PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 2, 2011

NEW ISSUE
BOOK-ENTRY-ONLY

Ratings:
Fitch Ratings: ___
Moody's Investors Service, Inc.: ___
Standard & Poor's Credit Market Services: ___

In the opinion of Parker Poe Adams & Bernstein LLP, Special Tax Counsel for each Series of Bonds, under existing law and assuming compliance by the State of South Carolina (the "State") with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") (1) interest on each Series of Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (2) interest on the Bonds is exempt from all State, county, municipal, school district and other taxes or assessments imposed within the State, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except estate or other transfer taxes, and certain fees or franchise taxes. See "LEGAL MATTERS -- Tax Exemption" herein.

OFFICIAL STATEMENT RELATING TO THE ISSUANCE OF

$197,235,000* GENERAL OBLIGATION STATE SCHOOL FACILITIES REFUNDING BONDS, SERIES 2011A

and

$126,295,000* GENERAL OBLIGATION STATE CAPITAL IMPROVEMENT REFUNDING BONDS, SERIES 2011A

OF THE STATE OF SOUTH CAROLINA

Each Series of Bonds is secured by a pledge of the full faith, credit, and taxing power of the State of South Carolina.

Dated: March 1, 2011 **Due: As shown on inside cover page**

The Series 2011A School Facilities Refunding Bonds and the Series 2011A Capital Improvement Refunding Bonds (each as defined herein) will be issued only as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for each Series of Bonds under a book-entry-only system as described herein, to which principal and interest payments on each Series of Bonds will be made. Individual purchases of beneficial interests in the Series 2011A School Facilities Refunding Bonds and the Series 2011A Capital Improvement Refunding Bonds may be made in book-entry-only form in the principal amount of $5,000 or any integral multiple thereof.

The Series 2011A School Facilities Refunding Bonds and the Series 2011A Capital Improvement Refunding Bonds are together referred to herein as the "Bonds" and individually referred to as a "Series of Bonds" or "Series."

Interest on each Series of Bonds is payable at the rates set forth on the inside cover page of this Official Statement on each March 1 and September 1, commencing September 1, 2011. Each Series of Bonds will be dated March 1, 2011. Each Series of Bonds will mature serially on March 1 in each of the years and in the principal amounts set forth on the inside cover page hereof. The Series 2011A School Facilities Refunding Bonds and the Series 2011A Capital Improvement Refunding Bonds are not subject to redemption prior to their stated maturity dates. The Series 2011A School Facilities Refunding Bonds are being issued to (i) provide funds to be used to refund certain maturities of presently outstanding State of South Carolina General Obligation State School Facilities Bonds; and (ii) pay costs of issuance of the Series 2011A School Facilities Refunding Bonds; and the Series 2011A Capital Improvement Refunding Bonds are being issued to (i) provide funds to be used to refund certain maturities of presently outstanding State of South Carolina General Obligation State Capital Improvement Bonds; and (ii) pay costs of issuance of the Series 2011A Capital Improvement Refunding Bonds.

This Official Statement prepared under the supervision of
The Honorable Curtis M. Loftis, Jr.
State Treasurer of the State of South Carolina

Parker Poe Adams & Bernstein LLP is serving as Bond Counsel for the State in connection with the issuance of the Series 2011A School Facilities Refunding Bonds and as Special Tax Counsel with respect to each Series of Bonds. McNair Law Firm, P.A. is serving as Bond Counsel for the State in connection with the issuance of the Series 2011A Capital Improvement Refunding Bonds. The two firms serving as Bond Counsel for the State are hereafter referred to together as Bond Counsel as the context may require and such term is also used to refer to an individual firm in the context of a particular Series of Bonds. Pope Zeigler, LLC is serving as Disclosure Counsel for the State with respect to each Series of Bonds.

The Series 2011A School Facilities Refunding Bonds and the Series 2011A Capital Improvement Refunding Bonds are offered when, as, and if issued and delivered to the successful bidder and are subject to the approval of legality and of certain other legal matters by Bond Counsel for such Series of Bonds and Special Tax Counsel for each Series of Bonds. Certain matters will be passed upon for the State by the Office of the Attorney General of the State of South Carolina. It is expected that the Series 2011A School Facilities Refunding Bonds and the Series 2011A Capital Improvement Refunding Bonds will be available for delivery through the facilities of DTC on or about March 1, 2011.

Dated: February ___, 2011

* Preliminary; subject to change.

MATURITY SCHEDULES*

$197,235,000 GENERAL OBLIGATION STATE SCHOOL FACILITIES REFUNDING BONDS, SERIES 2011A OF THE STATE OF SOUTH CAROLINA

Due March 1	Principal Amount	Interest Rate	Priced to Yield
2012	$ 17,820,000		
2013	18,310,000		
2014	52,740,000		
2015	63,125,000		
2016	33,720,000		
2017	11,520,000		

$126,295,000 GENERAL OBLIGATION STATE CAPITAL IMPROVEMENT REFUNDING BONDS, SERIES 2011A OF THE STATE OF SOUTH CAROLINA

Due March 1	Principal Amount	Interest Rate	Priced to Yield
2012	$ 5,330,000		
2013	22,110,000		
2014	22,810,000		
2015	23,880,000		
2016	25,015,000		
2017	19,035,000		
2018	8,115,000		

* Preliminary; subject to change.

No dealer, broker, salesman, or other person has been authorized by the State of South Carolina (the "State") to give any information or to make any representations with respect to the Bonds described herein other than those contained in this Official Statement, and, if given or made, such other information or representation may not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Bonds of any Series by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE STATE AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The information set forth herein has been provided by the State and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR THE SALE OF ANY BONDS OF ANY SERIES MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE STATE SINCE THE DATE HEREOF OR THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE OF THIS OFFICIAL STATEMENT.

References herein to laws, rules, regulations, resolutions, agreements, reports, and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to this Official Statement, they will be furnished on request.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the State from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or as of the date of any such supplement or correction) by the State.

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OFFICIAL STATEMENT RELATING TO THE ISSUANCE OF

$197,235,000* GENERAL OBLIGATION STATE SCHOOL FACILITIES REFUNDING BONDS, SERIES 2011A

and

$126,295,000* GENERAL OBLIGATION STATE CAPITAL IMPROVEMENT REFUNDING BONDS, SERIES 2011A

OF THE STATE OF SOUTH CAROLINA

Each Series of Bonds is secured by a pledge of the full faith, credit, and taxing power of the State of South Carolina.

INTRODUCTION

This Official Statement, including the cover and inside cover page, is intended to furnish information in connection with the offer for sale by the State of South Carolina (the "State") of its $197,235,000* General Obligation State School Facilities Refunding Bonds, Series 2011A (the "Series 2011A School Facilities Refunding Bonds") and $126,295,000* General Obligation State Capital Improvement Refunding Bonds, Series 2011A (the "Series 2011A Capital Improvement Refunding Bonds"). Each of the foregoing issues of bonds is referred to herein as a "Series" or "Series of Bonds." The two Series of Bonds are referred to together herein as the "Bonds." Each capitalized term not otherwise defined herein shall have the meaning given to such term in the applicable bond resolution (as the same is further discussed herein) authorizing each Series of Bonds.

The Series 2011A School Facilities Refunding Bonds are general obligations of the State as hereinafter described and are being issued to (i) provide funds to be used to refund certain maturities of presently outstanding State of South Carolina General Obligation State School Facilities Bonds; and (ii) pay the costs of issuance of the Series 2011A School Facilities Refunding Bonds. The Series 2011A Capital Improvement Refunding Bonds are general obligations of the State as hereinafter described and are being issued to (i) provide funds to be used to refund certain maturities of presently outstanding State of South Carolina General Obligation State Capital Improvement Bonds; and (ii) pay the costs of issuance of the Series 2011A Capital Improvement Refunding Bonds.

Each Series of Bonds is offered when, as, and if issued and delivered to the successful bidder and is subject to the approval of legality and of certain other legal matters by Bond Counsel (see the discussion on the cover page of this Official Statement as to the firms serving as Bond Counsel for the State) and Special Tax Counsel. Certain matters will be passed upon for the State by the Office of the Attorney General of the State of South Carolina. Pope Zeigler, LLC is serving as Disclosure Counsel for the State with respect to each Series of Bonds. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company, New York, New York ("DTC") on or about March 1, 2011.

Exchange and Transfer of Bonds

Bonds Subject to the Book-Entry-Only System. For as long as DTC acts as securities depository for the Bonds, the registration and transfer of ownership interests in the Bonds shall be accomplished by book entries made by DTC and the Direct Participants (as defined herein) and, where appropriate, the Indirect Participants (as defined herein), as described under the heading "Book-Entry-Only System" herein.

Bonds Not Subject to the Book-Entry-Only System. Should the Bonds no longer be held in book-entry-only form, upon surrendering the same at the Corporate Trust Office (as defined herein) of the Registrar (as defined herein), the Bonds may be exchanged for an equal aggregate principal amount of Bonds of like Series and maturity, bearing the same rate of interest, and having the same redemption provisions.

Each Series of Bonds is transferable at the corporate trust office (the "Corporate Trust Office") of The Bank of New York Mellon Trust Company, N.A., in the City of Jacksonville, State of Florida, which will serve as registrar for each Series (in such capacity, the "Registrar") and will serve as the paying agent for each Series (in such capacity, the "Paying Agent"), upon presentation and surrender thereof together with a written transfer satisfactory to the Registrar. Upon surrender for transfer of any of such Bonds, the Registrar will authenticate and deliver in the name of the transferee, one or more Bonds of the same Series, in the same aggregate principal amount, having the same redemption provisions, bearing the same rate of interest and maturing on the same date.

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* Preliminary; subject to change.

Bonds surrendered in any exchange or transfer shall be immediately cancelled by the Registrar. For each exchange or transfer of Bonds, the State or the Registrar may make a charge sufficient to reimburse it for any tax, fee, or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the owner requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The State is not obligated to (i) issue, exchange, or transfer any Bond during the 15 days next preceding the bond payment date (as described herein for each Series of Bonds), (ii) issue, exchange, or transfer any Bond during a period beginning at the opening of business 15 days next preceding any selection of Bonds to be redeemed and ending at the close of business on the date of mailing of notice of such redemption, or (iii) transfer or exchange any Bond called or being called for redemption in whole or in part.

Book-Entry-Only System

Unless and until the book-entry-only system has been discontinued, the Series 2011A School Facilities Refunding Bonds and the Series 2011A Capital Improvement Refunding Bonds will be available only in book-entry-only form in principal amounts of $5,000 or any integral multiple thereof. DTC will act as securities depository for the Bonds. Each Series of Bonds will be issued initially as fully registered Bonds registered in the name of Cede & Co., DTC's partnership nominee (or such other name as may be requested by an authorized representative of DTC). One fully registered Bond will be issued for each maturity of each Series of Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

Beneficial ownership interests in the Bonds will be available only in book-entry-only form. The beneficial owners of the Bonds (the "Beneficial Owners") will not receive physical bond certificates representing their interests in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, references in this Official Statement to the Registered Holders of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners.

THE FOLLOWING DESCRIPTION OF DTC, OF PROCEDURES AND RECORD KEEPING OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS ON THE BONDS TO DTC PARTICIPANTS OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS AND OF OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants," and collectively with the Direct Participants, the "Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all of the Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all the Bonds of a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting and voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, interest and any redemption premiums on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or Registrar and Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar and Paying Agent or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. THE STATE CAN GIVE NO ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

DTC may discontinue providing its service as depository for the Bonds at any time by giving reasonable notice to the Registrar and Paying Agent or the State. Participants holding legal interests in a Series of Bonds may request DTC to discontinue the provision of its depository services as to such Series of Bonds. In either situation, if the State fails to identify another qualified securities depository to replace DTC, physical Bonds will be delivered to each Beneficial Owner.

The State and the Registrar and Paying Agent have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (1) the accuracy of any records maintained by DTC or any Participant, or the maintenance of any records; (2) the payment by DTC or any Participant of any amount due to any Beneficial Owner in respect of the Bonds, or the sending of any transaction statements; (3) the delivery or timeliness of delivery by DTC or any Participant of any notice to any Beneficial Owner which is required or permitted under the resolution authorizing the issuance of such Bonds to be given to registered Holders (as such term is defined in the applicable bond resolution for each Series of Bonds); (4) the selection of the Beneficial Owners to receive payments upon any partial redemption of the Bonds; or (5) any consent given or other action taken by DTC or its nominee as the registered owner of the Bonds, including any action taken pursuant to an omnibus proxy.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

DESCRIPTION OF THE SERIES 2011A SCHOOL FACILITIES REFUNDING BONDS

General

The Series 2011A School Facilities Refunding Bonds are dated March 1, 2011, and will be issuable only in fully registered form in denominations of $5,000 or any whole integral multiple thereof not exceeding the principal amount of the Series 2011A School Facilities Refunding Bonds maturing in each year. The Series 2011A School Facilities Refunding Bonds will be registered on the registration books of the State which are to be kept for this purpose at the Corporate Trust Office of The Bank of New York Mellon Trust Company, N.A., in the City of Jacksonville, State of Florida, which is serving as both Registrar and Paying Agent. The Series 2011A School Facilities Refunding Bonds will be registered in such fashion as to maintain a proper record thereof.

The Series 2011A School Facilities Refunding Bonds will be initially registered in the name of Cede & Co., as the nominee of DTC. See "INTRODUCTION – Book-Entry-Only System" herein. The Series 2011A School Facilities Refunding Bonds mature on March 1 in the years and in the principal amounts and bear interest at the rates set forth on the inside cover page hereof.

The Series 2011A School Facilities Refunding Bonds may be transferred only on the books of the State at the Corporate Trust Office of the Registrar. The principal of the Series 2011A School Facilities Refunding Bonds will be payable at the Corporate Trust Office of the Paying Agent, upon presentation and surrender for cancellation of the Series 2011A School Facilities Refunding Bonds then due and payable. Interest on each Series 2011A School Facilities Refunding Bond will be payable by the Paying Agent by check or draft mailed to the owner in whose name such 2011A School Facilities Refunding Bond is registered (each, a "Registered Owner;" such defined term is also used hereinafter to refer to each owner in whose name a Bond is registered) at the address as it appears on the registration books held by the Registrar.

Statutory Authorization

The Series 2011A School Facilities Refunding Bonds are issued pursuant to Article X, Section 13 of the South Carolina Constitution, and Sections 11-14-110 and 11-21-10 *et seq*. of the South Carolina Code. On September 29, 2010, the State Budget and Control Board adopted a resolution (the "Series 2011A School Facilities Bond Resolution") providing for the issuance of the Series 2011A School Facilities Refunding Bonds.

Security for the Series 2011A School Facilities Refunding Bonds

The Series 2011A School Facilities Refunding Bonds are general obligations of the State and are secured as to payment of principal and interest by a pledge of the full faith, credit and taxing power of the State. Article X, Section 13, Paragraph 4 of the South Carolina Constitution requires that the South Carolina General Assembly (the "General Assembly"), in each act authorizing the incurring of general obligation debt, allocate on an annual basis sufficient tax revenues to provide for the punctual payment of the principal of and interest on such general obligation debt. Article X, Section 13, Paragraph 4 further provides that if at any time any payment due as the principal of or interest on any general obligation debt of the State shall not be paid as and when the same becomes due and payable, the State Comptroller General shall forthwith levy and the State Treasurer shall collect an *ad valorem* tax without limit as to rate or amount upon all taxable property in the State sufficient to meet the payment of the principal of and interest on such general obligation debt then due. Section 59-146-120 of the South Carolina Code implements this mandate and requires the State Treasurer to set aside as much of the general tax revenues received in such fiscal year as may be necessary to pay the principal and interest on all State of South Carolina General Obligation School Facilities Bonds due in such year and to apply the same to the punctual payment of the principal and interest thereof.

Authentication of and Interest on the Series 2011A School Facilities Refunding Bonds

The Series 2011A School Facilities Refunding Bonds will be authenticated on the date of delivery. Interest on the Series 2011A School Facilities Refunding Bonds shall be payable initially on September 1, 2011 and semiannually thereafter on each March 1 and September 1 until the respective maturities thereof (each of such dates being hereafter referred to as a "Series 2011A School Facilities Bond Payment Date"). The Series 2011A School Facilities Refunding Bonds will bear interest from March 1, 2011, if no interest has yet been paid; otherwise from the last Series 2011A School Facilities Bond Payment Date to which interest has been paid and which Series 2011A School Facilities Bond Payment Date is on or prior to the authentication date thereof. The interest to be paid on any Series 2011A School Facilities Bond Payment Date shall be paid to the person in whose name such Series 2011A School Facilities Refunding Bond is registered at the close of business on the fifteenth day next preceding such Series 2011A School Facilities Bond Payment Date.

Redemption

The Series 2011A School Facilities Refunding Bonds are not subject to redemption prior to their stated maturity dates.

Defeasance

If all of the Series 2011A School Facilities Refunding Bonds and all interest thereon have been paid and discharged, then the obligations of the State thereunder shall cease and determine. The Series 2011A School Facilities Refunding Bonds will be deemed to have been paid and discharged under each of the following circumstances:

(a) an escrow agent designated by the State Treasurer holds, at the stated maturities of the Series 2011A School Facilities Refunding Bonds, in trust and irrevocably appropriated thereto, sufficient moneys for the payment of the principal and interest thereof; or

(b) if default in the payment of the principal of the Series 2011A School Facilities Refunding Bonds or the interest thereon has occurred on any Series 2011A School Facilities Bond Payment Date, and thereafter tender of such payment has been made, and at such time as an escrow agent designated by the State Treasurer holds in trust and irrevocably appropriated thereto, sufficient moneys for the payment thereof to the date of the tender of such payment; or

(c) if the State elects to provide for the payment of any Series 2011A School Facilities Refunding Bonds prior to their stated maturities and has deposited in an irrevocable trust moneys which will be sufficient or Government Obligations, which are not subject to redemption by the issuer thereof, prior to the maturity date of the Series 2011A School Facilities Refunding Bonds to be defeased, the principal of and interest on which when due will provide moneys, which together with moneys, if any, deposited with an escrow agent designated by the State Treasurer at the same time, will be sufficient to pay when due the Principal Installment (as defined in the Series 2011A School Facilities Bond Resolution), redemption premium, if any, and interest due and to become due on the Series 2011A School Facilities Refunding Bonds on and prior to their maturity dates or redemption dates, as the case may be.

