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

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

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

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

The *2011 Senior Bonds* as follows:

- *Series 2011A Senior Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011A Serial Bonds") were dated April 1, 2011, and originally included eleven serial bonds that accreted interest at various rates from 3.25% to 6.00%. The original principal amount at issuance of these serial bonds totaled \$36,625,650. The Association paid these serial bonds in full on January 1, 2022.

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

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

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

    - The Series 2011A term bonds maturing on July 22, 2051, with an aggregate original principal amount of \$73,418 are subject to annual pro-rata paydown payments on January 1 of the years 2043 through 2051 in varying amounts from \$90,876 to \$113,077, with a payment of \$31,644 (as revised following the extraordinary mandatory prepayments paid on February 15 of years 2014, 2018 – 2020 and 2024) at final maturity on July 22, 2051. Interest accretes on these term bonds at 7.50%.

NOTE 8 – BONDS PAYABLE (CONTINUED)

- *Series 2011A1 Senior Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011A1 New Term Bonds") are dated April 1, 2011, and include three term bonds.
  - The Series 2011A1 term bonds maturing on January 1, 2032, with an aggregate original principal amount of $40,455,704 and a maturity value of $149,446,102 are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2023 through 2031 in varying amounts from $8,487,008 to $13,452,215, with a payment of $13,683,044 at final maturity on January 1, 2032. Interest accretes on these term bonds at 6.50%.
  - The Series 2011A1 term bonds maturing on January 1, 2042, with an aggregate original principal amount of $31,336,681 and a maturity value of $250,959,619 are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2033 through 2041 in varying amounts from $15,698,783 to $22,186,026, with a payment of $22,305,954 at final maturity on January 1, 2042. Interest accretes on these term bonds at 7.00%.
  - The Series 2011A1 term bonds maturing on July 22, 2051, with an aggregate original principal amount of $18,117,434 and a maturity value of $334,287,216 are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2043 through 2051 in varying amounts from $22,424,076 to $27,900,334, with a payment of $7,801,121 (as revised following the extraordinary mandatory redemptions paid on February 15 of years 2014, 2018 – 2020 and 2024) at final maturity on July 22, 2051. Interest accretes on these term bonds at 7.5%.

The *2011 Senior Subordinate Bonds* as follows:

- *Series 2011B Senior Subordinate Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011B Retained Term Bonds") are dated April 1, 2011, and include two term bonds.
  - The Series 2011B term bonds maturing on January 1, 2032, with an aggregate original principal amount of $56,612 are subject to annual pro-rata paydown payments on January 1 of the years 2013 through 2031 in varying amounts from $2,754 to $12,923, with a payment of $13,152 at final maturity on January 1, 2032. Interest accretes on these term bonds at 8.50%.
  - The Series 2011B term bonds maturing on July 22, 2051, with an aggregate original principal amount of $28,491 are subject to annual pro-rata paydown payments on January 1 of the years 2033 through 2051 in varying amounts from $14,702 to $26,129, with a payment of $14,676 at final maturity on July 22, 2051. Interest accretes on these term bonds at 9.00%.
- *Series 2011B1 Senior Subordinate Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011B1 New Term Bonds") are dated April 1, 2011, and include two term bonds.
  - The Series 2011B1 term bonds maturing on January 1, 2032, with an aggregate original principal amount of $13,606,458 and a maturity value of $73,945,516 are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2013 through 2031 in varying amounts from $662,275 to $3,106,955, with a payment of $3,160,274 at final maturity on January 1, 2032. Interest accretes on these term bonds at 8.50%.
  - The Series 2011B1 term bonds maturing on July 22, 2051, with an aggregate original principal amount of $7,029,534 and a maturity value of $226,739,016 are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2033 through 2051 in varying amounts from $3,626,162 to $6,444,579, with a payment of $3,616,453 at final maturity on July 22, 2051. Interest accretes on these term bonds at 9.00%.

