CONNECTOR 2000 ASSOCIATION, INC.

EVENT NOTICE NO. 2008-9-4

September 4, 2008

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 29, 2008 from a rating of "CCC-" to a rating of "CC" with a negative outlook. A copy of the rating report of S&P letter is attached hereto at **Appendix "A"** and a copy of the S&P Credit Report is attached hereto as **Appendix "B"**. Such downgrade is a "***material event***" as defined in the Disclosure Agreement.

APPENDIX A

S&P Rating Letter

August 29, 2008

[attached]

The McGraw·Hill Companies

STANDARD & POOR'S

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2113
reference no.: 40082965

August 29, 2008

Southern Connector
7486 Augusta Road
PMB No. 12, Suite C
Piedmont, SC 29673
Attention: Mr. Peter Femia, Executive Vice President/General Manager

Re: ***$153,585,000.00 Connector 2000 Association Inc, South Carolina***

Dear Mr. Femia:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have changed the rating to "CC" from "CCC" and changed the outlook to negative from stable. A copy of the rationale supporting the rating and outlook is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

If you have any questions, or if we can be of help in any other way, please feel free to call or contact us at nypublicfinance@standardandpoors.com. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. We appreciate the opportunity to work with you and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

Standard and Poor's TM

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enclosure
cc: Mr. Richard L. Few, Chairman
Connector 2000 Association Inc.

APPENDIX B

<u>S&P Rating Report</u>

August 29, 2008

[attached]

STANDARD & POOR'S

PUBLIC FINANCE

Connector 2000 Association Inc., South Carolina

Credit Profile		
Connector 2000 Assn Inc		
Long Term Rating	CC/Negative	Downgraded

Primary Credit Analysts:
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RatingsDirect Publication Date
Sept. 2, 2008

Rationale

Standard & Poor's Ratings Services lowered to 'CC' from 'CCC' the ratings on Connector 2000 Association Inc. of Greenville, S.C. The outlook is negative.

The downgrade and negative outlook reflect our view that, absent a debt restructuring, payment default on the senior-lien bonds is expected to occur on the Jan. 1, 2010, payment date.

The association has outstanding $65.3 million of series 1998A senior current interest toll-road revenue bonds and $154.8 million of series 1998B senior capital appreciation toll-road revenue bonds. Standard & Poor's does not rate the $85.5 million of series 1998C subordinate capital appreciation toll-road revenue bonds that also financed the project.

The lowered ratings reflect the continued failure of traffic and revenues to reach projected levels and the tapping of the reserve account for debt service payments since fiscal 2003. Toll rates rose on Jan. 3, 2005, resulting in an increase in toll revenues of 24.5% from the prior fiscal year and a further increase of 9% in 2006. Toll revenues rose 7% in 2007, but were 1.8% lower than last year for the six months ended June 30, 2008, due to the weakening economy.

There is continued uncertainty 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, absent a restructuring, and a payment default could occur in 2010.

Opened in March 2001, the Southern Connector is a 16-mile, four-lane start-up toll road extending from the intersection of I-85/185 to the intersection of I-385 in Greenville. The toll road provides the major east-west traffic flow in the southern part of Greenville. The association is a nonprofit corporation that was formed in 1996 to construct and operate the Southern Connector. As the toll road has moved from the construction phase to the operating phase, a management team experienced in toll road operations has replaced the project team.

The project has been adversely affected by substantially lower traffic demand than anticipated in the initial feasibility study in 1997. In fiscal 2007, average daily traffic was about 53% lower than the original forecast. Average daily traffic demand for 2002 was 10,868 transactions, or 63% less than the original forecast of 29,600. Through fiscal 2004, average daily transactions increased steadily and reached a peak of 14,054 in fiscal 2004. However, the level was still well below the original forecasts. In fiscal 2005, the number of transactions fell 3.5% from a year earlier, to 13,558 because of higher tolls

In fiscal 2006, the number of average daily transaction rose 10% to 14,890. Traffic continued to grow in fiscal 2007, with the number of daily transactions up 7% to 15,998. However, the trend reversed in the six months ended June 30, 2008, with the number of average daily transactions down 1% from the year-earlier period, to 15,535 because of higher fuel prices and a weakening economy.

Overall, average daily transactions have grown almost 2% per month since the road opened on March 14, 2001, but given the significantly lower transaction base compared to the original forecasts, the project — absent significant traffic growth or a debt restructuring — is likely to remain troubled for the foreseeable future.

Given Greenville County's ('AAA' general obligation rating) diversified and well-performing economy, the road was expected to would encourage development in the region. However, the Southern Connector was hurt by the recession, which slowed development in the area. In addition, the road opened 9 1/2 months ahead of schedule, before the start of some development activities in the region. Other factors affecting traffic demand were 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 was also 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 back-loaded debt service schedule, combined with the low base of traffic, compounds the need for high annual growth in traffic, absent unscheduled toll increases. The senior debt service schedule is heavily back-ended and grows at an average annual rate of 8%, placing continual pressure on toll road revenues throughout the bond term. Debt service in 2002-2006 was $3.5 million but increased to $7.1 million in 2007 when principal began to amortize. Debt service continues to increase and averages $18.6 million a year from 2007 until final maturity.

The debt is structured with senior and subordinate liens. The subordinate debt did not require any principal or interest payments until 2007, and the senior bonds did not begin to amortize until 2007. Since calendar 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 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, 200,4 payment
- $536,203 for the Jan. 1, 2005, payment
- $262,000 for the July 1, 2005, payment
- $318,985 for the July 1, 2006, payment
- $2,838,052 for the Jan. 1, 2008, payment, and
- $510,204 for the July 1, 2008, payment

The current balance of the debt service reserve fund is $8.45 million. The association is likely to rely on the debt service reserve fund in the future as debt service payments increase substantially. It expects to withdraw on Jan. 1, 2009, $4.2 million from the senior debt service reserve fund and $2.65 million from the subordinate debt service reserve fund. The association 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, 0.94x in fiscal 2006, and 0.5x in fiscal 2007.

The rate covenant requires that the association be in compliance with its 1.25x rate covenant beginning in the second year of operations from 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 if 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 and, as a result, the association was in technical default as of Jan. 1, 2008. The association engaged a consultant in 2005-2007 to prepare a toll rate study. That study concluded that increasing toll rates to comply with the rate covenant would be impracticable at the time.

It is likely that the association will default on its debt service obligations at some point, given the back-loaded amortization schedule, the current low debt service coverage and absent a dramatic improvement in traffic. As a result, the association has initiated internal financial restructuring discussions in an effort to avoid any default and is 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 reserve were sized at the lesser of 10% of principal bonds issued, 125% of the average annual debt service requirements, or the maximum annual debt service. The association had the benefit of a fully funded senior-lien debt service reserve, which was initially funded at $15 million at bond closing. The average debt service requirements through 2006 were only $3.5 million per year, but increased to $7.1 million in 2007 when principal began to amortize. This gave the association some additional flexibility in the short term.

Outlook

Absent debt restructuring, this rating will remain in place until it is apparent that nonpayment of debt service has occurred. The estimate date of payment default is Jan., 1, 2010.

Contacts

Peter Femia, General Manager, Southern Connector, 864-527-2151.

Credit Profile		
Connector 2000 Assn Inc		
Long Term Rating	CC/Negative	Downgraded