Use of Proceeds

The proceeds of the Series 2011A School Facilities Refunding Bonds will be applied to (1) effect the refunding of certain maturities of the State's presently outstanding General Obligation State School Facilities Bonds, Series 2000A, Series 2001A, Series 2002A and Series 2002B (collectively, the "Refunded School Facilities Bonds") and (2) the payment of costs of issuance of the Series 2011A School Facilities Refunding Bonds.

Refunding Plan

Unless the applicable Refunded School Facilities Bonds are paid on the date of delivery of the Series 2011A School Facilities Refunding Bonds, a portion of the proceeds of the Series 2011A School Facilities Refunding Bonds will be deposited with each of the existing paying agents for each issue of Refunded School Facilities Bonds. In such capacity, each such paying agent shall be referred to herein as an Escrow Agent. Each Escrow Agent will enter into an escrow deposit agreement (each, a "School Facilities Escrow Agreement") between the State and the Escrow Agent upon or prior to the issuance of the Series 2011A School Facilities Refunding Bonds. Such proceeds, together with other amounts, if any, deposited with an Escrow Agent, will be invested in Government Obligations, the principal of and interest on which will be sufficient, together with other moneys, if any, deposited with such Escrow Agent, to redeem a portion of the Refunded School Facilities Bonds.

The Government Obligations and other moneys, if any, will be deposited with the applicable Escrow Agent in an irrevocable escrow account (each, a "School Facilities Escrow Account") established under each School Facilities Escrow Agreement and pledged to secure the payment of the principal of and redemption premium, if any, and interest on the applicable issue of Refunded School Facilities Bonds. In the opinion of Bond Counsel, upon the deposit of such Government Obligations and moneys into a School Facilities Escrow Account, compliance with the other provisions relating to the defeasance of the applicable issue of Refunded School Facilities Bonds, and the receipt of a verification report described in the following paragraph, such Refunded School Facilities Bonds will be deemed paid and will cease to be entitled to any benefit or security under the bond resolutions pursuant to which they were issued, and all covenants, agreements, and obligations of the State to the holders of such Refunded School Facilities Bonds will cease and determine.

An independent verification agent will verify to the State that the mathematical calculations of the Financial Advisor relating to the sufficiency of the Government Obligations and other moneys, if any, to pay, when due, the principal of, redemption premium, if any, and interest on all Refunded School Facilities Bonds are accurate and, at the time of delivery of the Series 2011A School Facilities Refunding Bonds, will deliver its verification report.

DESCRIPTION OF THE SERIES 2011A CAPITAL IMPROVEMENT REFUNDING BONDS

General

The Series 2011A Capital Improvement Refunding Bonds are dated March 1, 2011, and will be issuable only in fully registered form in denominations of $5,000 or any whole integral multiple thereof not exceeding the principal amount of the Series 2011A Capital Improvement Refunding Bonds maturing in each year. The Series 2011A Capital Improvement Refunding Bonds will be registered on the registration books of the State which are to be kept for this purpose at the Corporate Trust Office of The Bank of New York Mellon Trust Company, N.A., in the City of Jacksonville, State of Florida, which is serving as both Registrar and Paying Agent. The Series 2011A Capital Improvement Refunding Bonds will be registered in such fashion as to maintain a proper record thereof.

The Series 2011A Capital Improvement Refunding Bonds will be initially registered in the name of Cede & Co., as the nominee of DTC. See "INTRODUCTION – Book-Entry-Only System" herein. The Series 2011A Capital Improvement Refunding Bonds mature on March 1 in the years and in the principal amounts and bear interest at the rates set forth on the inside cover page hereof.

The Series 2011A Capital Improvement Refunding Bonds may be transferred only on the books of the State at the Corporate Trust Office of the Registrar. The principal of the Series 2011A Capital Improvement Refunding Bonds will be payable at the Corporate Trust Office of the Paying Agent, upon presentation and surrender for cancellation of the Series 2011A Capital Improvement Refunding Bonds then due and payable. Interest on each Series 2011A Capital Improvement Refunding Bond will be payable by the Paying Agent by check or draft mailed to the Registered Owner thereof at the address as it appears on the registration books held by the Registrar.

Statutory Authorization

The Series 2011A Capital Improvement Refunding Bonds are issued pursuant to Article X, Section 13 of the South Carolina Constitution, Act No. 1377 of the Acts and Joint Resolutions of the General Assembly of South Carolina for the year 1968, as amended ("Act 1377"), as implemented by Section 11-27-30, Paragraph 1 and Sections 11-14-110 and 11-21-10 *et seq*. of the South Carolina Code. On September 29, 2010, the State Budget and Control Board adopted a resolution (the "Series 2011A Capital Improvement Bond Resolution") providing for the issuance of the Series 2011A Capital Improvement Refunding Bonds.

Security for the Series 2011A Capital Improvement Refunding Bonds

The Series 2011A Capital Improvement Refunding Bonds are general obligations of the State and are secured as to payment of principal and interest by a pledge of the full faith, credit and taxing power of the State. Article X, Section 13, Paragraph 4 of the South Carolina Constitution requires that the General Assembly, in each act authorizing the incurring of general obligation debt, allocate on an annual basis sufficient tax revenues to provide for the punctual payment of the principal of and interest on such general obligation debt. Article X, Section 13, Paragraph 4 further provides that if at any time any payment due as the principal of or interest on any general obligation debt of the State shall not be paid as and when the same becomes due and payable, the State Comptroller General shall forthwith levy and the State Treasurer shall collect an *ad valorem* tax without limit as to rate or amount upon all taxable property in the State sufficient to meet the payment of the principal of and interest on such general obligation debt then due. Section 11-29-10 of the South Carolina Code implements this mandate and requires the State Treasurer to set aside as much of the general tax revenues received in such fiscal year as may be necessary to pay the principal and interest on all State of South Carolina General Obligation State Capital Improvement Bonds due in such year and to apply the same to the punctual payment of the principal and interest thereof.

Authentication of and Interest on the Series 2011A Capital Improvement Refunding Bonds

The Series 2011A Capital Improvement Refunding Bonds will be authenticated on the date of delivery. Interest on the Series 2011A Capital Improvement Refunding Bonds shall be payable initially on September 1, 2011 and semiannually thereafter on each March 1 and September 1 until the respective maturities thereof (each of such dates being hereafter referred to as a "Series 2011A Capital Improvement Bond Payment Date"). The Series 2011A Capital Improvement Refunding Bonds will bear interest from March 1, 2011, if no interest has yet been paid; otherwise from the last Series 2011A Capital Improvement Bond Payment Date to which interest has been paid and which Series 2011A Capital Improvement Bond Payment Date is on or prior to the authentication date thereof. The interest to be paid on any Series 2011A Capital Improvement Bond Payment Date shall be paid to the person in whose name such Series 2011A Capital Improvement Refunding Bond is registered at the close of business on the fifteenth day next preceding such Series 2011A Capital Improvement Bond Payment Date.

Redemption

The Series 2011A Capital Improvement Refunding Bonds are not subject to redemption prior to their stated maturity dates.

Defeasance

If all of the Series 2011A Capital Improvement Refunding Bonds and all interest thereon have been paid and discharged, then the obligations of the State thereunder shall cease and determine. The Series 2011A Capital Improvement Refunding Bonds will be deemed to have been paid and discharged under each of the following circumstances:

(a) an escrow agent designated by the State Treasurer holds, at the stated maturities of the Series 2011A Capital Improvement Refunding Bonds, in trust and irrevocably appropriated thereto, sufficient moneys for the payment of the principal and interest thereof; or

(b) if default in the payment of the principal of the Series 2011A Capital Improvement Refunding Bonds or the interest thereon has occurred on any Series 2011A Capital Improvement Bond Payment Date, and thereafter tender of such payment has been made, and at such time as an escrow agent designated by the State Treasurer holds in trust and irrevocably appropriated thereto, sufficient moneys for the payment thereof to the date of the tender of such payment; or

(c) if the State elects to provide for the payment of any Series 2011A Capital Improvement Refunding Bonds prior to their stated maturities and has deposited in an irrevocable trust moneys which will be sufficient or Government Obligations, which are not subject to redemption by the issuer thereof, prior to the maturity date of the Series 2011A Capital Improvement Refunding Bonds to be defeased, the principal of and interest on which when due will provide moneys, which together with moneys, if any, deposited with an escrow agent designated by the State Treasurer at the same time, will be sufficient to pay when due the Principal Installment (as defined in the Series 2011A Capital Improvement Bond Resolution), redemption premium, if any, and interest due and to become due on the Series 2011A Capital Improvement Refunding Bonds on and prior to their maturity dates or redemption dates, as the case may be.

Use of Proceeds

The proceeds of the Series 2011A Capital Improvement Refunding Bonds will be applied to (1) effect the refunding of certain maturities of the State's presently outstanding General Obligation State Capital Improvement Bonds, Series 2001A, Series 2002A and Series 2002C (collectively, the "Refunded Capital Improvement Bonds"), and (2) the payment of costs of issuance of the Series 2011A Capital Improvement Refunding Bonds.

Refunding Plan

Unless the applicable Refunded Capital Improvement Bonds are paid on the date of delivery of the Series 2011A Capital Improvement Refunding Bonds, a portion of the proceeds of the Series 2011A Capital Improvement Refunding Bonds will be deposited with each of the existing paying agents for each issue of the Refunded Capital Improvement Bonds. In such capacity, each such paying agent shall be referred to as an Escrow Agent. Each Escrow Agent will enter into an escrow deposit agreement (each, a "Capital Improvement Escrow Agreement") between the State and the Escrow Agent upon or prior to the issuance of the Series 2011A Capital Improvement Refunding Bonds. Such proceeds, together with other amounts, if any, deposited with an Escrow Agent, will be invested in Government Obligations, the principal of and interest on which will be sufficient, together with other moneys, if any, deposited with such Escrow Agent, to redeem the Refunded Capital Improvement Bonds.

The Government Obligations and other moneys, if any, will be deposited with the applicable Escrow Agent in an irrevocable escrow account (each, a "Capital Improvement Escrow Account") established under each Capital Improvement Escrow Agreement and pledged to secure the payment of the principal of and redemption premium, if any, and interest on the applicable issue of Refunded Capital Improvement Bonds. In the opinion of Bond Counsel, upon the deposit of such Government Obligations and moneys into a Capital Improvement Escrow Account, compliance with the other provisions relating to the defeasance of the applicable issue of Refunded Capital Improvement Bonds, and the receipt of the verification report described in the following paragraph, such Refunded Capital Improvement Bonds will be deemed paid and will cease to be entitled to any benefit or security under the bond resolutions pursuant to which they were issued, and all covenants, agreements, and obligations of the State to the holders of such Refunded Capital Improvement Bonds will cease and determine.

An independent verification agent will verify to the State that the mathematical calculations of the Financial Advisor relating to the sufficiency of the Government Obligations and other moneys, if any, to pay, when due, the principal of, redemption premium, if any, and interest on all Refunded Capital Improvement Bonds are accurate and, at the time of delivery of the Series 2011A Capital Improvement Refunding Bonds, will deliver its verification report.

CONSTITUTIONAL AND STATUTORY DEBT LIMIT

General

Article X, Section 13, Paragraph 6, Subparagraph (c) of the South Carolina Constitution provides that the maximum annual debt service on all general obligation debt of the State (excluding State Highway Bonds, State Institution Bonds, tax anticipation notes, and bond anticipation notes) shall not exceed five percent (5%) of the General Fund revenues of the State for the fiscal year (ending June 30) next preceding the fiscal year in which the debt is incurred (excluding revenues which are authorized to be pledged for State Highway Bonds and State Institution Bonds) (the "5% Constitutional Limitation"). The percentage rate of General Fund revenues may be reduced to four percent (4%) or increased to seven percent (7%) by legislative enactment passed by a two-thirds vote of the total membership of the South Carolina Senate and a two-thirds vote of the total membership of the South Carolina House of Representatives.

During the 2002 session of the General Assembly, the limitation on general obligation bond debt service provided in Article X, Section 13, Paragraph 6, Subparagraph (c) was increased from five percent (5%) to five and one-half percent (5.5%) of General Fund revenues of the preceding fiscal year, with the additional debt service limited exclusively to bonds issued under the State General Obligation Economic Development Bond Act, codified at South Carolina Code Sections 11-41-10 *et seq.* (the "State Economic Development Bond Act"). Section 11-41-60 of the South Carolina Code provides that the maximum annual debt service on bonds issued under the State Economic Development Bond Act must not exceed one-half of one percent (.50%) of the General Fund revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for State Highway Bonds and State Institution Bonds).

During the 2004 session of the General Assembly, the limitation on general obligation debt service provided in Article X, Section 13, Paragraph 6, Subparagraph (c) was further increased from five and one-half percent (5.5%) to six percent (6%) of General Fund revenues of the preceding fiscal year, with the additional debt service limited exclusively to bonds issued under the South Carolina Research University Infrastructure Act, codified at South Carolina Code Sections 11-51-10 *et seq*. (the "Research University Infrastructure Act"). Section 11-51-50(B) of the South Carolina Code provides that the maximum annual debt service on bonds issued under the Research University Infrastructure Act must not exceed one-half of one percent (.50%) of the General Fund revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for State Highway Bonds and State Institution Bonds). Section 11-51-40 of the South Carolina Code limits the amount of general obligation debt that may be outstanding at any one time pursuant to the Research University Infrastructure Act to two hundred and fifty million dollars ($250,000,000).

During a special session of the General Assembly in October, 2009, pursuant to the provisions of Article X, Section 13, Paragraph 5 of the South Carolina Constitution, legislation was introduced and approved by two-thirds of the members of each House of the General Assembly authorizing the issuance of additional economic development bonds, with such additional bonds limited to a principal amount of general obligation debt not exceeding $170 million at any time, provided that no more than a total of $170 million of proceeds may be used for any one project regardless of available capacity. Bonds issued pursuant to this provision are not subject to the limitations on debt service described above.

General Obligation State Institution Bonds

Article X, Section 13, Paragraph 6, Subparagraph (b) of the South Carolina Constitution provides that general obligation bonds for any state institution of higher learning designated by the General Assembly (each, a "State Institution") may be issued, if such bonds shall be additionally secured by a pledge of the revenues derived from the Tuition Fees received by the particular State Institution for which such State Institution Bonds are issued; provided, that the maximum annual debt service on all State Institution Bonds issued for such State Institution thereafter to be outstanding shall not exceed ninety percent (90%) of the sums received by such State Institution from Tuition Fees for the fiscal year next preceding. Not included with such calculation, however, are bonds which have been defeased pursuant to Section 59-107-200 of the South Carolina Code.

DEBT OF THE STATE OF SOUTH CAROLINA

Constitutional Provisions

The following is a summary of the provisions of Article X, Section 13 of the South Carolina Constitution as they relate to the general obligation debt of the State:

"General obligation debt" means any indebtedness of the State which is secured in whole or in part by a pledge of the full faith, credit and taxing power of the State. General obligation debt may not be incurred except for a public purpose and all general obligation debt shall mature not later than thirty (30) years from the time such indebtedness shall be incurred.

In each act authorizing the incurring of general obligation debt, the General Assembly must allocate on an annual basis sufficient tax revenues to provide for the punctual payment of the principal of and interest on such general obligation debt. If at any time any payment due as the principal of or interest on any general obligation debt is not paid as and when the same becomes due and payable, the State Comptroller General must forthwith levy and the State Treasurer must collect an *ad valorem* tax without limit as to rate or amount upon all taxable property in the State sufficient to meet the payment of the principal of and interest on such general obligation debt then due.

General obligation debt authorized by (a) two-thirds of the members of each House of the General Assembly, or (b) a majority vote of the qualified electors of the State voting in a referendum called by the General Assembly, is subject to no restrictions or limitations other than those imposed in the authorization to incur such indebtedness and as set forth above. General obligation debt may also be incurred on such terms and conditions as the General Assembly may by law prescribe subject to the following limitations:

> General obligation debt may be incurred for highway purposes, i.e., State Highway Bonds, if such bonds are additionally secured by a pledge of so much of the revenues as may be made applicable by the General Assembly for State highway purposes from any and all taxes or licenses imposed upon individuals or vehicles for the privilege of using the public highways of the State; provided that the maximum annual debt service on all State Highway Bonds so additionally secured to be outstanding must not exceed 15% of the proceeds received from such sources of revenue for the fiscal year next preceding.
>
> General obligation debt may be incurred for any State institution of higher learning designated by the General Assembly, i.e., State Institution Bonds, if such bonds are additionally secured by a pledge of the revenues derived from the tuition fees received by the particular institution of higher learning for which such State Institution Bonds are issued; provided that the maximum annual debt service on issues of State Institution Bonds for such State institution of higher learning to be outstanding must not exceed 90% of the sums received by such State institution of higher learning from tuition fees for the fiscal year next preceding.
>
> General obligation debt may be incurred for any public purpose provided that the maximum annual debt service on all general obligation bonds of the State (excluding State Highway Bonds, State Institution Bonds, tax anticipation notes and bond anticipation notes) must not exceed five percent (5%) of the General Fund revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for State Highway Bonds and State Institution Bonds). The rate of five percent (5%) may be reduced to four percent (4%) or increased to seven percent (7%) by legislative enactment passed by a vote of two-thirds of the total membership of the Senate and a two-thirds vote of the total membership of the House of Representatives. The General Assembly has on two occasions acted to increase the debt limit. See "CONSTITUTIONAL AND STATUTORY DEBT LIMIT – General" herein.

General obligation debt may also be incurred or issued in anticipation of State tax collections and in anticipation of the proceeds of general obligation State bonds. Tax anticipation notes must mature not later than 90 days from the end of the fiscal year in which such notes are issued. Bond anticipation notes must mature not later than one year following their date of issuance, but may be refunded or renewed.