NOTE 8 – BONDS PAYABLE (CONTINUED)

The *2011 Junior Subordinate Bonds* as follows:

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

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

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

The Association is required to make extraordinary mandatory prepayments of its 2011 Retained Term Bonds and redemptions of its 2011 New Term Bonds if on any January 1, the 2011 Extraordinary Prepayment Fund described in Note 1, item J contains in excess of $50,000. In such case, the monies in the 2011 Extraordinary Prepayment Fund shall be applied toward extraordinary mandatory prepayments/redemptions of the 2011 Bonds on the following February 15, at 105% of the accreted value of the respective 2011 Bonds being paid. Extraordinary mandatory prepayments/redemptions shall pay the 2011 Senior Bonds first. If there are no 2011 Senior Bonds outstanding, then the 2011 Senior Subordinate Bonds shall be prepaid/redeemed. If there are no outstanding 2011 Senior or Senior Subordinate Bonds, then the 2011 Junior Subordinate Bonds shall be prepaid/redeemed. The Association made such extraordinary mandatory prepayments/redemptions in 2014, 2018, 2019, 2020 and 2024. See Note 13 for additional information regarding the extraordinary mandatory prepayments/redemptions made by the Association on February 15, 2024.

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

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

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

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

NOTE 8 – BONDS PAYABLE (CONTINUED)

The Association's bonds payable activity for the years ended December 31, 2023 and 2022 was as follows:

	Balance December 31, 2022	Increases	Decreases	Transfers of Arrearages	Balance December 31, 2023	Amount Due in One Year
Senior Bonds:						
Series 2011A Retained Term Bonds	$ 792,924	$ 52,393	$ 34,395	$ -	$ 810,922	$ 36,790 #
Series 2011A1 New Term Bonds	195,662,322	12,927,780	8,487,008	-	200,103,094	9,078,907 #
Total Senior Bonds	196,455,246	12,980,173	8,521,403	-	200,914,016	9,115,697
Senior Subordinate Bonds:						
Series 2011B Retained Term Bonds	153,570	12,753	8,155	-	158,168	8,622
Series 2011B1 New Term Bonds	37,410,489	3,109,894	1,960,199	-	38,560,184	2,071,969
Series 2011B Retained Term Bond Arrearages	3,361	-	3,361	-	-	-
Series 2011B1 New Term Bond Arrearages	806,350	-	806,350	-	-	-
Total Senior Subordinate Bonds	38,373,770	3,122,647	2,778,065	-	38,718,352	2,080,591
Junior Subordinate Bonds:						
Series 2011C Retained Term Bonds	35,281	3,322	-	(2,065)	36,538	2,181
Series 2011C1 New Term Bonds	4,126,320	388,214	-	(241,222)	4,273,312	254,963
Series 2011C Retained Term Bond Arrearages	4,383	645	-	2,065	7,093	7,093
Series 2011C1 New Term Bond Arrearages	512,047	75,269	-	241,222	828,538	828,538
Total Junior Subordinate Bonds	4,678,031	467,450	-	-	5,145,481	1,092,775
Total Revenue Bonds Payable	$ 239,507,047	$ 16,570,270	$ 11,299,468	$ -	$ 244,777,849	$ 12,289,063

Amounts due in one year at December 31, 2023 on the Series 2011A Retained Term Bonds and the 2011A1 New Term Bonds include the extraordinary mandatory prepayments and redemptions (discussed below and in Note 13) that were paid in February 2024. Such amounts due in one year exclude the premiums paid with the February 2024 extraordinary mandatory prepayments and redemptions.

NOTE 8 – BONDS PAYABLE (CONTINUED)

	Balance December 31, 2021	Increases	Decreases	Transfers of Arrearages	Balance December 31, 2022	Amount Due in One Year
Senior Bonds:						
Series 2011A Serial Bonds	$ 8,060,071	$ -	$ 8,060,071	$ -	$ -	$ -
Series 2011A Retained Term Bonds	741,827	51,097	-	-	792,924	34,395
Series 2011A1 New Term Bonds	183,056,044	12,606,278	-	-	195,662,322	8,487,008
Total Senior Bonds	191,857,942	12,657,375	8,060,071	-	196,455,246	8,521,403
Senior Subordinate Bonds:						
Series 2011B Retained Term Bonds	148,924	12,362	4,618	(3,098)	153,570	8,155
Series 2011B1 New Term Bonds	36,253,606	3,010,966	1,110,896	(743,187)	37,410,489	1,960,199
Series 2011B Retained Term Bond Arrearages	5,947	263	5,947	3,098	3,361	3,361
Series 2011B1 New Term Bond Arrearages	1,429,080	63,163	1,429,080	743,187	806,350	806,350
Total Senior Subordinate Bonds	37,837,557	3,086,754	2,550,541	-	38,373,770	2,778,065
Junior Subordinate Bonds:						
Series 2011C Retained Term Bonds	34,027	3,207	-	(1,953)	35,281	2,065
Series 2011C1 New Term Bonds	3,979,181	375,291	-	(228,152)	4,126,320	241,222
Series 2011C Retained Term Bond Arrearages	2,031	399	-	1,953	4,383	4,383
Series 2011C1 New Term Bond Arrearages	237,324	46,571	-	228,152	512,047	512,047
Total Junior Subordinate Bonds	4,252,563	425,468	-	-	4,678,031	759,717
Total Revenue Bonds Payable	$ 233,948,062	$ 16,169,597	$ 10,610,612	$ -	$ 239,507,047	$ 12,059,185

