CONNECTOR 2000 ASSOCIATION, INC.

EVENT NOTICE NO. 2007-3

August 9, 2007

CUSIP Prefix 20786L

Submitted in compliance with the provisions of the 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 Wachovia Bank, N.A., as successor in trust to First Union National Bank, in its capacity as dissemination agent (the "Trustee") relating to the $200,177,680 Connector 2000 Association, Inc. Toll Road Revenue Bonds (Southern Connector Project, Greenville, South Carolina), Series 1998A, Series 1998B and Series 1998C (the "Bonds").

INTRODUCTION

This is an "Event Notice" filed 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 Wachovia Bank, N.A., successor in trust to First Union National Bank, in its capacity as dissemination agent (the "***Trustee***") relating to the $200,177,680 Connector 2000 Association, Inc. Toll Road Revenue Bonds (Southern Connector Project, Greenville, South Carolina), Series 1998A, Series 1998B and Series 1998C (the "***Bonds***"). Capitalized terms not otherwise defined herein have the meaning set forth in the Disclosure Agreement, if defined therein.

The Bonds were sold by the Association on January 27, 1998 to Lehman Brothers, Inc. and Mesirow Financial, Inc., as managing underwriters (the "***Underwriters***") pursuant to a Bond Purchase Agreement executed on that date between the Association and the Underwriters. A final Official Statement dated February 3, 1998 (the "***Official Statement***") was prepared in connection with the sale of the Bonds. The closing of the sale of the Bonds took place February 11, 1998 (the "***Closing Date***").

THE MATERIAL EVENT

The Association was informed that the Senior Current Interest Bonds, Series 1998A and the Senior Capital Appreciation Bonds, Series 1998B (together, the "***Senior Bonds***") were downgraded by Standard & Poor's Rating Service ("***S&P***") on August 9, 2007 from a rating of "B-" to a rating of "CCC" with a stable outlook. A copy of the rating report of S&P is attached hereto at **Appendix "A"**. Such downgrade is a "***material event***" as defined in the Disclosure Agreement.

APPENDIX A

S&P Rating Report

August 9, 2007

[attached]

STANDARD & POOR'S

PUBLIC FINANCE

Connector 2000 Association Inc. , South Carolina

Credit Profile		
Connector 2000 Assn Inc		
Long Term Rating	CCC/Stable	Downgraded

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RatingsDirect
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Rationale

Standard & Poor's Ratings Services lowered its rating on Connector 2000 Association Inc., S.C.'s bonds to 'CCC' from 'B-'. The outlook is stable.

The association currently has $66.0 million in series 1998A senior current interest toll road revenue bonds and $144.8 million in series 1998B senior capital appreciation toll road revenue bonds. Standard & Poor's does not rate the $80.5 million in series 1998C subordinate capital appreciation toll road revenue bonds that also financed the project. The rating on the bonds has been lowered as a result of the increased likelihood of a payment default by 2010 absent a debt restructuring.

The ratings reflect the continued failure of traffic and revenues to reach projected levels and the use of the debt service reserve account for debt service payments in fiscals 2003-2006, a practice which is expected to accelerate beginning in fiscal 2008. Toll rates increased on Jan. 3, 2005, resulting in toll revenues increasing 24.5% for the year compared with the previous fiscal year; revenues increased an additional 9.0% in 2006. However, skepticism remains regarding the project's long-term ability to pay timely principal and interest under the current back-ended amortization schedule. Current estimates provided by the association assume that the senior debt service reserve fund will be exhausted in 2009 if no restructuring occurs, with a payment default occurring in 2010.

The Southern Connector is a 16-mile, four-lane startup toll road, opened in March 2001, extending from the intersection of I-85/185 to the intersection of I-385 in Greenville, S.C. The toll road provides the major east-west traffic flow in the southern part of Greenville, which currently has no comparable roads. The association is a nonprofit corporation that was formed in 1996 to construct and operate the Southern Connector. As the toll road has transitioned from the construction phase to the operating phase, so has the management team, which is experienced in toll road operations.

The project has been affected by substantially lower traffic demand than expected in the initial feasibility study completed in 1997. In fiscal 2006, overall transactions were 54% lower than the original forecast. Average daily traffic demand for 2002 was 10,868 transactions, 63% less than the originally forecasted level of 29,600 following ramp up. Average daily transactions increased steadily through fiscal 2004, when they reached a peak of 14,054, still well below the original forecasts. In fiscal 2005, transactions declined to 13,558, 3.5% lower than in 2004, having been affected by the toll increase. However, in fiscal 2006, average daily transactions rebounded from the toll increase and grew 10% to reach 14,890. For the first six months of 2007, average daily transactions were at 15,721, 10% higher than the same period last year. In general, traffic has steadily increased since operations began on March 14, 2001, with average daily transactions (ADT) growing an average of 2% per month. However, given the significantly lower transaction base compared with the original forecasts, the project—unless significant growth occurs—is likely to remain troubled for the foreseeable future.