The constitutional restrictions on general obligation debt may not be relaxed except by amendment to the South Carolina Constitution approved by a majority of the qualified electors voting at a general election for State representatives; such restrictions, however, do not preclude more stringent statutory limitations.

General Obligation Debt

The South Carolina General Assembly has, by statute, authorized nine categories of general obligation State bonds, as follows:

State School Bonds. Title 59, Chapter 71, Article 5 of the South Carolina Code contains provisions relating to general obligation State School Bonds. The authorization provided in these provisions expired in 1991, however it may be renewed by subsequent legislation.

State Capital Improvement Bonds. Act No. 1377, as continued and amended by Section 11-27-30 of the South Carolina Code, authorizes the issuance of general obligation State Capital Improvement Bonds for State capital projects generally, specific capital projects for various institutions and agencies and for refunding prior bonds. Section 11-27-30 of the South Carolina Code provides that the debt limit for State Capital Improvement Bonds is the lesser of (a) the dollar amount from time to time authorized by Act No. 1377 or (b) the amount resulting from the limit described in Article X, Section 13, Paragraph 6, Subparagraph (c) of the South Carolina Constitution.

State Highway Bonds. Title 57, Chapter 11, Article 3 of the South Carolina Code, as supplemented by Section 11-27-30 of the South Carolina Code, authorizes the issuance of general obligation State Highway Bonds for highway construction and related purposes. State Highway Bonds are additionally secured by a pledge of so much of the revenues as may be made applicable by the General Assembly for State highway purposes from any and all taxes or licenses imposed upon individuals or vehicles for the privilege of using the public highways of the State. Such amounts include certain user fees and taxes imposed on motor fuels pursuant to Title 12 of the South Carolina Code and the motor vehicle license tax imposed upon the owners of motor and other vehicles pursuant to the provisions of South Carolina Code, Titles 56 and 57. See "FISCAL ADMINISTRATION AND PLANNING – Certain Taxes," herein. So long as any State Highway Bonds are outstanding, the amount of revenues made applicable thereto by the General Assembly may not be less than the amounts needed to fund the general operations budget of the South Carolina Department of Transportation and meet debt service requirements for annual principal and interest payments on such bonds. Sections 57-11-240 and 11-27-30 of the South Carolina Code provide that the debt limit for State Highway Bonds is the maximum annual debt service limitation which results from the application of the constitutional limitation imposed by Article X, Section 13, Paragraph 6, Subparagraph (a) of the South Carolina Constitution.

State Institution Bonds. Title 59, Chapter 107 of the South Carolina Code (the "State Institution Bond Act"), as continued and amended by Section 11-27-30 of the South Carolina Code, authorizes the issuance of general obligation State Institution Bonds for permanent improvements and related purposes at State-supported institutions of higher learning. State Institution Bonds are additionally secured by the respective special funds created at each State institution of higher learning from the tuition fees imposed at such institution. The State Institution Bond Act and Section 11-27-30 of the South Carolina Code provide that the debt limit for State Institution Bonds is the amount resulting from the application of the constitutional limitation imposed by Article X, Section 13, Paragraph 6, Subparagraph (b) of the South Carolina Constitution relating to State Institution Bonds.

State School Facilities Bonds. Title 59, Chapter 146 of the South Carolina Code (the "School Facilities Bond Act") authorizes the issuance of general obligation State School Facilities Bonds for the purpose of assisting school districts in the State to provide adequate educational facilities. The maximum principal amount of State School Facilities Bonds issued may not exceed $750,000,000, except that this limitation does not apply to any State School Facilities Bonds issued for the purpose of refunding prior issues of State School Facilities Bonds. Section 59-146-80 of the South Carolina Code further provides that the State Budget and Control Board must adopt a resolution providing for the issuance of such State School Facilities Bonds which requires compliance with the provisions of Article X, Section 13, Paragraph 6, Subparagraph (c) of the South Carolina Constitution as described under "DEBT OF THE STATE OF SOUTH CAROLINA – Constitutional Provisions" above. The authorization to issue bonds under the School Facilities Bond Act has been exhausted, except for the purpose of refunding State School Facilities Bonds, and there remains no principal amount authorized for issuance thereunder.

State Transportation Infrastructure Bonds. Article 5 of Title 11, Chapter 43 of the South Carolina Code (the "South Carolina Transportation Infrastructure Bank Act"), authorizes the issuance of general obligation Transportation Infrastructure Bonds for highways and transit projects. General obligation State Transportation Infrastructure Bonds may be further secured by a pledge of so much of the revenues as may be made available to the South Carolina Transportation Infrastructure Bank. General obligation State Transportation Infrastructure Bonds may be issued only upon the approval of the State Budget and Control Board after the review and approval of the Joint Bond Review Committee. No general obligation State Transportation Infrastructure Bonds may be issued unless the South Carolina Transportation Infrastructure Bank has sources of revenue sufficient to pay the principal and interest on such bonds. The issuance of general obligation State Transportation Infrastructure Bonds is limited pursuant to Article X, Section 13, Paragraph 6, Subparagraph (c) of the South Carolina Constitution.

State Economic Development Bonds. The State Economic Development Bond Act authorizes the issuance of general obligation Economic Development Bonds to provide infrastructure for economic development within the State, including costs of land acquisition, site preparation, road and highway improvements, rail spur construction, water service, wastewater treatment, employee training, environmental mitigation, training and research facilities and the necessary equipment therefor, and buildings that are associated with an economic development project that includes air carrier hub terminal facilities (as defined under State law) or that are located on land that is owned by the State or a political subdivision thereof. Qualified projects must include (i) a total investment by the sponsor of at least $400 million, and at least 400 new jobs must be created at the project by the sponsor, (ii) in the case of a Life Sciences Facility (as that term is defined in the State Economic Development Bond Act), a total investment by the sponsor of at least $100 million, and at least 200 new jobs must be created at the project by the sponsor, with annual cash compensation for those jobs of at least twice the State's average per capita income, (iii) tourism training infrastructure projects (as defined under State law), or (iv) national and international convention and trade show centers (as defined under State law). The issuance of general obligation Economic Development Bonds is limited as described in Article X, Section 13, Paragraph 6, Subparagraph (c) and Article X, Section 13, Paragraph 5 of the South Carolina Constitution.

State Research University Infrastructure Bonds. Title 11, Chapter 51 of the South Carolina Code (the "South Carolina Research University Infrastructure Act"), authorizes the issuance of general obligation Research University Infrastructure Bonds to advance economic development and create a knowledge-based economy, thereby increasing job opportunities, or to facilitate and increase externally funded research at the research universities, including but not limited to land acquisition, acquisition or construction of buildings, equipment, furnishings, site preparation, road and highway improvements, and water and sewer infrastructure. The issuance of general obligation Research University Infrastructure Bonds is limited as described in Article X, Section 13, Paragraph 6, Subparagraph (c) of the South Carolina Constitution.

State Air Carrier Hub Terminal Facilities Bonds. Title 55, Chapter 11, Article 7 of the South Carolina Code, authorizes the issuance of general obligation Air Carrier Hub Terminal Facilities Bonds to provide funds to pay a portion of the costs of (i) acquiring land, (ii) constructing, enlarging, improving, extending, renovating, and equipping suitable air carrier hub terminal facilities to be located in the State, and (iii) purchasing equipment, ground support equipment, machinery, special tools, maintenance, boarding facilities, and any and all additional necessary real or personal property for the operation of air carrier hub terminal facilities. The issuance of general obligation Air Carrier Hub Terminal Facilities Bonds is limited as described in Article X, Section 13, Paragraph 6, Subparagraph (c) of the South Carolina Constitution.

Revenue Bonds, Lease Revenue Bonds and Notes

In addition to the general obligation debt above described, there are presently outstanding various types of revenue bonds and notes issued by various State agencies and authorities for which the full faith, credit and taxing power of the State are not pledged. These bonds and notes, the purposes for which they have been issued and the sources of payment thereof are described below.

State Transportation Infrastructure Revenue Bonds. The General Assembly, pursuant to the South Carolina Transportation Infrastructure Bank Act, created the South Carolina Transportation Infrastructure Bank (the "SCTIB") to assist governmental units and private entities in constructing and improving highway and transportation facilities necessary for public purposes, including economic development, by providing loans and other financial assistance. Under Article 3 of the South Carolina Transportation Infrastructure Bank Act, the SCTIB is authorized to issue revenue bonds for such purposes. Such revenue bonds are payable from System and Series Payments, as those terms are defined in the Master Revenue Bond Resolution adopted by the SCTIB on September 21, 1998, as amended, authorizing the issuance of South Carolina Transportation Infrastructure Bank Revenue Bonds. System Payments include a pledge of State truck registration fees for the payment of SCTIB revenue bonds; however, that pledge is junior and subordinate to the pledge of the truck registration fees for all general obligation State Highway Bonds.

Auxiliary Revenue Bonds and Notes for Institutions of Higher Learning. Auxiliary revenue bonds are secured by and payable from revenues derived from student or user fees associated with the various auxiliary facilities at the particular institution of higher learning. The various types of revenue debt included are Higher Education Facilities Revenue, Student and Faculty Housing, Housing and Auxiliary Facilities, Plant Improvement, Athletic Facilities, Auxiliary Facilities, Stadium Improvement, and Parking Facilities Revenue Bonds and Notes.

State Ports Authority Revenue Bonds. State Ports Authority Revenue Bonds are payable from certain revenues generated at the South Carolina State Ports Authority's facilities.

State Education Assistance Authority Guaranteed Student Loan Revenue Bonds. The State Budget and Control Board, acting as the State Education Assistance Authority, is authorized to issue revenue bonds for the purpose of obtaining monies to lend to South Carolina students pursuing courses in higher education. State Education Assistance Authority Guaranteed Student Loan Revenue Bonds are payable from revenues derived by way of repayment of such students' loans, which loans are insured as provided in the Higher Education Act of 1965.

The Medical University of South Carolina Hospital Facilities Revenue Bonds. The Medical University Hospital Authority issues revenue bonds payable from revenues derived from the operation of the hospital facilities of The Medical University of South Carolina for the purpose of providing such facilities.

South Carolina Public Service Authority Revenue Bonds. The South Carolina Public Service Authority, an autonomous State agency owning and operating electric generation and distribution facilities and wholesale water distribution facilities in certain counties in the State, issues revenue bonds payable solely from revenues derived by and from its operations.

State Housing Finance and Development Authority Revenue Bonds. The State Housing Finance and Development Authority provides financing for housing for qualifying persons of low to moderate income. Its bonds are payable from amounts received on loans made or mortgages purchased with bond proceeds.

Educational Facilities Authority for Private Nonprofit Institutions of Higher Learning. The State Budget and Control Board, acting as the Educational Facilities Authority for Private Nonprofit Institutions of Higher Learning, is authorized to issue revenue bonds for the purpose of providing facilities for use by private, nonprofit institutions of higher learning. Such revenue bonds are payable solely from revenues derived from the leasing and sale of such facilities or loaning the proceeds of such bonds to such institutions.

Heritage Trust Revenue Bonds. The board of the Department of Natural Resources, in its role as the trustee of the South Carolina Heritage Trust, acting through and in accordance with the terms of the Heritage Trust Program, is authorized to incur indebtedness to acquire, restore, improve, and manage additional properties suitable for inclusion in the Heritage Trust Program. Such indebtedness is secured by and payable from the revenues derived from that portion of the State deed recording fee dedicated to the Heritage Land Trust Fund.

Richard B. Russell Lake and Dam Project. In fiscal years 1985-86 to present, the General Assembly has authorized appropriations for debt service obligations under a contract between the United States of America and the South Carolina Department of Parks, Recreation and Tourism. The purpose of the contract is to finance construction of public park and recreation facilities at the Richard B. Russell Lake and Dam project.

South Carolina Resources Authority. The State Budget and Control Board, acting as the South Carolina Resources Authority, was formerly authorized to issue bonds for the purpose of acquiring the obligations of local governmental units issued in connection with financing or refinancing the cost of any water supply, sewer system, sewage or wastewater treatment facility. Since 1994, the powers of the South Carolina Resources Authority have been limited to the refunding of its outstanding bonds. Bonds issued by the South Carolina Resources Authority are payable from amounts paid with respect to the local government obligations and do not constitute a debt of, or a pledge of the faith and credit of, the State. In order to make required semi-annual payments to the South Carolina Resources Authority, one of the local governmental units withdrew funds from its debt service reserve fund and additionally received appropriated funds from the State with which to make such payments.

Tobacco Settlement Asset-Backed Bonds. Pursuant to Title 11, Chapter 49 of the South Carolina Code (the "Tobacco Settlement Revenue Management Authority Act"), the State transferred to the Tobacco Settlement Revenue Management Authority (the "Authority") all of its right, title, and interest in payments due to the State after June 30, 2001, under the Master Settlement Agreement (the "MSA"), entered into among the participating cigarette manufacturers (the "PMs"), 46 states, and six other U.S. jurisdictions on November 23, 1998, in connection with the settlement of certain smoking-related litigation, including the State's rights to receive certain payments (the "TSRs") to be made by the PMs under the MSA. On March 18, 2001, the Authority issued $934,530,000 aggregate principal amount of Tobacco Settlement Asset-Backed Bonds (the "Series 2001 Tobacco Bonds") pursuant to an indenture between the Authority and United States Trust Company of New York (subsequently acquired by The Bank of New York Mellon Trust Company, N.A.), as Trustee, dated as of March 1, 2001 (the "Indenture"), and the Tobacco Settlement Revenue Management Authority Act. On June 26, 2008, the Authority defeased a portion of the outstanding principal amount of the Series 2001 Tobacco Bonds by depositing a portion of the proceeds of its $275,730,000 Tobacco Settlement Revenue Asset-Backed Refunding Bonds, Series 2008 (the "Series 2008 Tobacco Bonds"), together with other available monies, with The Bank of New York Mellon Trust Company, N.A., as Trustee for the Series 2001 Tobacco Bonds, pursuant to the terms of an irrevocable Escrow Agreement dated June 26, 2008, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee for the Series 2001 Tobacco Bonds. The Series 2008 Tobacco Bonds are secured by and payable from the TSRs and all investment earnings on and amounts on deposit in certain accounts established under the Indenture. Tobacco bond payments are special obligations of the Authority payable from and secured entirely by TSRs. The Series 2008 Tobacco Bonds are not a debt of the State, and do not constitute a debt or a pledge of the faith and credit of the State.

Lease Revenue Bonds. The State Budget and Control Board is empowered by Act No. 497 of the Acts and Joint Resolutions of the General Assembly of South Carolina for the year 1994, Part II, Section 139 and Act No. 145 of the Acts and Joint Resolutions of the General Assembly of South Carolina for the year 1996, Part II, Section 72, to issue lease and installment purchase revenue bonds. Such authorization was amended in certain particulars by Act No. 184 of the Acts and Joint Resolutions of the General Assembly of South Carolina for the year 2004, Section 10. These bonds are payable from the lease and installment purchase revenues provided by the facilities purchased with the proceeds of such bonds.

Debt History

Not since 1879 has there been any default, actual or technical, on any bonded debt of the State. The only defaults that ever occurred took place during, or as a consequence of, the period of reconstruction following the Civil War. The General Assembly has for many years empowered the State Budget and Control Board to reduce expenditures authorized for each fiscal year if a deficit appears likely (See "FISCAL ADMINISTRATION AND PLANNING" herein). Not since 1932 has there been any incurrence of debt from external sources to fund operating deficits of the State. See "FISCAL ADMINISTRATION AND PLANNING – The Budgeting Process" herein.

Borrowing for Current Operations

Although State law permits short term borrowing for current operations when necessary, such borrowing has not been necessary since the 1930's.

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DEBT OF THE STATE

		Principal Amount Outstanding[1]
General Obligation Debt		
State School Bonds	$	--
State Capital Improvement Bonds		325,275,000
State Highway Bonds		478,760,000
State Institution Bonds		380,865,000
State School Facilities Bonds		366,810,000
State Transportation Infrastructure Bonds		49,750,000
State Economic Development Bonds		409,425,000
State Research University Infrastructure Bonds		172,585,000
State Air Carrier Hub Terminal Facilities Bonds		50,000,000
Revenue Bonds, Lease Revenue Bonds and Notes		
State Transportation Infrastructure Revenue Bonds	$	2,137,720,000
Revenue Bonds and Notes for Institutions of Higher Learning		
The Citadel, The Military College of South Carolina		43,119,000
Clemson University		79,490,000
Coastal Carolina University		21,170,000
College of Charleston		199,535,000
Francis Marion University		8,245,000
Lander University		480,000
The Medical University of South Carolina		35,900,000
South Carolina State University		665,000
University of South Carolina		332,940,000
Winthrop University		11,295,000
State Ports Authority Revenue Bonds[2]		98,511,000
State Education Assistance Authority Guaranteed Student Loan Revenue Bonds[2]		894,700,000
The Medical University of South Carolina Hospital Facilities Revenue Bonds[2]		490,091,000
South Carolina Public Service Authority Revenue Bonds[2]		4,595,190,000
State Housing Finance and Development Authority Revenue Bonds[2]		
Single Family Mortgage Purchase Bonds		819,384,000
Single Family Mortgage Revenue Notes		--
Educational Facilities Authority For Private Nonprofit Institutions of Higher Learning Bonds[2]		357,587,000
Heritage Trust Revenue Bonds		16,030,000
Richard B. Russell Lake and Dam Project Bonds		7,482,000
South Carolina Resources Authority Bonds		5,000
Tobacco Settlement Asset-Backed Bonds		120,653,000
Lease Revenue Bonds		
Lease Revenue Bonds		6,015,000
Installment Purchase Revenue Bonds		15,400,000
Revenue Notes		14,883,000
Capital Lease and Installment Purchase Payments		106,710,000[3]

[1] At December 31, 2010, unless otherwise noted; excludes the Bonds.
[2] At June 30, 2010 (latest available information).
[3] Present value of future minimum payments at June 30, 2010 (latest available information).