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

During 2023 and 2022, $16,570,270 and $16,169,597, respectively, of increases in bonds payable represented accretions on the Association's bonds and were recorded as interest expense. In 2023, decreases in bonds payable totaled $11,299,468 and included $8,521,403 of debt service paid in January on the 2011A Retained Term Bonds and the 2011A1 New Term Bonds, $809,711 of debt service paid in January on the 2011B Retained Term Bond Arrearages and the 2011B1 New Term Bond Arrearages and $1,968,354 of debt service paid in January on the 2011B Retained Term Bonds and the 2011B1 New Term Bonds. The 2022 decreases in bonds payable totaled $10,610,612 and included $8,060,071 of debt service paid in January on the 2011A Serial Bonds, $1,435,027 of debt service paid in February on the 2011B Retained Term Bond Arrearages and the 2011B1 New Term Bond Arrearages and $1,115,514 of partial debt service paid in February on the 2011B Retained Term Bonds and the 2011B1 New Term Bonds.

On January 1, 2024, the balance of the Association's 2011 Extraordinary Prepayment Fund exceeded $50,000. Therefore, on February 15, 2024, in accordance with provisions of the Trust Indenture, the Association made extraordinary mandatory prepayments/redemptions of accreted value to prepay certain of its 2011A Retained Term Bonds and to redeem certain of its 2011A1 New Term Bonds. Details of the extraordinary mandatory prepayments/redemptions are as follows:

NOTE 8 – BONDS PAYABLE (CONTINUED)

	At February 15, 2024		
Bonds Prepaid/Redeemed	Accreted Value Paid	Premium Paid	Total Payments
Series 2011A Retained Term Bonds	$ 436	$ 22	$ 458
Series 2011A1 New Term Bonds	107,924	5,396	113,320
Total Senior Bonds Prepaid/Redeemed	$108,360	$ 5,418	$113,778

Had the above 2011A Retained Term Bonds and 2011A1 New Term Bonds that were prepaid/redeemed on February 15, 2024 remained outstanding until their scheduled maturity on July 22, 2051, their accreted values at such maturity date would have been $3,174 and $784,730, respectively.

Under the terms of the Trust Indenture, if Distributable Cash at any January 1 debt service due date is insufficient to pay all of the debt service then owed on any tier of 2011 Bonds, the debt service on the respective tier(s) of 2011 Bonds is deferred with no additional interest accretions until the following February 15. At that date, available Distributable Cash is used to pay as much as possible of the debt service still owed at February 15. Any unpaid debt service remaining following that February 15 partial payment or nonpayment carries forward and continues to accrete interest from the original January 1 due date. These amounts with interest thereon constitute Arrearages and carry forward until paid. The interest rate applicable to Arrearages is the same rate that is applicable to the tier of 2011 Bonds from which the Arrearages arose. At future debt service payment dates, Arrearages have priority over regularly scheduled debt service within a tier of 2011 Bonds; accordingly, any Distributable Cash is applied first to any Arrearages due on that tier of 2011 Bonds, then to regularly scheduled debt service on that tier of 2011 Bonds. The table below shows activity related to Arrearages from January 1, 2021 through February 15, 2024. For ease of tracking within the table, Arrearages are referred to by the year in which the Arrearages arose.

NOTE 8 – BONDS PAYABLE (CONTINUED)