While Greenville County is rated ‘AAA’, reflecting a diversified and well-performing economy, it was expected that the road would encourage development in the region. The Southern Connector, however, was negatively affected by the recession, which slowed development in the area. This was compounded by the project opening nine-and-A-half months ahead of schedule, before some of the development activities in the region were forecasted to occur. Other factors affecting the traffic demand are a longer introductory period or ramp-up (including some signage and promotional concerns, which were addressed) and a low electronic toll collection rate. Traffic and revenue performance have also been affected by an above-average initial toll rate of 12.5 cents per mile in a region that has few tolled facilities. Mainline toll rates are $1 for Class 1 passenger vehicles and 60 cents per axle for trucks.

The backloaded debt service schedule and low base of traffic compound the need for high annual growth in traffic, absent unscheduled toll increases. The senior debt service schedule is heavily backended and grows at an average annual rate of 8%, placing continual pressure on toll road revenues throughout the bond term. Debt service in 2002-2007 was $3.5 million but will increase to $7.1 million in 2008, when principal will begin to amortize. Debt service will continue to increase, averaging $18.6 million from 2008 until final maturity.

The debt is structured with senior and subordinate liens. Subordinate debt does not require any principal or interest payments until 2008 and the senior bonds do not begin to amortize until 2008.

Beginning in calendar year 2003, management has withdrawn funds from the debt service reserve fund to meet its Jan. 1 and July 1 payments.

The amounts withdrawn from the reserve to meet the payments are as follows:

- $75,000 for the Jan 1, 2003, payment;
- $980,583 for the July 1, 2003, payment;
- $650,000 for the Jan 1, 2004, payment;
- $749,033 for the July 1, 2004, payment;
- $536,203 for the Jan. 1, 2005, payment;
- $262,000 for the July 1, 2005, payment; and
- $318,985 for the July 1, 2006, payment.

The current balance of the debt service reserve fund is $11.5 million. The association is likely to rely on the debt service reserve fund in the future as debt service payments increase substantially. Association management expects to withdraw $2.7 million from the senior debt service reserve fund and $2.3 million from the subordinate debt service reserve fund on Jan. 1, 2008. Management estimates that both debt service reserve funds will be exhausted in late 2009. The debt service coverage ratio on the senior-lien bonds was 0.59x in fiscal 2003, 0.71x in fiscal 2004, 0.59x in fiscal 2005, and 0.94x in fiscal 2006.

The rate covenant requires that the association be in compliance with its 1.25x rate covenant beginning in the second year of operations after final completion (fiscal 2003). Failure to satisfy the covenant is not an event of default if a consultant recommends actions which provide sufficient net revenues in the following fiscal year to comply with the covenant or the consultant provides an opinion that it is currently impracticable to comply with the rate covenant. Failure to satisfy the rate covenant for 36 consecutive months would be an event of default, regardless of the above-stated provisions; as a result, the association will be in technical default as of Jan. 1, 2008. A consultant was engaged by the association in 2005-2007 to prepare a toll rate study. The 2005-2007 toll rate studies concluded that it would have been impracticable at the time to increase toll levels to comply with the rate covenant.

It is likely that the association will default on its debt service obligations at some point, given the backloaded amortization schedule and current low debt service coverage levels, and assuming no dramatic improvement in traffic. As a result, the association has initiated internal financial restructuring discussions in an effort to avoid any default and is also preparing an updated traffic and revenue study.

The bonds are secured by a pledge of net revenues. In addition, both the senior and subordinate debt service reserves are sized at the least of 10% of principal bonds issued, 125% of the average annual debt service requirements, or the maximum annual debt service. The association has the benefit of a fully funded senior-lien debt service reserve, which was funded at $15 million at bond closing. The average debt service requirements through 2007 were just $3.5 million per year, which gave the association some additional flexibility in the short term; however, this level will increase to $7.1 million in 2008, when principal begins to amortize. The subordinate lien (unrated) benefits from a subordinate debt service reserve, funded at approximately $4 million.

Outlook

Absent debt restructuring, this rating is intended to remain in place until it is apparent that nonpayment of debt service has occurred.

Contact

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