TABLES RELATING TO THE BONDS AND THEIR EFFECT ON THE DEBT OF THE STATE

Pro Forma Debt Service Requirements
of the Series 2011A School Facilities Refunding Bonds

Fiscal Year Ending	Principal	Interest	Debt Service
June 30, 2012	$ 17,820,000.00	$ 7,980,500.00	$ 25,800,500.00
June 30, 2013	18,310,000.00	7,445,900.00	25,755,900.00
June 30, 2014	52,740,000.00	6,896,600.00	59,636,600.00
June 30, 2015	63,125,000.00	4,787,000.00	67,912,000.00
June 30, 2016	33,720,000.00	2,262,000.00	35,982,000.00
June 30, 2017	11,520,000.00	576,000.00	12,096,000.00
Total	$ 197,235,000.00	$ 29,948,000.00	$ 227,183,000.00

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Pro Forma Debt Service Requirements
of the Series 2011A Capital Improvement Refunding Bonds

Fiscal Year Ending		Principal		Interest		Debt Service
June 30, 2012	$	5,330,000.00	$	5,299,050.00	$	10,629,050.00
June 30, 2013		22,110,000.00		5,139,150.00		27,249,150.00
June 30, 2014		22,810,000.00		4,475,850.00		27,285,850.00
June 30, 2015		23,880,000.00		3,563,450.00		27,443,450.00
June 30, 2016		25,015,000.00		2,608,250.00		27,623,250.00
June 30, 2017		19,035,000.00		1,357,500.00		20,392,500.00
June 30, 2018		8,115,000.00		405,750.00		8,520,750.00
Total	$	126,295,000.00	$	22,849,000.00	$	149,144,000.00

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Pro Forma Debt Service Requirements for All General Obligation Debt Subject to the Constitutional and Statutory Debt Limitations Prescribed by Article X, Section 13(6)(c) of the South Carolina Constitution Including Debt Service for the Series 2011A School Facilities Refunding Bonds and Debt Service for the Series 2011A Capital Improvement Refunding Bonds And After Giving Effect to the Defeasance of the Refunded Bonds[4]

Fiscal Year Ending	Principal	Interest	Debt Service
June 30, 2011	$ 116,206,000.00	$ 30,322,684.07	$ 146,528,684.07
June 30, 2012	110,840,000.00	27,492,490.00	138,332,490.00
June 30, 2013	112,875,000.00	22,766,477.50	135,641,477.50
June 30, 2014	110,125,000.00	18,572,095.00	128,697,095.00
June 30, 2015	115,090,000.00	14,244,075.00	129,334,075.00
June 30, 2016	88,990,000.00	9,625,025.00	98,615,025.00
June 30, 2017	52,775,000.00	5,748,050.00	58,523,050.00
June 30, 2018	31,320,000.00	3,466,075.00	34,786,075.00
June 30, 2019	14,625,000.00	2,417,650.00	17,042,650.00
June 30, 2020	6,265,000.00	1,891,550.00	8,156,550.00
June 30, 2021	6,525,000.00	1,612,800.00	8,137,800.00
June 30, 2022	6,795,000.00	1,322,500.00	8,117,500.00
June 30, 2023	7,085,000.00	1,020,200.00	8,105,200.00
June 30, 2024	7,390,000.00	705,050.00	8,095,050.00
June 30, 2025	7,715,000.00	498,950.00	8,213,950.00
June 30, 2026	3,580,000.00	305,700.00	3,885,700.00
June 30, 2027	3,730,000.00	198,300.00	3,928,300.00
June 30, 2028	2,880,000.00	86,400.00	2,966,400.00
Total	$ 804,811,000.00	$ 142,296,071.57	$ 947,107,071.57

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[4] Article X, Section 13, Paragraph 6, Subparagraph (c) of the South Carolina Constitution provides that the maximum annual debt service on all general obligation debt of the State (which includes State Capital Improvement and State School Facilities Bonds, but excludes State Highway Bonds, State Institution Bonds, tax anticipation notes, and bond anticipation notes) must not exceed five percent (5%) of the general revenues of the State for the fiscal year next preceding the fiscal year in which the debt is incurred (excluding revenues which are authorized to be pledged for State Highway Bonds and State Institution Bonds). The maximum annual debt service on all outstanding general obligation debt subject to the 5% Constitutional Limitation will occur in the fiscal year ending June 30, 2011, and will not exceed 2.81% of the general revenues of the State for the fiscal year ending June 30, 2010.

Outstanding General Obligation Debt
After Issuance of the Bonds[5]

	Principal Amount Outstanding
State School Bonds	$ --
State Capital Improvement Bonds	319,345,000
State Highway Bonds	478,760,000
State Institution Bonds	505,450,000[6]
State School Facilities Bonds	355,660,000
State Transportation Infrastructure Bonds	49,750,000
State Economic Development Bonds	409,425,000
State Research University Infrastructure Bonds	172,585,000
State Air Carrier Hub Terminal Facilities Bonds	50,000,000

GOVERNMENTAL STRUCTURE

The South Carolina Constitution provides for the three traditional branches of government – the Executive, the Legislative, and the Judicial. Below is a description of the three branches of government along with the more important departments, State institutions of higher learning, institutions providing technical education, and the State pension plans.

The Executive Branch

The Governor is elected at General Elections held in every other even-numbered year, which is not a presidential election year. The Governor holds office for a term of four (4) years and may succeed herself for a second term. The Governor has the veto power and in the instance of bills appropriating money is given the further power to disapprove any one or more of the items or sections contained in such legislation. The Governor's veto may be overridden by a two-thirds majority of each House of the General Assembly. This provision has been construed to mean that two-thirds of a quorum is sufficient. A majority of each House constitutes a quorum.

In addition to the Governor, the South Carolina Constitution provides for the election (to four-year terms) of the Lieutenant Governor, the State Treasurer, the State Attorney General, the State Comptroller General, the Secretary of State, the State Adjutant General, and the State Superintendent of Education.

The State Budget and Control Board performs important administrative and executive functions. See "FISCAL ADMINISTRATION AND PLANNING" herein.

For many years, the State maintained a system of numerous agencies and commissions, which handled various administrative functions. The General Assembly in its 1993 session enacted Act No. 181 of the Acts and Joint Resolutions of the General Assembly of South Carolina for the year 1993 (the "Restructuring Act"), pursuant to which many administrative agencies and commissions were consolidated and reestablished within nineteen executive departments. The directors or boards for sixteen of these departments are appointed by the Governor with the advice and consent of the Senate. In addition to the Constitutional officers delineated above, the head of the Department of Agriculture is elected by popular vote.

In addition to restructuring administrative functions, the General Assembly also provided in the Restructuring Act for six Administrative Law Judges to be elected by the General Assembly to staggered five (5) year terms and to have jurisdiction over all hearings of contested cases pursuant to the Administrative Procedures Act. Three Administrative Law Judges were elected to terms which began April 1, 1994, and three additional Administrative Law Judges were elected to terms which began April 1, 1995. The Administrative Law Judges function within an agency within the Executive Branch known as the Administrative Law Judge Division.

[5] At December 31, 2010, unless otherwise noted.

[6] Includes effect of $19,225,000 General Obligation State Institution Refunding Bonds (Issued on Behalf of the University of South Carolina), Series 2011A, $66,225,000 General Obligation State Institution Bonds (Issued on Behalf of Clemson University), Series 2011B, $15,000,000 General Obligation State Institution Bonds (Issued on Behalf of Midlands Technical College), Series 2011C, $18,950,000 General Obligation State Institution Bonds (Issued on Behalf of The Medical University of South Carolina), Series 2011D, $26,000,000 General Obligation State Institution Bonds (Issued on Behalf of the University of South Carolina), Series 2011E, pending issuance at time of publication.

The Legislative Branch

The bicameral General Assembly meets annually. The House of Representatives has one hundred twenty-four (124) members and the Senate has forty-six (46) members. Members of the House of Representatives are elected to two-year terms in each General Election. Members of the Senate are elected to four-year terms in those General Elections which occur in the years of presidential elections. All legislative power is vested in the Legislative Branch. Bills for raising revenue must originate in the House of Representatives but may be altered, amended, or rejected by the Senate.

The Judicial Branch

The Judicial Branch of the State is a unified system composed of a Supreme Court, an intermediate Court of Appeals, sixteen (16) Circuit Courts, and such other Courts as may be provided for by general law. The Chief Justice and four (4) Associate Justices of the Supreme Court are elected for terms of ten (10) years by vote of the General Assembly in joint session. The Chief Judge and eight (8) Associate Judges of the Court of Appeals are elected for terms of six (6) years by vote of the General Assembly in joint session. The South Carolina Constitution prescribes that the General Assembly shall divide the State into Judicial Circuits and provides that one (1) or more Judges for each Judicial Circuit be elected by vote of the General Assembly in joint session. There are presently sixteen (16) Judicial Circuits and forty-six (46) Circuit Judges. Circuit Judges hold office for terms of six (6) years. In 1976, the General Assembly prescribed that there should be a Family Court for each Judicial Circuit which has exclusive jurisdiction in matters of divorce and domestic relations. Family Court Judges are elected by vote of the General Assembly in joint session and hold office for a term of six (6) years. There are fifty-two (52) Family Court Judges.

Department of Revenue

The Department of Revenue has the responsibility of collecting the following taxes and fees, among others: admissions, income, estate, corporation license, public utilities property and gross receipts, business license, coin-operated devices, documentary, electric power, gasoline and motor fuel, sales and use, alcoholic liquors and beer and wine. See “FISCAL ADMINISTRATION AND PLANNING – Certain Taxes” herein. Additionally, the Department of Public Safety is responsible for the administration of motor vehicle licenses and license laws.

Although the State presently levies no *ad valorem* property taxes, the Department of Revenue has general supervision over all taxing authorities in the matter of property assessments. See “FISCAL ADMINISTRATION AND PLANNING – Assessed Value of All Taxable Property in the State.”

Department of Transportation

The Department of Transportation (“DOT”) is responsible for the planning, construction, maintenance and operation of the State Highway System, and the coordination of statewide mass transit activities. The DOT is operated by a commission consisting of seven (7) members (the “Commission”), with one (1) member from each congressional district elected by the resident members of the State legislative delegations in each congressional district, and one (1) at-large member appointed by the Governor. The Chairman of the Commission is elected by its members. The Secretary of Transportation is appointed by and serves at the pleasure of the Governor. The Secretary is charged with the affirmative duty to carry out the policies of the Commission, to administer the day to day affairs of DOT, to direct the implementation of the Statewide Transportation Improvement Program and the Statewide Mass Transit Plan, and to ensure the timely completion of all projects undertaken by DOT, and routine operation and maintenance requests, and emergency repairs.

Each annual DOT budget for operation, maintenance and construction is approved by the Governor and becomes a part of each annual Appropriations Act enacted by the General Assembly. The General Assembly authorizes the DOT to spend all cash balances brought forward from the previous fiscal year as well as all income and other revenues to be received in that fiscal year, but provides that in no case shall the actual expenditures of the DOT exceed the amount of the cash balance plus income, other revenues and the proceeds from the sale of general obligation State Highway Bonds.

State Board of Education

The State Board of Education consists of seventeen (17) members with one (1) member elected from each Judicial Circuit by the State legislative delegations representing the Judicial Circuit and one (1) at-large member appointed by the Governor. The State Superintendent of Education, elected by popular vote, acts as Secretary of the State Board of Education.

The functions of the State Board of Education are to adopt rules, regulations, and minimum standards governing the public schools, to approve budget requests for the institutions and agencies under its control, to prescribe rules and regulations for the examination and certification of teachers, to prescribe and enforce courses of study and the use of textbooks and other instructional materials, to appoint such committees as may be necessary to carry out the orderly functions of the State Board of Education, to cooperate fully with the State Superintendent of Education, and to assume such other responsibilities as may be assigned by law.

Commission on Higher Education

The Commission on Higher Education (the "Commission") consists of fourteen (14) members appointed by the Governor. The membership consists of one at-large member who serves as chairman, one representative from each of the six congressional districts, three members appointed from the State at-large, three representatives of the public colleges and universities, and one non-voting representative of the independent colleges and universities of the State. A Commission member cannot be an employee or trustee of a higher education institution.

The Commission currently has the following major responsibilities for postsecondary education: to conduct studies and submit recommendations concerning finances, facilities, roles and missions of institutions, faculty, students, and other matters; to review appropriation requests from the public institutions and make presentations on their behalf to the State Budget and Control Board and the General Assembly; to review requests for permanent improvements and make recommendations; to maintain a statewide management information system; to approve all new programs and recommend termination of existing programs; to license nonpublic degree granting postsecondary institutions; to administer the State's participation in programs under the Southern Regional Education Board; and to administer certain federal programs relating to postsecondary education.

State Institutions of Higher Learning

University of South Carolina. Founded in 1801, the main campus of the University of South Carolina is located in Columbia. In addition to operations at its main campus, the University of South Carolina conducts programs at seven (7) regional branches located throughout the State.

Clemson University. Founded in 1889, Clemson University is located in the northwestern section of the State and is the land grant university of South Carolina.

Coastal Carolina University. Established in 1954 as a regional campus of the University of South Carolina, Coastal Carolina University is located in Conway. On July 1, 1993 it became an institution of higher learning independent of the University of South Carolina.

The Medical University of South Carolina. Established in 1913, The Medical University of South Carolina is located in Charleston. It includes a School of Medicine, School of Dentistry, School of Nursing, School of Pharmacy, School of Health Professions and a Graduate School.

The Citadel, The Military College of South Carolina. Founded in 1842, The Citadel is a co-educational institution located in Charleston.

Winthrop University. Founded in 1886 as a women's college and now co-educational, Winthrop University is located in Rock Hill.

South Carolina State University. Founded in 1896, South Carolina State University is located in Orangeburg.

The College of Charleston. Having begun its corporate existence in 1785, The College of Charleston became a municipal institution in the early 1800s and was restored to private status in 1949. It became a State institution of higher learning in 1970. The Graduate Studies Program at the College was given University status on July 1, 1992.

Francis Marion University. A regional branch of the University of South Carolina until July 1, 1970, Francis Marion University is located in Florence and became a State institution of higher learning independent of the University of South Carolina that year.

Lander University. Established in 1872 as a Methodist institution, Lander University is located in Greenwood. It continued to be operated as a denominational school until 1948 when it became a county college. It became a State institution of higher learning in 1973.

Technical Education

South Carolina's Technical Education System was established in 1961 for the purpose of providing a training program for preparing individuals for entry into, or progressing in, employment in industrial or technical fields of endeavor.

Sixteen (16) technical education institutions offer training ranging from short-term employment upgrading courses to two-year technology courses which offer an associate degree. Fields in which training is offered include allied health, engineering technologies, business technologies, agricultural technologies, and industrial and craft training. The technical education colleges and centers were declared to be institutions of higher learning by Act No. 249 of the Acts and Joint Resolutions of the General Assembly of South Carolina for the year 1977.

It is estimated that approximately 114,000 credit students and 128,000 continuing education students attend technical education programs each year. In Fall 2009, approximately 62,500 full-time equivalent students were enrolled in the centers and approximately 3,000 persons in training for specific industrial jobs, with the remainder attending classes designed to equip them to advance in their present jobs or to qualify for better jobs.

Pension Plans

Generally. The South Carolina Retirement Systems (the "Systems"), a division of the State Budget and Control Board, administers five defined benefit retirement plans: (1) the South Carolina Retirement System; (2) the South Carolina Police Officers' Retirement System; (3) the Retirement System for Members of the General Assembly of the State of South Carolina; (4) the Retirement System for Judges and Solicitors of the State of South Carolina; and (5) the National Guard Retirement System. The plans provide retirement, death, and disability benefits to State employees, public school employees, and employees of counties, municipalities, and certain other State political subdivisions. The National Guard Retirement System provides retirement benefits to members that served in the South Carolina National Guard.

Article X, Section 16 of the South Carolina Constitution provides that the governing body of any retirement or pension system in the State funded in whole or in part by public funds shall not pay any increased benefits to members or beneficiaries of that system unless that governing body first determines that funding for such increase on a sound actuarial basis has been provided or is concurrently provided. The General Assembly shall annually appropriate funds and prescribe member contributions for any state operated retirement system which will ensure the availability of funds to meet all normal and accrued liability of the system on a sound actuarial basis as determined by the governing body of the system. The Constitution prohibits diversion or use of the assets and funds established, created and accruing for the purpose of paying obligations to members of the retirement systems of the State and political subdivisions for any other purpose. Accordingly, each plan is administered independently, and assets of each plan may be used only to benefit participants of that plan. Title 9 of the South Carolina Code of Laws prescribes requirements relating to membership, benefits, and employee and employer contributions for each plan.

South Carolina law provides for automatic retiree cost of living allowances ("COLA") of up to 2%, effective each July 1, to eligible retired members of the South Carolina Retirement System and the Police Officers' Retirement System as long as the Consumer Price Index ("CPI") as of the previous December 31 was at least 2%. If the CPI is less than 2%, COLA will equal the CPI. If the CPI is 0% or negative, no COLA is granted. The financial impact of the automatic COLA is accounted for in the respective systems' liabilities. Pursuant to Section 9-1-1810 of the South Carolina Code, the State Budget and Control Board, as trustees of the State's pension trust funds, may approve ad hoc COLAs of up to 2% in addition to the automatic COLA, but only if all of the following conditions are met: (i) the amortization period for the prior year unfunded liability is at 25 years or below; (ii) the estimated funded ratio in the current year, after the grant of the additional COLA, does not decrease; (iii) the estimated amortization period in the current year, after granting the additional COLA, is still reduced by at least one year; and (iv) no increased employer contribution is required to support the grant of the additional COLA.

The funding objective of the pension trust funds is to meet future benefit obligations of retirees and beneficiaries through employee and employer contributions and investment earnings. An annual determination of actuarial soundness of the plans is conducted by external consulting actuaries based on long term obligations and the sufficiency of current contribution levels to fund the liabilities of each plan over a reasonable time frame. The most recent valuations concluded that all five systems are operating on an actuarially sound basis, and all are considered to be adequately funded within the standards prescribed by the Governmental Accounting Standards Board. Each of the systems is in compliance with the State Budget and Control Board's policy requiring actuarial liabilities be funded within 30 years.