	Senior Subordinate Bonds			Junior Subordinate Bonds			Total Senior and Junior Subordinate Bonds
	2011B Retained Term Bonds	2011B1 New Term Bonds	Total 2011B Bonds	2011C Retained Term Bonds	2011C1 New Term Bonds	Total 2011C Bonds	
2021 Arrearage Activity:							
Debt Service originally due December 31, 2020	$ 7,293	$ 1,753,281	$ 1,760,574	$ 1,847	$ 215,763	$ 217,610	$ 1,978,184
Debt Service payments made in 2021	(1,812)	(436,158)	(437,970)	-	-	-	(437,970)
2021 Amounts Unpaid at February 15, 2021 ("2021 Arrearages")	5,481	1,317,123	1,322,604	1,847	215,763	217,610	1,540,214
Arrearage Interest Accretions during 2021	466	111,957	112,423	184	21,561	21,745	134,168
Total 2021 Arrearages due December 31, 2021	5,947	1,429,080	1,435,027	2,031	237,324	239,355	1,674,382
Arrearage Debt Service payments made in 2022	(5,947)	(1,429,080)	(1,435,027)	-	-	-	(1,435,027)
Arrearage Interest Accretions during 2022	-	-	-	203	23,744	23,947	23,947
Total 2021 Arrearages due December 31, 2022	-	-	-	2,234	261,068	263,302	263,302
Arrearage Debt Service payments made in 2023	-	-	-	-	-	-	-
Arrearage Interest Accretions during 2023	-	-	-	223	26,087	26,310	26,310
Total 2021 Arrearages due December 31, 2023	-	-	-	2,457	287,155	289,612	289,612
Arrearage Debt Service payments made in 2024	-	-	-	(2,457)	(287,155)	(289,612)	(289,612)
Balance of 2021 Arrearages remaining at February 15, 2024	-	-	-	-	-	-	-
2022 Arrearage Activity:							
Debt Service originally due December 31, 2021	7,716	1,854,083	1,861,799	1,953	228,152	230,105	2,091,904
Debt Service payments made in 2022	(4,618)	(1,110,896)	(1,115,514)	-	-	-	(1,115,514)
2022 Amounts Unpaid at February 15, 2022 ("2022 Arrearages")	3,098	743,187	746,285	1,953	228,152	230,105	976,390
Arrearage Interest Accretions during 2022	263	63,163	63,426	196	22,827	23,023	86,449
Total 2022 Arrearages due December 31, 2022	3,361	806,350	809,711	2,149	250,979	253,128	1,062,839
Arrearage Debt Service payments made in 2023	(3,361)	(806,350)	(809,711)	-	-	-	(809,711)
Arrearage Interest Accretions during 2023	-	-	-	215	25,079	25,294	25,294
Total 2022 Arrearages due December 31, 2023	-	-	-	2,364	276,058	278,422	278,422
Arrearage Debt Service payments made in 2024	-	-	-	(2,364)	(276,058)	(278,422)	(278,422)
Balance of 2022 Arrearages remaining at February 15, 2024	-	-	-	-	-	-	-
2023 Arrearage Activity:							
Debt Service originally due December 31, 2022	8,155	1,960,199	1,968,354	2,065	241,222	243,287	2,211,641
Debt Service payments made in 2023	(8,155)	(1,960,199)	(1,968,354)	-	-	-	(1,968,354)
2023 Amounts Unpaid at February 15, 2023 ("2023 Arrearages")	-	-	-	2,065	241,222	243,287	243,287
Arrearage Interest Accretions during 2023	-	-	-	207	24,103	24,310	24,310
Total 2023 Arrearages due December 31, 2023	-	-	-	2,272	265,325	267,597	267,597
Arrearage Debt Service payments made in 2024	-	-	-	(2,272)	(265,325)	(267,597)	(267,597)
Balance of 2023 Arrearages remaining at February 15, 2024	-	-	-	-	-	-	-
2024 Arrearage Activity:							
Debt Service originally due December 31, 2023	8,622	2,071,969	2,080,591	2,181	254,963	257,144	2,337,735
Debt Service payments made in 2024	(8,622)	(2,071,969)	(2,080,591)	-	-	-	(2,080,591)
2024 Amounts Unpaid at February 15, 2024 ("2024 Arrearages")	-	-	-	2,181	254,963	257,144	257,144
Total Arrearages at February 15, 2024	$ -	$ -	$ -	$ 2,181	$ 254,963	$ 257,144	$ 257,144

NOTE 8 – BONDS PAYABLE (CONTINUED)

The following schedule summarizes the Association's debt service requirements to maturity as of December 31, 2023. Since all of the 2011 Bonds are capital appreciation bonds, accretions are accounted for as interest expense and additions to principal. For purposes of the following debt service schedule, all accretions are included as principal, and no interest is shown.

Year Ending December 31	Principal	Interest	Totals	
2024	$ 12,289,063	$ -	$ 12,289,063	*
2025	13,016,724	-	13,016,724	
2026	13,576,673	-	13,576,673	
2027	13,984,727	-	13,984,727	
2028	14,385,373	-	14,385,373	
2029 - 2033	86,782,177	-	86,782,177	
2034 - 2038	109,498,389	-	109,498,389	
2039 - 2043	134,155,954	-	134,155,954	
2044 - 2048	155,095,988	-	155,095,988	
2049 - 2051	117,211,915	-	117,211,915	
Totals	$ 669,996,983	$ -	$ 669,996,983	

* Amounts payable in 2024 include $75,914 of accretions on the 2021 - 2023 Arrearages (that arose on February 15, 2021, 2022 and 2023, respectively) following nonpayments of the Series 2011C Retained Term Bonds and the 2011C1 New Term Bonds.

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

At December 31, 2023 and 2022, the following accounts established by the Trust Indenture were included in the Trust Estate and provided security for the 2011 Bonds. The account totals below include accruals of year-end interest credited to the accounts the following January.

	2023			
Trust Account	Account Balance		Accrued Interest	Total Security
2011 Revenue Fund	$ 13		$ 46,146	$ 46,159
2011 Debt Service Fund	11,923,575		4,911	11,928,486
2011 Debt Service Reserve Fund	2,042,883	*	8,943	2,051,826
2011 Extraordinary Prepayment Fund	113,147		156	113,303
Total	$ 14,079,618		$ 60,156	$ 14,139,774

* The 2011 Debt Service Reserve Fund account balance includes interest credited to the account in December 2023 following calculation of the amount that was transferred to the 2011 Extraordinary Prepayment Fund.

NOTE 8 – BONDS PAYABLE (CONTINUED)

	2022		
Trust Account	Account Balance	Accrued Interest	Total Security
2011 Revenue Fund	$ 11	$ 31,607	$ 31,618
2011 Debt Service Fund	11,299,522	2,352	11,301,874
2011 Debt Service Reserve Fund	2,034,225	6,252	2,040,477
2011 Extraordinary Prepayment Fund	27,465	28	27,493
Total	$ 13,361,223	$ 40,239	$ 13,401,462

During the years ended December 31, 2023 and 2022, payments from the various accounts were made pursuant to terms of the Trust Indenture. (See Note 1, item J for more details).

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

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

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

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

- By June 30 of each year, an Association Engineer (as defined) is required to inspect the toll road and submit a report documenting the Association Engineer's findings as to whether the Southern Connector has been maintained by SCDOT in good repair and any deficiencies in the physical condition of the toll road. The report shall identify any highway maintenance needs of the Southern Connector, an assessment of the materiality of such needs, and may estimate the cost and appropriate timing of such needs. The Association received the latest report from its Engineer in June 2023 and in turn submitted that report to the Association's Trustee and SCDOT. At the time these financial statements were issued, the 2024 Engineer's physical inspection was completed, and the Association was awaiting the final report.

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

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

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

NOTE 8 – BONDS PAYABLE (CONTINUED)

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

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

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

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

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

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

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

The Association monitors the above covenants for compliance throughout the year, and determined that its Debt Service Coverage Ratios at December 31, 2023 and 2022 for its 2011 Senior Bonds were 1.39 and 1.36 and for its 2011 Senior Subordinate Bonds were 1.10 and 1.00, respectively. The Association believes it was in compliance with and has met its 2011 Bond covenants as of and during the years ended December 31, 2023 and 2022.

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

NOTE 9 – RISK MANAGEMENT

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

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

No claim settlements have exceeded insurance coverage during the past three years. There were no materially significant reductions in insurance coverage during the years ended December 31, 2023 or 2022.

NOTE 10 – 2011 R&R FUND ACTIVITY

The Association's sole obligation related to maintenance of the Southern Connector under its License Agreement with SCDOT is to make periodic deposits into the 2011 R&R Fund as prescribed by the Waterfall provisions of the Trust Indenture. As SCDOT incurs highway maintenance costs relating to the Southern Connector, the License Agreement permits SCDOT to submit quarterly to the Association, requisitions for reimbursement of such highway maintenance costs. Any SCDOT highway maintenance cost requisitions received by the Association will be paid from, and to the extent of, monies accumulated in the 2011 R&R Fund. (See Note 1, item J and Notes 5, 6, and 8 for additional information.)