The most recent actuarial valuations for the Systems are as of July 1, 2009, which were prepared for integration into the Systems' audited financial results for the fiscal year ended June 30, 2010. Unless otherwise noted, all other data is as of June 30, 2010. The Systems issues a publicly available Comprehensive Annual Financial Report that includes further information with respect to actuarial valuations of assets, unfunded accrued liabilities, amortization periods and funded ratios for each of the retirement plans, together with certain historical, statistical and other required supplementary information (the "Systems' CAFR"). The Systems' CAFR may be accessed at http://www.retirement.sc.gov.

South Carolina Retirement System ("SCRS"). The SCRS, a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code for the purpose of providing retirement allowances and other benefits for employees of public school districts and employees of the State, including political subdivisions, agencies and departments thereof. Membership is required as a condition of employment, unless exempted by State law. Both employers and employees must contribute. Benefits vest after five years of service. Vested members who retire at age sixty-five, or who retire with twenty-eight years of service at any age, receive an annual benefit, payable monthly, for life. The benefit is based on length of service and "Average Final Compensation," an annualized average of the employee's highest twelve consecutive quarters of compensation. The annual benefit amount is 1.82% of Average Final Compensation times years of service. Reduced benefits are payable at age fifty-five with 25 years of service credit. A member is eligible to receive a reduced deferred annuity at age 60 with five years of earned service.

The following is a summary of the membership, actuarial assumptions, and valuation data for the SCRS.

Membership	
Retirees and Beneficiaries Receiving Benefits	108,014
Terminated Employees Entitled to but not yet Receiving Benefits	156,999
Active, Contributing Members	192,319
Actuarial Valuation Date	July 1, 2009[7]
Actuarial Methods and Assumptions	
Actuarial Cost Method	Entry age
Amortization Period	Level percent open
Asset Valuation Method	10-year smoothed market[9]
Investment Rate of Return	8.00%[10]
Projected Salary Increases	4.00% -8.00%
Inflation Assumption	3.00%
Cost of Living Adjustments[8]	Automatic 2%
Actuarial Valuation	
Actuarial Valuation of Assets	$25,183,062,000
Unfunded Accrued Liability	11,967,253,000
Remaining Amortization Period	30 years
Funded Ratio	67.8%

The following table summarizes for each of the last ten fiscal years additions and deductions for the SCRS (in thousands).

	Additions				Deductions			
Year Ended June 30	Employee Contributions	Employer Contributions	Investment Income	Other	Annuity Expenses	Refunds	Death Benefit Claims	Admin. and Other Expenses
2010	$ 561,261	$ 818,523	$ 2,612,663	$ 957	$ 2,014,418	$ 75,814	$ 19,921	$ 19,593
2009	564,953	827,502	(4,754,668)	1,152	1,956,446	73,882	17,908	20,371
2008	540,872	774,269	(641,196)	1,321	1,853,892	79,027	17,617	20,752
2007	505,122	644,350	2,999,209	1,532	1,747,192	77,212	15,948	18,254
2006	498,458	577,468	1,134,639	1,741	1,639,238	108,569	14,875	18,545
2005	433,254	538,809	1,496,887	1,982	1,514,219	67,434	13,710	16,485
2004	414,967	515,996	1,759,686	2,328	1,405,958	66,505	13,515	16,425
2003	408,359	512,345	1,662,781	2,688	1,266,348	60,133	14,759	14,447
2002	413,905	509,044	170,284	3,141	1,153,538	63,936	13,492	14,910
2001	435,075	491,329	1,293,997	3,518	924,240	68,894	12,850	15,374

[7] For the period ending June 30, 2010.

[8] Beginning the July 1 following one year of receiving benefits, the monthly benefit amount will increase as described in "GOVERNMENTAL STRUCTURE – Pension Plans – *Generally*" herein.

[9] Beginning with investment performance for fiscal year ended June 30, 2008, a ten-year smoothing method technique was adopted to actuarially value assets of all plans administered by the Systems. This asset valuation method mitigates the impact of market volatility and allows changes in market conditions to be recognized (smoothed) over a period of years. Excess returns and shortfalls determined prior to July 1, 2008 were not restated as a result of this change and remain as formerly recognized over a five-year period.

[10] As of July 1, 2008, the State Budget and Control Board approved an increase in the actuarially assumed rate of investment return from 7.25% to 8.0% for all plans administered by the Systems. The increase in the actuarially assumed rate of return, which reflects greater investment flexibility and asset diversification, and the increase in the smoothing method discussed in the footnote above were adopted in conjunction with the implementation of changes in COLA provisions discussed in "GOVERNMENTAL STRUCTURE – Pension Plans – *Generally*" above.

The following table summarizes for each of the last ten fiscal years the annual required employer contribution, the percentage of the annual required employer contribution actually contributed, and the amount actually contributed, by employer, for the SCRS (in thousands).[11]

	Employer Contributions				
Year Ended June 30	Annual Required Contribution	Percentage Contributed	State Department Employees	Public School Employees	Political Subdivision Employees
2010	$ 818,523	100%	$ 269,639	$ 359,876	$ 189,008
2009	827,502	100%	274,756	363,638	189,108
2008	774,269	100%	259,778	342,441	172,050
2007	644,350	100%	214,479	286,090	143,781
2006	577,468	100%	194,626	254,878	127,964
2005	538,809	100%	187,365	243,542	107,902
2004	515,996	100%	182,110	231,142	102,744
2003	512,345	100%	185,747	229,415	97,183
2002	509,044	100%	190,306	225,964	92,774
2001	491,329	100%	184,853	213,183	93,293

Of the amounts contributed by employers on behalf of state department and public school employees, approximately 42% or an estimated $264 million of the amounts so contributed during the fiscal year ended June 30, 2010 were made from the State's General Fund. All other amounts so contributed were made from federal, local or other fund sources.

The following summary reflects events that have contributed to increases in the unfunded actuarial liability and declines in the funded ratio of the SCRS since 2000.

		Dollars (Millions)			
Year Ended June 30	Contributing Event	Incremental Impact	Cumulative Impact	Amortization Period	Funded Ratio
2000		$ -	$ 178	2	99%
2001	Experience results	141	319		
	Reduction in retirement years of service and TERI	1,810	2,129	16	89%
2002	Experience results	193	2,322		
	3.4% ad hoc COLA effective July 1, 2001	353	2,675	18	87%
2003	Experience results	324	2,999		
	1.3% ad hoc COLA effective July 1, 2002	149	3,148	21	86%
2004	Experience results	376	3,524		
	Increase in employer contribution rate - local employers	-	3,524		
	Adjustments to actuarial assumptions	399	3,923		
	2.4% ad hoc COLA effective July 1, 2003	278	4,201	25	83%
2005	Experience results	15	4,216		
	Valuation changes	690	4,906		
	1.6% ad hoc COLA effecitve July 1, 2004	209	5,115	27	80%
2006	Experience results	588	5,703		
	1% automatic COLA and other statutory changes	2,497	8,200		
	Benefits adjustments	(4)	8,196		
	2.4% ad hoc COLA effective July 1, 2005	396	8,592	30	72%
2007	Experience results	852	9,444		
	Changes in actuarial assumptions	(176)	9,268		
	Impact of court case	-	9,268		
	Increase in employer contribution rate	-	9,268		
	2.5% ad hoc COLA effective July 1, 2006	457	9,725	30	70%
2008	Experience results	233	9,958		
	Increase in employer contribution rate	-	9,958		
	1.4% ad hoc COLA effective July 1, 2007	267	10,225	29	70%
2009	Experience results	805	11,030		
	Assumption changes	(2,957)	8,073		
	Additional 1% automatic COLA	2,891	10,964	29	69%
2010	Experience results	1,415	12,379		
	COLA	(412)	11,967	30	68%

[11]The State Budget and Control Board mandated employer contribution increases of 0.145% and 0.145% effective July 1, 2011 and July 1, 2012, respectively (0.290% in the aggregate) to address an increase in the unfunded actuarial liability of the SCRS between fiscal years 2009 and 2010 and to maintain a 30 year amortization period.

Teacher and Employee Retention Incentive Program ("TERI"). The TERI program, which was implemented effective January 1, 2001, is a deferred retirement option program that allows retired SCRS members to accumulate benefits on a deferred basis for up to five years while continuing employment. Upon a termination of employment or at the end of the TERI program, funds are distributed to the participant from the accumulated TERI account. TERI participants who entered the program after June 30, 2005, must continue to contribute at the same rate as active SCRS members. Those who entered prior to July 1, 2005, make no employee contributions to SCRS while participating in TERI. A total of 5,641 members were actively participating in the TERI program as of June 30, 2010.

State Optional Retirement Program ("State ORP"). The State ORP is an alternative retirement plan to the SCRS. A variant of the current State ORP has been available to certain employees since 1987. Employees eligible for State ORP participation may choose between State ORP, which is a defined contribution plan, or SCRS, which is a defined benefit plan, as described in "GOVERNMENTAL STRUCTURE – Pension Plans – *South Carolina Retirement System*" herein. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts that those providers issue. Accordingly, the balances of the State ORP are neither reflected in the summary tables above nor reported in the State's financial statements.

South Carolina Police Officers' Retirement System ("PORS"). The PORS, a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code for the purpose of providing retirement allowances and other benefits for police officers and fire fighters employed by the state and its political subdivisions. Membership is required as a condition of employment, unless exempted by State law. Both employers and employees must contribute. Benefits vest after five years of service. A monthly pension is payable at age fifty-five for members who retire with five years earned service or with 25 years of service regardless of age. The benefit is based on length of service and Average Final Compensation, as defined in "GOVERNMENTAL STRUCTURE – Pension Plans – *Generally*" herein. The annual benefit amount is 2.14% of Average Final Compensation times years of service.

The following is a summary of the membership, actuarial assumptions, and valuation data for the PORS.

Membership	
Retirees and Beneficiaries Receiving Benefits	11,950
Terminated Employees Entitled to but not yet Receiving Benefits	11,832
Active, Contributing Members	26,598
Actuarial Valuation Date	July 1, 2009[12]
Actuarial Methods and Assumptions	
Actuarial Cost Method	Entry age
Amortization Period	Level percent open
Asset Valuation Method	10-year smoothed market
Investment Rate of Return	8.00%
Projected Salary Increases	4.50% - 11.50%
Inflation Assumption	3.00%
Cost of Living Adjustments[13]	Automatic 2%
Actuarial Valuation	
Actuarial Valuation of Assets	$ 3,482,220,000
Unfunded Accrued Liability	1,081,891,000
Remaining Amortization Period	30 years
Funded Ratio	76.3%

[12] For the period ended June 30, 2010.

[13] Beginning the July 1 following one year of receiving benefits, the monthly benefit amount will increase as described in "GOVERNMENTAL STRUCTURE – Pension Plans – *Generally*" herein.

The following table summarizes for each of the last ten fiscal years additions and deductions for the PORS (in thousands).[14]

	Additions				Deductions			
Year Ended June 30	Employee Contributions	Employer Contributions	Investment Income	Other	Annuity Expenses	Refunds	Death Benefit Claims	Admin. and Other Expenses
2010	$ 77,844	$ 123,636	$ 362,566	$ 42	$ 224,977	$ 13,673	$ 2,019	$ 2,577
2009	78,018	124,769	(638,389)	46	211,873	13,753	1,720	2,537
2008	76,907	114,862	(85,415)	52	195,989	13,754	2,068	2,505
2007	71,676	107,332	374,623	55	181,388	12,543	1,919	2,179
2006	69,254	101,447	139,785	60	167,077	13,248	1,821	1,968
2005	60,110	91,291	175,849	64	152,588	13,441	1,468	1,823
2004	58,202	88,867	212,201	72	141,461	11,918	1,555	1,732
2003	56,581	87,084	184,177	82	125,671	11,452	1,594	1,572
2002	57,778	89,366	18,670	92	112,166	11,214	1,608	1,520
2001	56,952	94,312	149,574	104	95,340	11,498	1,399	1,551

The following table summarizes for each of the last ten fiscal years the annual required employer contribution,[15] the percentage of the annual required employer contribution actually contributed, and the amount actually contributed, by employer, for the PORS (in thousands).

	Employer Contributions				
Year Ended June 30	Annual Required Contribution	Percentage Contributed	State Department Employees	Public School Employees	Political Subdivision Employees
2010	$ 123,163	100%	$ 42,338	$ 337	$ 80,488
2009	124,148	100%	44,640	327	79,181
2008	114,095	100%	42,033	256	71,806
2007	106,753	100%	39,661	218	66,874
2006	100,281	100%	37,310	174	62,797
2005	90,528	100%	32,864	16	57,648
2004	87,922	100%	33,260	16	54,646
2003	86,563	100%	34,596	23	51,944
2002	88,608	100%	39,520	25	49,063
2001	93,584	100%	40,100	-	53,484

Of the amounts contributed by employers on behalf of state department and public school employees, approximately 82% or an estimated $35 million of the amounts so contributed during the fiscal year ended June 30, 2010 were made from the State's General Fund. All other amounts so contributed were made from federal, local or other fund sources.

Retirement System for Members of the General Assembly ("GARS"). The GARS, a single-employer defined benefit pension plan, was established effective January 1, 1966, pursuant to the provisions of Section 9-9-20 of the South Carolina Code to provide retirement allowances and other benefits for members of the General Assembly. Membership is required as a condition of taking office as a member of the General Assembly, unless exempted by State law. Both the members of the General Assembly and the State must contribute. Benefits vest after eight years of service. Vested members who retire at age sixty, or who retire at any age with thirty years of service, receive an annual benefit, payable monthly, for life. Effective January 1, 2003, a member at age seventy or with thirty years of service is eligible to retire and draw an annuity while continuing to serve in the General Assembly. The annual benefit amount is 4.82% of earnable compensation times years of service. Earnable compensation is defined as forty days' pay at the rate currently paid to members of the General Assembly, plus twelve thousand dollars ($12,000).

[14] The State Budget and Control Board mandated employer contribution increases of 0.2325% and 0.2325% effective July 1, 2011 and July 1, 2012, respectively (0.4650% in the aggregate) to address an increase in the unfunded actuarial liability of the PORS between fiscal years 2009 and 2010 and to maintain a 30 year amortization period.

[15] Respecting the PORS, the difference in the Employer Contributions tab reflected in the Additions and Deductions table above and the Annual Required Contribution tab reflected in the Employer Contributions table below represents transfers of contributions in the employer fund from other sources.

The following is a summary of the membership, actuarial assumptions, and valuation data for the GARS.

Membership	
Retirees and Beneficiaries Receiving Benefits	353
Terminated Employees Entitled to but not yet Receiving Benefits	40
Active, Contributing Members	198
Actuarial Valuation Date	July 1, 2009[16]
Actuarial Methods and Assumptions	
Actuarial Cost Method	Entry age
Amortization Period	Level dollar closed
Asset Valuation Method	10-year smoothed market
Investment Rate of Return	8.00%
Projected Salary Increases	None
Inflation Assumption	3.00%
Cost of Living Adjustments	None
Actuarial Valuation	
Actuarial Valuation of Assets	$ 45,891,000
Unfunded Accrued Liability	22,600,000
Remaining Amortization Period	16 years
Funded Ratio	67.0%

The following table summarizes for each of the last ten fiscal years additions and deductions for the GARS (in thousands).

	Additions				Deductions			
Year Ended June 30	Employee Contributions	Employer Contributions	Investment Income	Other	Annuity Expenses	Refunds	Death Benefit Claims	Admin. and Other Expenses
2010	$ 580	$ 2,598	$ 4,642	$ -	$ 6,512	$ 4	$ 6	$ 33
2009	790	2,495	(9,409)	-	6,416	33	14	116
2008	733	2,440	(1,136)	-	6,181	102	28	64
2007	603	2,358	5,950	-	5,935	70	5	34
2006	584	2,171	2,086	-	5,726	-	17	98
2005	935	2,890	3,238	-	5,560	31	16	33
2004	513	2,731	4,031	-	5,347	-	8	162
2003	619	2,577	4,005	-	5,073	72	5	84
2002	643	2,627	28	-	4,537	23	12	148
2001	904	2,510	3,022	-	4,197	38	42	71

[16] For the period ended June 30, 2010.

The following table summarizes for each of the last ten fiscal years the annual required employer contribution, the percentage of the annual required employer contribution actually contributed, and the amount actually contributed, by employer, for the GARS (in thousands).

	Employer Contributions				
Year Ended June 30	Annual Required Contribution	Percentage Contributed	State Department Employees	Public School Employees	Political Subdivision Employees
2010	$ 2,598	100%	$ 2,598	$ -	$ -
2009	2,495	100%	2,495	-	-
2008	2,440	100%	2,440	-	-
2007	2,358	100%	2,358	-	-
2006	2,171	100%	2,171	-	-
2005	2,890	100%	2,890	-	-
2004	2,731	100%	2,731	-	-
2003	2,577	100%	2,577	-	-
2002	2,627	100%	2,627	-	-
2001	2,510	100%	2,510	-	-

Retirement System for Judges and Solicitors of the State of South Carolina ("JSRS"). The JSRS, a single-employer defined benefit pension plan, was created effective July 1, 1979, pursuant to the provisions of Section 9-8-20 of the South Carolina Code for the purpose of providing retirement allowances and other benefits for judges, solicitors, and circuit public defenders of the state. Membership is required as a condition of taking office, unless exempted by State law. Both members and the State must contribute. Benefits vest after ten years of service in a position as a judge and eight years in a position as a solicitor or circuit public defender. Members may retire at age seventy with fifteen years of service, at age sixty-five with twenty years of service, at age sixty-five with four years in a JSRS position and twenty-five years other service with the State, twenty-five years service regardless of age for a judge or twenty-four years of service for a solicitor or circuit public defender regardless of age. Members receive a retirement benefit equal to 71.3% of the current active salary of the position occupied at retirement.

The following is a summary of the membership, actuarial assumptions, and valuation data for the JSRS.