At December 31, 2022, the balance of the Association's 2011 R&R Fund account was $3,217,840. During 2023, deposits into the 2011 R&R Fund consisted of $966,375 deposited in accordance with the Waterfall provisions of the Trust Indenture and $142,864 of interest income. In 2023, the Association paid $414,313 of highway maintenance expense incurred by SCDOT, of which $41,537 was accrued and expensed in 2022. At December 31, 2023, the Association accrued $61,157 of highway maintenance expense to be reimbursed from the 2011 R&R Fund in 2024. Total highway maintenance expense recognized by the Association for the year ended December 31, 2023 was $433,933. At December 31, 2023, the balance of the 2011 R&R Fund was $3,912,766 and the Fund's net position was $3,851,609.

At December 31, 2021, the balance of the Association's 2011 R&R Fund account was $2,954,759. During 2022, deposits into the 2011 R&R Fund consisted of $606,662 deposited in accordance with the Waterfall provisions of the Trust Indenture and $33,453 of interest income. The Association paid $377,034 of highway maintenance expense incurred by SCDOT, of which $173,297 was accrued and expensed in 2021. At December 31, 2022, the Association accrued $41,537 of highway maintenance expense to be reimbursed from the 2011 R&R Fund in 2023. Total highway maintenance expense recognized by the Association for the year ended December 31, 2022 was $245,274. At December 31, 2022, the balance of the 2011 R&R Fund was $3,217,840 and the Fund's net position was $3,176,303.

NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN

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

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

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

NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN (CONTINUED)

During the years ended December 31, 2023 and 2022, the Association contributed $24,994 and $27,173, respectively, to the Plan. These amounts are included in employee benefits in the accompanying Statements of Revenues, Expenses and Changes in Net Position – Proprietary Fund. Forfeitures were immaterial in both 2023 and 2022.

NOTE 12 – EXTRAORDINARY GAINS ON CLAIM AGAINST LEHMAN BROTHERS, INC.

During the years ended December 31, 2023 and 2022, the Association received $2,073 and $24,472, respectively, as partial settlement of a $2,000,000 claim filed against Lehman Brothers, Inc. ("Lehman Brothers") for losses incurred by the Association in 2008 upon Lehman Brothers' default under a collateralized repurchase agreement held in connection with investments of monies in the Association's 1998 Bonds Debt Service Reserve Accounts. The Association does not expect to receive any additional distributions under this claim.

NOTE 13 – SUBSEQUENT EVENTS

Implementation of Increased Toll Rates in January 2024

Effective January 2, 2024, the Association implemented the increased toll rates recommended by the independent traffic and revenue consultant in the toll rate study completed during 2023. See Notes 5 and 8 for more information.

Nonpayment of 2011 Junior Subordinate Bonds

At December 31, 2023, the balance of the Association's Distributable Cash was sufficient to cover all debt service due on the Association's 2011 Senior Bonds, on the 2011 Senior Subordinate Bonds and on the 2021 – 2023 Junior Subordinate Bond Arrearages. Therefore, those debt service payments were made January 1, 2024. However, at December 31, 2023, no Distributable Cash was available to pay any regularly scheduled debt service due on the Association's 2011 Junior Subordinate Bonds. Therefore, on February 15, 2024, in accordance with the terms of the Trust Indenture, the unpaid debt service on the 2011 Junior Subordinate Bonds was reclassified to Arrearages and designated as the 2024 Junior Subordinate Bond Arrearages. At February 15, 2024, such 2024 Junior Subordinate Bond Arrearages comprised all of the Association's outstanding Arrearages and totaled $257,144.

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

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

Payments of February 2024 Extraordinary Mandatory Prepayments/Redemptions

At January 1, 2024, the balance of the Association's 2011 Extraordinary Prepayment Fund exceeded $50,000. Accordingly, on February 15, 2024, in accordance with provisions of the Trust Indenture, the Association made extraordinary mandatory prepayments/redemptions of certain of its 2011A Retained Term Bonds and 2011A1 New Term Bonds. See Note 8 for more information.

ATPM Contract with A-to-Be

As discussed in Note 4 above, certain terms of the Association's 2022 ATPM contract with A-to-Be were not yet effective at December 31, 2023. The following provisions will become effective in 2024. These delayed provisions call for the Association's purchase of eight ATPMs from another vendor (at a total cost of $305,600) with refurbishment and installation of the equipment to be provided by A-to-Be. A-to-Be will also develop the custom software necessary to operate the ATPMs and integrate them into the Association's existing toll system. The 2022 ATPM contract requires the Association to pay the $484,640 cost of the ATPM refurbishment and installation and software development in monthly installments of $14,863 over 36 months. The monthly installments include interest imputed at 6.542 percent and will be unsecured.