Membership	
Retirees and Beneficiaries Receiving Benefits	184[17]
Terminated Employees Entitled to but not yet Receiving Benefits	4
Active, Contributing Members	144
Actuarial Valuation Date	July 1, 2009[18]
Actuarial Methods and Assumptions	
Actuarial Cost Method	Entry age
Amortization Period	Level percent open
Asset Valuation Method	10-year smoothed market
Investment Rate of Return	8.00%
Projected Salary Increases	3.25%
Inflation Assumption	3.00%
Cost of Living Adjustments	3.25%
Actuarial Valuation	
Actuarial Valuation of Assets	$ 141,797,000
Unfunded Accrued Liability	72,566,000
Remaining Amortization Period	16 years
Funded Ratio	66.1%

[17] JSRS also includes working retiree provisions in that members who are 60 and are eligible to receive maximum monthly benefits may also retire and receive their monthly retirement benefit while continuing to earn a salary and serve as a judge, solicitor, or circuit court public defender until the member attains the age of 72. As of June 30, 2010, a total of 3 JSRS members were participating in the deferral retirement program and benefits held in trust totaled $743,000.

[18] For the period ended June 30, 2010.

The following table summarizes for each of the last ten fiscal years additions and deductions for the JSRS (in thousands).

	Additions				Deductions			
Year Ended June 30	Employee Contributions	Employer Contributions	Investment Income	Other	Annuity Expenses	Refunds	Death Benefit Claims	Admin. and Other Expenses
2010	$ 2,457	$ 8,414	$ 14,646	$ -	$ 14,168	$ -	$ 11	$ 101
2009	2,607	8,414	(26,741)	-	13,484	-	134	104
2008	1,416	7,613	(3,371)	-	12,848	211	256	103
2007	1,784	6,706	16,017	-	10,348	-	381	92
2006	1,744	6,511	5,761	-	9,677	20	124	83
2005	2,092	6,260	8,148	-	9,215	-	1	77
2004	1,893	6,078	9,191	-	8,605	-	124	72
2003	1,209	6,014	8,795	-	8,217	-	8	67
2002	1,628	5,993	1,025	-	8,063	130	7	65
2001	2,216	5,875	7,128	-	7,426	-	6	67

The following table summarizes for each of the last ten fiscal years the annual required employer contribution, the percentage of the annual required employer contribution actually contributed, and the amount actually contributed, by employer, for the JSRS.

	Employer Contributions				
Year Ended June 30	Annual Required Contribution	Percentage Contributed	State Department Employees	Public School Employees	Political Subdivision Employees
2010	$ 8,414	100%	$ 8,414	$ -	$ -
2009	8,414	100%	8,414	-	-
2008	7,613	100%	7,613	-	-
2007	6,706	100%	6,706	-	-
2006	6,511	100%	6,511	-	-
2005	6,260	100%	6,260	-	-
2004	6,078	100%	6,078	-	-
2003	6,014	100%	6,014	-	-
2002	5,993	100%	5,993	-	-
2001	5,875	100%	5,875	-	-

National Guard Retirement System ("NGPS"). The NGPS, a single-employer defined benefit pension plan, was was administratively assumed into the Systems effective January 1, 2006. The NGPS was established for the purpose of providing supplemental retirement benefits to certain members who served in the South Carolina National Guard (the "National Guard"). The plan had been closed to new entrants since July 1, 1993; however, legislation reopened the plan effective January 1, 2007. National Guard members are considered to be federal government employees. The federal government pays National Guard members' drill pay and summer camp pay. In accordance with State law, the State's General Fund pays National Guard members' salaries only if the Governor activates the National Guard for service to the State. The pension benefit that the State provides is intended only to supplement the retirement benefit that National Guard members receive from the federal government. Members who retire at age sixty with twenty years of military service, including at least fifteen years of service with the South Carolina National Guard, ten of which immediately precede retirement, and who have received an honorable discharge, are entitled to monthly pension benefits. The pension amount is equal to $50 per month for twenty years of creditable service with an additional $5 per month for each additional year of service, provided that the maximum pension benefit shall not exceed $100 per month.

The following is a summary of the membership, actuarial assumptions, and valuation data for the NGPS.

Membership	
Retirees and Beneficiaries Receiving Benefits	3,785
Terminated Employees Entitled to but not yet Receiving Benefits	2,786
Active Members	12,599
Actuarial Valuation Date	July 1, 2009[19]
Actuarial Methods and Assumptions	
Actuarial Cost Method	Entry age
Amortization Period	Level dollar open
Asset Valuation Method	10-year smoothed market
Investment Rate of Return	8.00%
Projected Salary Increases	None
Inflation Assumption	3.00%
Cost of Living Adjustments	None
Actuarial Valuation	
Actuarial Valuation of Assets	$ 18,600,000
Unfunded Accrued Liability	34,821,000
Remaining Amortization Period	23 years
Funded Ratio	34.8%[20]

The following table summarizes for each of the last five fiscal years additions and deductions for the NGPS (in thousands).

	Additions				Deductions			
Year Ended June 30	Employee Contributions	Employer Contributions	Investment Income	Other	Annuity Expenses	Refunds	Death Benefit Claims	Admin. and Other Expenses
2010	$ -	$ 4,052	$ 1,865	$ -	$ 3,624	$ -	$ -	$ 13
2009	-	4,052	(4,020)	-	3,432	-	-	15
2008	-	3,948	(348)	50	3,199	-	-	156
2007	-	3,948	2,002	50	2,926	-	-	59
2006	-	3,942	89	300	2,705	-	-	204

The following table summarizes for each of the last five fiscal years the annual required employer contribution, the percentage of the annual required employer contribution actually contributed, and the amount actually contributed, by employer, for the NGPS (in thousands).

	Employer Contributions				
Year Ended June 30	Annual Required Contribution	Percentage Contributed	State Department Employees	Public School Employees	Political Subdivision Employees
2010	$ 3,945	103%	$ 4,052	$ -	$ -
2009	3,979	102%	4,052	-	-
2008	3,823	103%	3,948	-	-
2007	3,811	104%	3,948	-	-
2006	2,969	133%	3,948	-	-

Other Post-Employment Benefits

In accordance with the South Carolina Code and the annual Appropriations Act, the State provides postemployment health and dental and long-term disability benefits (“OPEB plans”) to retired State and public school district employees and their covered dependents. The OPEB plans have been determined to be cost-sharing multiple-employer defined benefit plans and are administered by the Employee Insurance Program (“EIP”), a division of the State Budget and Control Board. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires on May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100%

[19] For the period ended June 30, 2010.

[20] The 34.8% funded ratio is attributed to the fact that at one time the plan was not funded on an actuarially sound basis. In 2006, the General Assembly made a commitment to ensure the NGPS would be sufficiently funded prospectively and transferred administration responsibility to the Systems. At that time, the General Assembly began setting aside recurring funds in the State’s annual budget to fund NGPS over an amortization period that does not exceed 30 years.

employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability ("BLTD") benefits are provided to active state, public school district and participating local government employees approved for disability.

Sections 1-11-705 through 1-11-710 of the South Carolina Code require these postemployment healthcare and long-term disability benefits be funded though annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the State Budget and Control Board, except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees, who are not funded by State General Fund appropriations. Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget; for fiscal year 2009-2010, the rate was 3.50% of annual covered payroll. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The State paid $259.922 million applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2010. The net estimated OPEB obligation at June 30, 2010 was $458.760 million. This OPEB obligation is not recorded in the State's financial statements because the State met its contractually required contributions for the fiscal year. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was $3.23 for the fiscal year ended June 30, 2010.

Effective May 1, 2008, the State established two trust funds through Act No. 195 of the Acts and Joint Resolution of the General Assembly of South Carolina for year 2008 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits ("SCRHI") and long-term disability insurance benefits ("LTDI"). The South Carolina Retiree Health Insurance Trust Fund ("SCRHITF") is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars ($2.375 million), accumulated EIP reserves ($30.959 million), certain revenue from increased enforcement tax collections ($3.246 million), and income generated from investments. The Long Term Disability Insurance Trust Fund ("LTDITF") is primarily funded through investment income and employer contributions.

The State's required contributions for the OPEB plans in dollars (expressed in thousands) and the percentages of those amounts contributed for the three latest available years were as follows:

	Actuarial Valuation Date June 30	Actuarially Required	% Contributed
SCRHI	2010	$ 785,250	38%
	2009	727,079	51%
	2008	692,714	50%
LTDI	2010	$ 9,590	71%
	2009	9,469	74%
	2008	10,038	332%

The schedule of funding progress for the OPEB plans based on the most recent actuarial valuation date is as follows (in thousands):

OPEB Plan	Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
SCRHITF	2009	$ 439,903	$ 9,643,577	$ 9,203,674	5%
	2008	270,153	9,279,578	9,009,425	3%
	2007	-	8,581,073	8,581,073	0%
LTDITF	2009	$ 29,440	$ 23,610	$ (5,830)	125%
	2008	27,468	26,341	(1,127)	104%
	2007	-	28,048	28,048	0%

Unemployment Compensation Fund

In December of 2008, the State began to collect, pursuant to Title XII of the Social Security Act, a series of advances from the Federal government to fund deficiencies in its Unemployment Compensation Fund (the "UC Fund"). As of June 30, 2010, the South Carolina Department of Employment and Workforce (the "SCDEW"), the successor entity to the South Carolina Employment Security Commission, reported that the outstanding balance of these advances was $886.662 million. Legislation was enacted in 2010 to implement comprehensive changes to the State's unemployment insurance tax laws which among other things will raise the employee wage base on which unemployment taxes will be collected, and provide for a variable rate structure that will be adjusted annually to restore solvency to the UC Fund.

Until such time as any Federal advances have been repaid, Federal laws and regulations allow unemployment tax revenues to be structured to make estimated benefit payments for each year and to provide for orderly repayment of any outstanding Federal advances; absent necessary authorization to timely repay Federal advances, Federal law provides that the principal of the amounts advanced may be offset by reducing the amount of tax credit applicable to an employer under the Federal Unemployment Tax Act ("FUTA"). In keeping with Federal authorization, recently enacted State law requires that SCDEW must estimate the amounts necessary to (i) pay benefits for that year, (ii) avoid automatic FUTA credit reductions, and (iii) repay all outstanding federal loans within five years. Additionally, State law provides that effective January 1, 2011, an additional surcharge will be levied upon employers to pay accrued interest on the Federal advances. Accordingly, the SCDEW must set the unemployment tax rate and the unemployment surcharge rate at a level that will enable the State to repay all of the outstanding Federal advances by September, 2015. State law further requires that UC Fund surcharges will remain in place after 2015 until the balance of the trust fund reaches a level of funding deemed appropriate by the US Department of Labor. Repayment of the Federal advances are made solely from the unemployment tax revenues and the unemployment surcharge and do not constitute an obligation of the State's general fund. Further information regarding the UC Fund can be found in the State's audited financial statements available at http://www.cg.sc.gov.

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FISCAL ADMINISTRATION AND PLANNING

The Budgeting Process

Article X, Section 7(a) of the South Carolina Constitution requires that the General Assembly provide for a budgetary process to ensure that annual expenditures of State government may not exceed annual State revenues. Article X, Section 7(c) of the South Carolina Constitution requires that the General Assembly prescribe by law a spending limitation on appropriations for the operation of State government such that annual increases in appropriations may not exceed the annual growth rate of the economy of the State; provided, however, that this limitation is subject to suspension (for any one fiscal year) by an affirmative vote in each House of the General Assembly by two-thirds (2/3) of the members present and voting, but not less than three-fifths (3/5) of the total membership in each House. Article X, Section 7(d) of the South Carolina Constitution requires that the General Assembly prescribe by law a limitation on the number of State employees such that the annual increase in such number may not exceed the average growth rate of the population of the State; provided, however, that this limitation is subject to suspension (for any one fiscal year) by an affirmative vote in each house of the General Assembly by two-thirds (2/3) of the members present and voting, but not less than three-fifths (3/5) of the total membership in each House.

Article III, Section 36 of the South Carolina Constitution requires the establishment of a General Reserve Fund for the purpose of covering operating deficits of State government and a separate and distinct Capital Reserve Fund for the purpose of providing capital improvements or for retiring State bonds previously issued. Amounts in the Capital Reserve Fund may, as hereinafter described, be used to fund a year-end deficit. The General Reserve Fund is required to be funded in an amount equal to three percent (3%) of the General Fund revenues of the latest completed fiscal year. Funds may be withdrawn from the General Reserve Fund only for the purpose of covering operating deficits of state government. The General Assembly is required to provide for the orderly restoration of funds withdrawn from the General Reserve Fund. The constitutional provisions with respect to the General Reserve Fund require that the General Assembly provide for a procedure to survey the progress of the collection of revenue and the expenditure of funds and require the General Assembly to authorize and direct reduction of appropriations as may be necessary to prevent a deficit. Such provisions require that, should a year-end operating deficit occur, so much of the General Reserve Fund as may be necessary must be used to cover the deficit. The amounts so used must be restored to the General Reserve Fund within three fiscal years until the three percent (3%) requirement is again reached.

The Capital Reserve Fund is required to be funded in an amount equal to two percent (2%) of the General Fund revenues of the latest completed fiscal year. The South Carolina Constitution requires that the General Assembly provide that, if revenue forecasts before March 1 project that revenues for the current fiscal year will be less than expenditures authorized by appropriation for that fiscal year, the current fiscal year's appropriation to the Capital Reserve Fund shall be reduced to the extent necessary before any reduction is made in operating appropriations. If it is determined that the fiscal year has ended with an operating deficit, the South Carolina Constitution requires that funds in the Capital Reserve Fund be applied, to the extent necessary, to the fiscal year's-end operating deficit before withdrawing moneys from the General Reserve Fund for such purpose.

On November 2, 2010, the state's voters approved amendments to the South Carolina Constitution (subject to ratification) increasing the full funding requirement of the General Reserve Fund from the current 3% to 5%, in increments of one-half of 1% in each fiscal year until the new full funding requirement is achieved. On a separate question, the State's voters approved an amendment revising application of the State's Capital Reserve Fund, eliminating the requirement that the Capital Reserve Fund be reduced to the extent necessary before reductions are made in operating appropriations, in favor of replenishment of the General Reserve Fund, thereby accelerating replenishment of the General Reserve Fund and deferring application of the Capital Reserve Fund until such time as the State's books are closed for any particular fiscal year. The General Assembly adopted Act No. 152 of the Acts and Joint Resolutions of the General Assembly of South Carolina for the year 2010 ("Act No. 152") implementing the necessary changes, subject only to the favorable vote and subsequent ratification. Act No. 152 amends Section 11-11-320(C) (1) of the South Carolina Code to provide that the Capital Reserve Fund may not be used to offset a midyear budget reduction. These statutory changes in fiscal management are discussed more fully on the following page.

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The following chart reflects activity in the General Reserve Fund and the Capital Reserve Fund for the ten year period ended June 30, 2010.

	General Reserve Fund				Capital Reserve Fund		
Fiscal Year Ended June 30	Beginning Balance	Additions	Reductions	Ending Balance	Beginning Balance	Mid Year Reductions	Appropriations
2010	$ -	$ 110,883,455	$ -	$ 110,883,455	$ 127,858,688	$ 127,858,688	$ -
2009	95,122,617	12,974,290	108,096,907	-	133,170,058	133,170,058	-
2008	167,731,819	19,048,978	91,658,180	95,122,617	124,520,532	124,520,532	-
2007	153,488,394	14,243,425	-	167,731,819	111,821,213	-	111,821,213
2006	75,154,528	78,333,866	-	153,488,394	102,325,596	-	102,325,596
2005	25,154,528	50,000,000	-	75,154,528	99,356,026	-	99,356,026
2004	-	74,454,127	49,299,599	25,154,528	98,599,197	98,599,197	-
2003	-	38,797,374	38,797,374	-	101,606,475	101,606,475	-
2002	60,523,390	2,285,711	62,809,101	-	100,134,739	100,134,739	-
2001	145,371,047	2,545,350	87,393,007	60,523,390	98,610,931	98,610,931	-

Fiscal responsibility in the State lies with the State Budget and Control Board, but the General Assembly has devolved the duty of preparing and submitting a recommended State budget upon the Governor, who is required to submit an Executive Budget to the General Assembly within five (5) days after the beginning of each regular legislative session. Such budget is required to conform to the funding requirements contained in Article III, Section 36 of the South Carolina Constitution. Regular sessions of the General Assembly begin on the second Tuesday of January in each year. In order to enable the Governor to present her budget to the General Assembly at the time required, the Governor is required, by law, to complete a survey of all departments, bureaus, divisions, offices, boards, commissions, institutions, and other agencies to obtain information upon which to base his budget recommendations no later than November 1 of each year. In this connection, each of several State departments, bureaus, divisions, offices, boards, commissions, institutions, and other agencies receiving or requesting financial aid from the State are required to report to the Governor in itemized form, no later than November 1 of each year, the amount needed or requested in the succeeding fiscal year. In addition, on or before November 1 of each year, the State Comptroller General is required to furnish to the Governor detailed statements as to appropriations and expenditures for certain prior fiscal years and appropriation years. The State Comptroller General is also required to furnish to the Governor, on or before December 1 of each year, an estimate of the financial needs of the State itemized in accordance with the budget classifications adopted by the State Budget and Control Board.

The budget presented to the General Assembly by the Governor must be accompanied by detailed statements of prior years revenues and expenditures, a statement of current assets and liabilities and other information with respect to the State's finances and economic condition. The General Assembly is not bound by the budget recommended by the Governor. As required by the South Carolina Constitution, Article III, § 15, budget bills must originate in the House of Representatives, but may be altered, amended or rejected by the Senate. The Governor has the right to veto the budget bill in its entirety or any line item or section thereof, pursuant to South Carolina Constitution, Article IV, § 21. Any veto can be overridden by a two-thirds vote of both the House and Senate. The South Carolina Constitution mandates that the General Assembly provide a balanced budget process and provides that if a deficit occurs in any fiscal year, such deficit must be addressed in the succeeding fiscal year.

The South Carolina Constitution also requires a procedure for the monitoring of revenues and expenditures with a view to a reduction of appropriations as may be necessary to prevent a deficit. The State's Board of Economic Advisors provides projections and forecasts of revenues and expenditures and advises the State Budget and Control Board on economic trends. Particularly with respect to the constitutional requirement of monitoring revenues, statutory provisions require that the Board of Economic Advisors provide to the State Budget and Control Board quarterly estimates of State revenues. Until June 30, 2010, if, at the end of the first or second quarter of any fiscal year, quarterly revenue collections were four percent (4%) or more below the amount projected for such quarter by the Board of Economic Advisors, State law required that the State Budget and Control Board, within fifteen days of such determination, take action to avoid a fiscal year-end deficit. During the 2010 session of the General Assembly, Act No. 152 was enacted to revise procedures for addressing state revenue shortfalls by establishing a two percent (2%) threshold for implementing across the board budget reductions, authorizing reductions in the third quarter of the fiscal year in addition to the first and second quarters, and shortening the time period within which the State Budget and Control Board is required to take action to avoid a year-end deficit from fifteen days to seven days. The legislation also provides for automatic budget reductions by requiring the Director of the Office of State Budget to reduce general fund appropriations uniformly by the requisite amount in the manner prescribed by law within seven days of such determination by the Board of Economic Advisers unless the State Budget and Control Board takes unanimous action to the contrary. Upon making the reduction, the Director of the Office of State Budget immediately must notify the State Treasurer and the Comptroller General of the reduction, and upon notification, the appropriations are considered reduced.

Budgetary Results

General Fund Revenue. The following chart reflects revenue forecasts and actual collections for the General Fund on a budgetary basis for the ten year period ended June 30, 2010.

	($ in millions)				
Fiscal Year Ended June 30	Board of Economic Advisors Forecast	Legislative Adjustments	Appropriation Act Estimate	Actual Revenue	Change Over Prior Year
2010	$ 5,529.5	$ 8.6	$ 5,538.1	$ 5,309.5	-4.2%
2009	6,718.7	-	6,718.7	5,544.2	-13.3%
2008	6,840.1	(218.2)	6,621.9	6,392.4	-4.0%
2007	6,213.9	(94.7)	6,119.2	6,658.5	6.9%
2006	5,462.0	(2.4)	5,459.6	6,226.0	11.4%
2005	5,128.8	(39.2)	5,089.6	5,591.1	9.3%
2004	4,998.6	5.4	5,004.0	5,116.3	3.0%
2003	5,363.0	22.0	5,385.0	4,967.8	0.8%
2002	5,390.4	77.0	5,467.4	4,930.0	-3.0%
2001	5,336.8	(19.9)	5,316.9	5,080.3	

General Fund Appropriations. The following chart reflects appropriations, reductions and sequestrations, and actual expenditures for the General Fund on a budgetary basis for the ten year period ended June 30, 2010.

	($ in millions)				
Fiscal Year Ended June 30	Appropriation Act Estimate	Reductions and Sequestrations	Adjusted Appropriations	Actual Expenditures	Change Over Prior Year
2010	$ 5,714.0	$ (566.5)	$ 5,147.5	$ 5,244.1	-8.9%
2009	6,735.7	(1,105.7)	5,630.0	5,754.8	-18.2%
2008	6,722.2	(124.5)	6,597.7	7,037.3	15.0%
2007	6,108.0	-	6,108.0	6,117.3	10.4%
2006	5,617.2	-	5,617.2	5,540.4	9.2%
2005	5,222.4	-	5,222.4	5,073.2	4.3%
2004	4,954.1	(141.6)	4,812.5	4,864.6	-2.6%
2003	5,444.4	(518.2)	4,926.2	4,994.6	-3.6%
2002	5,551.9	(426.6)	5,125.3	5,178.8	-4.5%
2001	5,303.9	(146.7)	5,157.2	5,422.9	

Fund Balance. The following chart reflects the fund balance of the General Fund on a modified accrual basis for the ten year period ended June 30, 2010.

	($ in millions)		
Fiscal Year Ended June 30	Reserved	Unreserved	Total General Fund
2010	$ 184.6	$ (36.3)	$ 148.4
2009	231.2	(126.0)	105.2
2008	341.8	(77.7)	264.1
2007	413.2	679.8	1,093.0
2006	280.2	833.7	1,113.9
2005	142.7	345.4	488.1
2004	90.6	(97.6)	(7.0)
2003	58.0	(204.4)	(146.4)
2002	67.6	(207.6)	(140.0)
2001	153.1	(173.8)	(20.7)

Reserved components of the fund balance represent amounts in the General Fund that are legally segregated or that the State cannot appropriate. Designated portions of unreserved fund balances reflect tentative plans for future use of available financial resources. The unreserved component of fund balance equals the total fund balance, less reserved amounts. For the fiscal year ended June 30, 2010, components of the reserved fund balance included $110.9 million held in the General Reserve Fund, $7.9 million in inventories, $64.3 million in appropriations to be carried forward, and $1.6 million in school building aid.

Recent Budgetary Results. The original revenue estimate adopted by the Board of Economic Advisors for the State's budgetary General Fund for the fiscal year ending June 30, 2010 was $6,070.6 million, and the Appropriation Act estimate as enacted by the General Assembly was $5,714.0 million. On June 11, 2009, the Board of Economic Advisors revised its estimate of budgetary General Fund revenue to $5,950.6 million, a decrease of $120.0 million, and a 2.0% reduction to its original fiscal year 2009-10 estimate. In response, the State Budget and Control Board at its meeting on June 29, 2009 reduced the State's Capital Reserve Fund of $120.0 million (effective July 1, 2009 with subsequent ratification at its next meeting) as required by the State Constitution and the State's fiscal year 2009-10 Appropriation Act. On July 16, 2009, the Board of Economic Advisors further revised its estimate of budgetary General Fund revenue to $5,742.3 million, a decrease of $208.3 million, and a 5.4% reduction to its original fiscal year 2009-10 estimate. In response, the State Budget and Control Board at its meeting on September 3, 2009 reduced the remaining balance in the Capital Reserve Fund of $7.8 million and mandated an across the board reduction of general fund appropriations of 4.04% for all agencies except where prohibited by proviso or statute. On November 10, 2009, the Board of Economic Advisors further revised its estimate of budgetary General Fund revenue to $5,620.0 million, a decrease of $122.3 million, and a 7.4% reduction to its original fiscal year 2009-10 estimate. In response, the State Budget and Control Board at its meeting on December 15, 2009 mandated an across the board reduction of general fund appropriations of 5.0% for all agencies except where prohibited by proviso or statute. The action taken by the State Budget and Control Board on December 15, 2009 included consideration for the $122.3 million revenue revision adopted by the by the Board of Economic Advisors on November 10, 2009, and an additional $98.2 million necessary to avoid a year-end deficit in fiscal year 2009-10 that arose as a consequence of the previously described deficiency in the Budgetary General Fund when closing the books on June 30, 2009. On April 14, 2010, the Board of Economic Advisors adjusted its estimate of budgetary General Fund revenue to $5,559.9 million, a decrease of $60 million, and an 8.4% reduction to its original fiscal year 2009-10 estimate. On August 20, 2010, the Comptroller General announced that following the reductions described above, the State completed fiscal year 2009-10 with a $71 million budgetary general fund surplus.

The original revenue estimate adopted by the Board of Economic Advisors for the State's budgetary General Fund for the fiscal year ending June 30, 2011 was $5,574.3 million, and the Appropriation Act estimate as enacted by the General Assembly was $5,080.4 million. On November 10, 2010, the Board of Economic Advisors revised its estimate of budgetary General Fund revenue to $5,803.9 million, an increase of $229.6 million, and a 4.1% increase to its original fiscal year 2010-11 estimate.

Through November 30, 2010, total General Fund revenue collections year to date exceeded the fiscal year 2010-11 revised revenue plan year to date by $29.7 million or 1.2%, and exceeded prior year collections for the same period by $110.8 million or 4.6%. Both the General Reserve Fund and the Capital Reserve Fund are fully funded at $166.3 million and $110.9 million, respectively.

The State's audited Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010 is available at http://www.cg.sc.gov.

Long Term Financial Planning

For many years, the Office of State Budget has provided multi-year forecasts, primarily for the benefit of the Governor in preparing the Executive Budget, and for the use of financial committees of the General Assembly. Section 11-11-350 of the South Carolina Code provides that each State agency, department, institution, or entity receiving in the aggregate one percent or more of the State's General Fund appropriations for any fiscal year shall provide to the Office of State Budget an estimate of its planned General Fund expenditures for the next three fiscal years. This data, in conjunction with the Board of Economic Advisors' long-term revenue estimate, must be compiled by the Office of State Budget into a three-year financial plan that will assist the State in determining and planning for its long-term financial commitments. The plan must be updated annually and prepared for submission to the State Budget and Control Board, the Speaker of the House of Representatives, and the President *Pro Tempore* of the Senate during the second quarter of each fiscal year. The State's most recent Three Year General Fund Financial Outlook is available at http://www.budget.sc.gov/OSB-historical.phtm.

Suspension of Appropriations

Section 11-11-345 of the South Carolina Code provides that, if the Comptroller General determines upon the closing of the State's financial books for a fiscal year that the State has a negative Generally Accepted Accounting Principles Fund balance (a "GAAP Fund Deficit"), any appropriations contained in a general or supplemental Appropriation Act which expends surplus General Fund revenues or in a Capital Reserve Fund Appropriation Act to be effective during the next fiscal year are suspended and must be used to the extent necessary to offset the GAAP Fund Deficit in the manner the General Assembly shall provide.

Accounting System

The Offices of the State Comptroller General and the State Treasurer are charged with the responsibility of maintaining separate accounts of appropriations and the State Treasurer issues checks pursuant to warrants drawn by the Comptroller General. Present laws permit ten institutions or agencies to withdraw "lump sums" from the State Treasury and deposit these moneys into bank accounts for subsequent disbursement. These institutions or agencies are charged with the responsibility for maintaining their own detailed record of expenditures and receipts. The details of receipts and expenditures of all other agencies are maintained by the Office of the State Comptroller General and that Office approves all vouchers for these agencies.

Constant monitoring of the institutions' or agencies' bank accounts referred to above is performed by the State Treasurer's Office to ensure that funds are requested only as needed and to further ensure that maximum amounts are retained at the State level for investment purposes.

The State Auditor is required by law to audit the affairs of all agencies and institutions of the State. The financial reports of the General Fund are prepared in accordance with accounting principles generally accepted in the United States of America.

Revenues

At the present time, although the State levies no *ad valorem* property taxes at the State level, it has a broad tax base which includes some 25 taxes and fees. The taxes levied by the State forming the principal sources of revenue for the State are discussed below in the section entitled "Certain Taxes." Approximately one percent of General Fund revenues are derived from income on investments of general deposits.

Expenditures

The following is a discussion of some of the major appropriations from the State General Fund:

Education. Public schools are operated in the State by 86 separate school districts. For the fiscal year ending June 30, 2010, approximately $2,892.4 million or 51 percent of the State's General Fund budget was appropriated as aid to these school districts and to institutions of higher education in the State. Funds appropriated from State, federal and all other sources totaled approximately $7.7 billion for education.

Health and Social Rehabilitation Payments. For the fiscal year ending June 30, 2010, approximately $1.402 billion or 25 percent of the State's General Fund budget was appropriated for the administration and delivery of health and social rehabilitation payments. Funds appropriated from State, federal and all other sources totaled approximately $9.1 billion for health and social rehabilitation payments. The State's public assistance programs are supported with direct line item appropriations, and expenditures are limited to the amounts so designated. None of the State's public assistance programs are supported with "open end" appropriations.

Public Safety and Corrections. For the fiscal year ending June 30, 2010, approximately $499.3 million or 9 percent of the State's General Fund budget was appropriated for public safety and corrections.

Aid to Subdivisions. For the fiscal year ending June 30, 2010, approximately $271 million or 5 percent of the State's General Fund budget was appropriated as aid to subdivisions. Payments were made to counties and municipalities based on statutory formulas and, with the exceptions of the Homestead Exemption Reimbursement and Inventory Tax Phaseout Reimbursement, may be used for general operations, unless otherwise specified.

General Government. For the fiscal year ending June 30, 2010, approximately $350 million or 6 percent of the State's General Fund budget was appropriated for the operation of general government, including Legislative, Judicial, Executive, Administrative and Regulatory expenses.

Debt Service. The statutes and constitutional provisions authorizing the issuance of general obligation debt require an allocation of tax revenues to provide debt service for all bonds that are issued. No subsequent appropriation is required. Nevertheless, in order to show the amount required for debt service in the General Appropriation Act, and thus to show the amounts available for other appropriations, items in the General Appropriation Act set forth estimated amounts which will be used for debt service. For the fiscal year ending June 30, 2010, approximately $191 million or 3 percent of the State's General Fund budget was set aside for general obligation bond debt service.

Conservation, Natural Resources and Economic Development. For the fiscal year ending June 30, 2010, approximately $110 million or 2 percent of the State's General Fund budget was appropriated for conservation, natural resources and economic development.

Other Appropriations. Appropriations for the various State agencies are listed by line item and expenditures are restricted to the purposes so indicated, although transfers may be effected with prior approval of the State Budget and Control Board.

Certain Taxes

General Fund Revenues are derived by the State from the various taxes imposed and collected by the State. Following is a description of the taxes which provide the major portion of the State's revenues.

Income Tax. The State imposes an income tax on individuals and certain corporations. For purposes of imposing such tax, gross income, adjusted gross income and taxable income are determined generally in accordance with the Internal Revenue Code of 1986, as amended (the "Code"). The individual income tax is on a graduated scale from three percent (3%) to seven percent (7%), based on the taxpayer's taxable income. Corporations (other than banks, building and loan associations and insurance companies) are taxed at the rate of five percent (5%) of net income attributable to business done in the State.

Certain corporate taxpayers may be eligible for a ten year moratorium on corporate income taxes (or insurance premium taxes in the case of qualifying insurance companies). To qualify for the moratorium, a corporate taxpayer must (a) (i) create and maintain 100 new full-time jobs in a county with an average annual unemployment rate of at least twice the State average during each of the last two completed calendar years, or in a county that is one of three lowest per capita income counties, and (ii) invest at least 90 percent of its total investment in the State in such county; or (b) (i) create and maintain at least 100 new full-time jobs and invest at least $150 million at a manufacturing facility in a county with an average annual unemployment rate of least twice the State average during each of the last two completed calendar years or that is one of three lowest per capita income counties, (ii) create and maintain at least 100 new full-time jobs and invest at least $150 million at a manufacturing facility in a second county which is designated as distressed, least developed, or underdeveloped pursuant to Section 12-6-3360 of the South Carolina Code, and (iii) invest at least 90 percent of its total investment in the State in one or both of the counties specified in (b)(i) and (ii) above. Corporate taxpayers qualifying pursuant to (b) above are entitled to the moratorium for separate ten-year periods for income attributable in each county. Such moratoriums may be increased to 15 years if 200 new full-time jobs are created and maintained.

Act No. 41 of the Acts and Joint Resolutions of the General Assembly of South Carolina for the year 2005, which replaced a broader income tax reduction plan and became effective on April 14, 2005, phases in a reduction to the State income tax applicable to active trade or business income or loss received by the owner of a pass-through business. The term "active trade or business income or loss" is defined to mean income or loss of an individual, estate, trust, or any other entity except those taxed or exempted from tax pursuant to Sections 12-6-530 through 12-6-550 of the South Carolina Code resulting from the ownership of an interest in a pass-through business. The term "pass-through business," in turn, is defined to mean sole proprietorships, partnerships, and "S" corporations, including limited liability companies taxed as sole proprietorships, partnerships, or "S" corporations. Such income is presently taxed at a rate of five percent (5%).

Individual income taxes are collected primarily through the withholding process and the filing of declarations of estimated tax. Corporations are required to file declarations of estimated tax and to make quarterly advance payment of taxes.

Sales and Use Tax. The State imposes a six percent (6%) sales tax on the gross proceeds of all retail sales of tangible personal property within the State. There is also a complementary six percent (6%) use tax on tangible personal property purchased at retail for use in the State on which the sales tax was not paid. Various items are exempted from the sales and use tax, among these items are: items sold by certain tax-exempt organizations, as well as textbooks used in elementary schools, high schools, and institutions of higher learning; livestock; feed for use in the production and maintenance of poultry or livestock; insecticides, chemicals, fertilizers and seeds for use solely on the farm, etc, in the production for sale of products on the farm; newspapers; fuel sold to manufacturers; meals sold to school children; telephone toll charges; gasoline or other motor fuels taxed at the same rate as gasoline; machinery used in planting or cultivating of farm crops; machines used in mining, quarrying, compounding, processing and manufacturing of tangible personal property; railroad cars and locomotives; fuel used in the curing of agricultural products; electricity used in manufacturing tangible personal property for sale; sales of motor vehicles and certain trailers to nonresidents for immediate transportation to and use in another state; sales of automobiles and motorbikes to a person domiciled in or resident of another state, who is located in the State by reason of orders of the Armed Forces of the United States; library books; sales of medicine and prosthetic devices sold by prescription; sales of electricity and combustibles for residential purposes; 35% of the gross proceeds of sales of mobile and modular homes; and sales of tangible personal property of the Federal Government. Of the six percent (6%) tax, one percent (1%) is dedicated to the Education Improvement Act Fund, one percent (1%) is credited to a trust fund created pursuant to Act No. 388 described below, and the remaining four percent (4%) is credited to the General Fund.

Effective November 1, 2007, unprepared food items eligible for purchase with United States Department of Agriculture food coupons are exempted from the sales tax.

Returns and the payment of sales tax for each month are required to be made by the twentieth day of the following month. Returns and payment of use tax are required to be made quarterly. Failure to pay the sales tax may result in a penalty of 25% plus interest at the rate of one-half of one percent (0.5%) per month.

Property Tax Reform; Sales Tax Swap. Act No. 388 of the Acts and Joint Resolutions of the General Assembly of South Carolina for the year 2006 ("Act No. 388") exempts property owners from the obligation of paying any school operating taxes on owner-occupied homes and uses a State-wide one percent (1%) sales tax to fund the payment of the lost revenue to the School Districts. Revenues from the additional one percent (1%) sales tax are placed into a trust fund. The trust fund is used (in priority order) to replace the eliminated school operating taxes on owner-occupied homes; then to provide $2.5 million total in minimum replacement funding for each county to be distributed among the school districts; then, if funds are available, to roll back county operations taxes on owner-occupied homes as far as possible, as remaining funds are available from imposition of the new one percent (1%) general sales tax. If the revenues in the trust fund are ever insufficient to remove all school operating property taxes on owner-occupied homes based on the growth factors outlined in the act, the difference must be offset by the General Fund. Only the school operating replacement funds and the funds for the $2.5 million floor become an obligation of the General Fund if growth is ever not sufficient to cover the obligations of the fund. A recorded rollcall vote of at least a two-thirds majority of the membership of each house of the General Assembly is required to delete or reduce this exemption.

Estate Tax. The South Carolina Estate Tax Act imposes on the estates of residents of the State, and that portion of the estate of a nonresident which is located in the State, a tax in the amount of the maximum amount of the "federal credit" for state death taxes allowable by the Code, with respect to the estate or such portion thereof.

Stamp and Business License Tax. The Stamp and Business License Tax includes several major sources of tax revenues. Among these are taxes relating to sales of cigarettes and other tobacco products, beer and wine and the operation of certain coin-operated devices.

Cigarette and Other Tobacco Products. A tax of 35 mills (0.35¢) per cigarette, and a tax of five percent (5.0%) of the manufacturer's selling price to wholesalers is imposed upon all tobacco products. The South Carolina Code assigns liability for the payment of the tax to distributors. Distributors must file monthly returns showing the quantity and wholesale price of all tobacco products transported into the State or manufactured in the State for sale by the distributor. Payment of the taxes must be made on a monthly basis. A three and one-half percent (3.5%) deduction is allowed to distributors for timely payment of the taxes. (The recently adopted surtax on cigarettes is not part of General Fund revenues, but is discussed in the "Other Revenue" section.)

Beer and Wine. All beer offered for sale in the State is subject to a tax of 0.6¢ per ounce or fractional quantity thereof. Wines sold in containers of one (1) gallon or more are subject to a tax of 90¢ per gallon or fractional quantity thereof, wines, sold in containers or less than one (1) gallon are subject to a tax of 6¢ for each eight (8) ounces or fractional quantity thereof; wines sold in metric containers are subject to a tax of 25.35¢ per liter. Each wholesaler must make a report to the Department of Revenue not later than the twentieth day of the month following any sale of beer or wine and pay at that time the prescribed tax thereon. Failure to pay such taxes may result in a penalty of one-quarter of one percent (0.25%) per day.

An additional excise tax is imposed on wine. Wines sold in containers of one (1) gallon or more are subject to an excise tax of 18¢ per gallon or fractional quantity thereof, wines, sold in containers or less than one (1) gallon are subject to a tax of 7.2¢ for each eight (8) ounces or fractional quantity thereof; wines sold in metric containers are subject to a tax of 5.07¢ per liter. The excise tax is levied upon the wholesaler, importer, or any other person first offering such wine for sale within the State. The person responsible for the excise tax must make a report and pay the tax then due to the Department of Revenue not later than the twentieth day of the month. Failure to pay such taxes may result in a penalty of not less than $20.00 nor more than $1,000.00.

Admission to Amusements. A five percent (5.0%) tax is imposed upon admissions charges to places of amusement. Additionally, operation of places of amusement requires a valid license; operation of amusements without a license is a misdemeanor punishable by a fine of up to $100 or by incarceration for up to 30 days. Amusements operated by certain charitable organizations and certain activities, regardless of the operator, are exempt from the admissions tax.

Coin-Operated Devices. License taxes are imposed on certain coin-operated devices or machines operated within the State. These license taxes are payable biennially and are as follows:

(1) $50.00 for Type 1 machines (juke boxes or kiddy rides);

(2) $200.00 for Type 2 machines, which include any machine for the playing of amusements or video games (without free play feature) and any pin table type machine with levers or flippers;

(3) $4,000.00 for Type 3 machines, which include any video game or pin table game (without levers or flippers) with a free play feature; and

(4) $50.00 for billiard, pocket billiard, footsball (sic) tables, bowling tables or skeeball tables operated for profit.

Alcoholic Liquors Tax. The State imposes license and sales taxes on the manufacture and wholesale and retail sales of alcoholic beverages. Pursuant to South Carolina Code Section 12-33-210 biennial license taxes are as follows: manufacturer,

$50,000; wholesaler, $20,000; micro-distillery, $5,000; retail dealers, $1,200; and special food manufacturers, $1,200. There is also a non-refundable filing fee of $100 for each class of license. There is a license tax in the aggregate amount of 17¢ on each eight ounces or fractional quantity of alcoholic liquors sold, except in the case of sales in metric containers, in which case the license tax is in the aggregate amount of 71.825¢ on each liter of alcoholic liquors sold. Additional taxes are imposed upon wholesale and retail sales in an aggregate amount of $5.36 on each standard case of alcoholic liquors sold (a "standard case" is a package or case containing not more than three gallons and not less than 2.4 gallons, or not more than twelve liters and not less than nine liters). In addition there is levied a surtax of nine percent (9%) on all taxes imposed upon alcoholic liquors sold in the State. This surtax is collected at the wholesaler level. Alcoholic liquors sold on a by the drink basis are subject to a tax equal to five percent of the gross proceeds of sales thereof.

Returns for the above taxes are required to be made monthly to the Department of Revenue and such returns are to be accompanied by payment of the tax on the amount of alcoholic liquors sold in the previous month. Failure to file such return results in a penalty of not more than $1,000, and failure to pay the tax within the time allotted may result in a penalty.

Insurance Tax. Insurance tax revenues are principally derived from an insurance premium tax. For life insurance, the insurance premium tax levied is equal to three-quarters of one percent (0.75%) of the total premiums collected. For all other types of insurance, except workers' compensation, the insurance premium tax is equal to one and one-quarter percent (1.25%) of the total premiums collected. For workers' compensation, the premium tax is two and one-half percent (2.5%) of total premiums collected. In addition to the premium tax, a retaliatory tax may be imposed upon insurers depending on the insurer's state of domicile.

Tax Revenue Components. The following chart reflects selected components of tax revenues for the past five fiscal years.

Selected Tax Revenue Components
Fiscal Years 2006 – 2010
(millions)

	Fiscal Years Ending June 30					Net Change (%)	
	2010	2009	2008	2007	2006	2009-2010	2006-2010
Tax Revenues							
Individual Income	$ 2,170.9	$ 2,326.7	$ 2,863.8	$ 2,881.9	$ 2,608.2	-6.7%	-16.8%
Sales and Use	2,190.9	2,247.9	2,463.3	2,631.2	2,545.0	-2.5%	-13.9%
Corporate Income	109.5	207.2	268.6	261.5	257.9	-47.2%	-57.5%
Other Taxes	480.0	523.1	557.8	590.8	582.3	-8.2%	-17.6%
Total Tax Revenues	$ 4,951.3	$ 5,304.9	$ 6,153.6	$ 6,365.5	$ 5,993.4	-6.7%	-17.4%

South Carolina Taxation Realignment Commission

The South Carolina Taxation Realignment Commission (the "Commission") was authorized by Act No. 81 of the Acts and Joint Resolutions of the General Assembly of South Carolina for the year 2009, §1, codified at South Carolina Code Section 12-3-10, to provide a detailed, comprehensive, and careful evaluation of the state's tax system structure. The Commission is directed to publish a report that must consider sales and use tax exemptions or limitations to be retained, modified, or repealed; the assessment of state and local taxes levied and other provisions affecting state and local revenue to fund the operation and responsibilities of state and local government, respectively; and any fee, fine, license, forfeiture, or other funds. The Commission's final report was submitted to the Chairman of the Senate Finance Committee and to the Chairman of the House Ways and Means Committee on December 1, 2010. The report and the proceedings of the Commission are available at http://www.scstatehouse.gov/citizensinterestpage/TRAC/FinalDocuments/TRACFinalReport.pdf. The legislature has not yet taken action on any of the findings or recommendations of the report.

Other Revenue

Cigarette Surtax. Effective July 1, 2010, a surtax of 2.5¢ per cigarette is imposed on each cigarette containing tobacco or tobacco substitutes, for a surtax of 50¢ on each pack of 20 cigarettes. These surtax revenues are earmarked for funds established by statute for cancer research, smoking cessation and Medicaid Relief.

Gasoline User Fee. Subject to certain exceptions, a user fee tax of 16¢ per gallon is imposed by South Carolina Code Section 12-28-310 on all gasoline, diesel fuel and other defined motor fuels used in the State in producing or generating power for propelling motor vehicles. This user fee is in lieu of all other sales, use, or other excise taxes, which might otherwise be imposed by any municipality, county or other local political subdivision of the State. The user fee is distributed as follows: (i) 2.66¢ per gallon to the County Transportation Committee Fund for use on State secondary road system improvements; (ii) of the remaining proceeds, one percent (1%) is transmitted to the Department of Natural Resources; (iii) 10.34¢ per gallon to the South Carolina Department of Transportation, of which 0.25¢ per gallon must be used for mass transit; and (iv) of the remaining three cents, the first $18,000,000 must be deposited to an economic development fund for the State and the remainder must be remitted to the State Highway Fund.

Monthly reports, on forms prescribed and furnished by the Department of Revenue, must be filed with the Department of Revenue on or before the twenty-second day of each month, setting forth the number of gallons of gasoline sold, used, shipped, or distributed for the purpose of sale within the State during the previous month, and there must be remitted therewith the amount of tax provided for. Failure to make the required return or to pay the required taxes may result in a penalty to be determined in accordance with Title 12, Chapter 54 of the South Carolina Code as well as various civil penalties in accordance with Title 12, Chapter 28 of the South Carolina Code.

Motor Vehicle License Fee. Annual and biennial registration and license fees are imposed on vehicles operating on South Carolina streets and highways. These annual and biennial fees include the following: the biennial fee for private passenger vehicles of persons 65 years of age or older or who are handicapped is $20; for private passenger vehicles for persons under the age of 65 is $24; for private passenger vehicles of persons 64 years of age is $22; for property-carrying vehicles with a gross weight of 6,000 pounds or less for persons 65 years of age or older is $30; common carrier passenger vehicles are subject to a biennial fee of $18 plus $6 for every 500 pounds in excess of 2,000 pounds; inter-city bus companies with a fleet of ten or more buses of thirty or more passenger capacity may, at their option, pay an annual fee of $200 per vehicle; self-propelled property carrying vehicles such as trucks, truck tractors and road tractors are subject to a biennial fee ranging from $30 to $1,600 depending on weight; farm trucks are subject to biennial registration fees ranging from $12 to $120 depending on the weight; a biennial registration fee of $20 for certain trailers, semi trailers or pole trailers; camper trailers are subject to a registration fee of $10; house trailers are subject to a biennial registration fee of $12; carriers engaged in the transportation of house trailers are required to purchase license plates at a rate of $12.50 for the first such plate and $6 for each additional plate; and fees ranging from $2 to $200 for personalized license plates, dealer and manufacturing license plates, special commemorative and award-related license plates, and temporary license plates. Certain trailers and semi-trailers used by motor carriers can be permanently licensed by paying a one-time fee of $87 which includes permanent registration and a one-time fee in lieu of any local property taxes. A motor vehicle dealer must obtain a license, the fee for which is $50. Proceeds of the motor vehicle license fees are remitted to the State Highway Account of the South Carolina Transportation Infrastructure Bank.

Road Tax. All "motor carriers" (as statutorily defined) operating on the streets and highways of the State must pay a tax equivalent to 16¢ per gallon calculated on the amounts of gasoline or other motor fuel used by such motor carrier in its operations within the State. Motor carriers are entitled to a credit on such tax equivalent to 16¢ per gallon on all gasoline or other motor fuel purchased by such carrier within the State on which a gasoline or other motor fuel tax imposed by the laws of the State has been paid. All of the proceeds from this tax must be remitted to the State Highway Fund.

Motor carriers are required to file quarterly reports and to pay the necessary road tax at the time of filing such report. Failure to pay such taxes may result in a penalty of 25% thereof plus interest at the rate of one-half of one percent (.50%) per month.

Other Revenue Components. The following chart reflects selected components of other revenues for the past five fiscal years.

Selected Other Revenue Components
Fiscal Years 2006 – 2010
(millions)

	Fiscal Years Ending June 30					Net Change (%)	
	2010	2009	2008	2007	2006	2009-2010	2006-2010
Other Revenues							
Motor Vehicle Licenses	$ 12.4	$ 15.2	$ 24.3	$ 32.5	$ 51.1	-18.4%	-75.7%
Earnings on Investments	41.7	79.6	123.6	128.8	69.9	-47.6%	-40.3%
Departmental Revenue	63.8	37.5	43.9	44.1	49.1	70.1%	29.9%
Nonrecurring Revenue	63.8	30.4	79.5	38.4	13.6	109.9%	369.1%
Other Revenues	108.9	76.6	47.0	49.2	49.0	42.2%	122.2%
Total Other Revenues	$ 290.6	$ 239.3	$ 318.3	$ 293.0	$ 232.7	21.4%	24.9%

The South Carolina Education Lottery. On November 7, 2000, the State's electorate approved an amendment to the South Carolina Constitution to permit the implementation of a lottery. The amendment was adopted by the South Carolina General Assembly during its 2001 legislative session, and the lottery became operational on January 7, 2002. As adopted, revised Article XVII, Section 7 of the South Carolina Constitution permits lotteries and requires lottery revenues to be applied first to pay operating expenses and prizes, with the remainder credited to a separate Education Lottery Account in the State Treasury. All account proceeds, including earnings from the investments thereof, must be allocated by the General Assembly for educational purposes and educational programs.

A total of $275 million net of operating expenses was transferred to the Education Lottery Account during the fiscal year ended June 30, 2010. Monies in the Education Lottery Account must be used to supplement and not supplant existing funds for education including pre-school, elementary, high school, technical and higher learning programs, scholarships, tuition assistance, libraries, endowed chairs at various institutions of higher learning, and acquisition of school buses. Since its inception in 2002, more than $2.29 billion has been transferred to the Education Lottery Account to fund these purposes.

Assessed Value of All Taxable Property in the State

As previously noted, no *ad valorem* property taxes are presently imposed at the State level. Counties, municipalities, school districts, and various other political subdivisions do, however, levy and collect *ad valorem* property taxes. Article X, Section 1 of the South Carolina Constitution requires equal and uniform assessments of property throughout the State for the following classes of property and at the following ratios of fair market value of such property:

(1) Real and Personal property owned by or leased to manufacturers, utilities and mining operations and used in the conduct of such business – ten and one-half percent (10.5%) of fair market value;

(2) Real and personal property owned by or leased to companies primarily engaged in transportation for hire of persons or property and used in the conduct of such business – nine and one-half percent (9.5%) of fair market value;

(3) Legal residence and not more than five contiguous acres – four percent (4%) of fair market value (if the property owner makes proper application and qualifies);

(4) Agricultural real property used for such purposes owned by individuals and certain corporations – four percent (4%) of use value (if property owner makes proper application and qualifies);

(5) Agricultural property and timberlands belonging to corporations having more than ten shareholders – six percent (6%) of use value (if property owner makes proper application and qualifies);

(6) All other real property – six percent (6%) of fair market value;

(7) Business inventories – were formerly assessed at six percent (6%) of fair market value, but as of 1988, such property has been exempt from taxation, pursuant to South Carolina Code Section 12-37-450. That Section provides that the current assessed value of business inventory is deemed to be the same as for tax year 1987 and that 1987 value is taken into account in determining total assessed value for purposes of the bonded debt limit of political subdivisions and school districts of the State; the State reimburses each taxing entity for its lost revenue based on its 1987 millage applied to the 1987 assessed value of such property.

(8) All taxable personal property – ten and one-half percent (10.5%) of fair market value; except for personal motor vehicles which must be titled by a state or federal agency, limited to passenger motor vehicles, motorcycles, and pickup trucks, as defined by law – six percent (6%) of fair market value commencing in tax year 2007. (In addition, certain boats, airplanes and certain types of specialty vehicles may be assessed at a rate lower than 10.5% of fair market value)

Every fifth year, South Carolina Code Section 12-43-217 requires the reappraisal and equalization of the value of all real property in each of the counties in the State in accordance with standards, rules, and regulations promulgated by the Department of Revenue. Reappraisal is completed by the end of the fourth year of the cycle and is implemented in the fifth year. The governing bodies of counties are authorized to delay the implementation of reappraised values for one year in each cycle. In November, 2006, the State's electorate approved a constitutional amendment to limit increases in the reappraisal of the fair market value of real property to 15 percent per parcel over any five year period (excluding revaluations based upon new improvements made upon a parcel), provided, however, that the parcel may be reappraised at market value, and reassessed according to its classification, upon the sale of the property (other than to the seller's spouse) or upon some other defined assessable transfer of interest.

By local option referendum, each county may impose a sales or use tax in order to exempt all or a portion of the value of private passenger motor vehicles, motorcycles, general aviation aircraft, boats, and boat motors from property taxes levied in the county.

The following table, which is the latest information available, shows the assessed value of all taxable property in the State for each of the years shown below:

Year	Assessed Value	Year	Assessed Value
2008	$ 20,967,558,468	2003	$ 15,702,662,102
2007	19,729,774,718	2002	14,709,721,686
2006	19,150,490,507	2001	14,440,277,850
2005	16,356,194,078	2000	13,153,734,362
2004	15,726,797,711	1999	12,477,786,313

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ECONOMIC CHARACTERISTICS AND DATA

Historically, the State's economy was dependent on agriculture until well into the 20th century; thereafter, manufacturing became the leading contributor to the State's gross domestic product. Since the 1950's, the State's economy has undergone a gradual transition to other activities.

Real Gross Domestic Product. At December 31, 2009, principal contributors to the State's gross domestic product were the trade, transportation and utilities industries (19%), followed by government (17%) and by financial activities (17%). During the years 2004-2009, the fastest growing contributors to the State's gross domestic product were the information industry (4.8% average annual growth), followed by financial activities (2.5%) and education and health services (2.5%). Manufacturing declined over the period by 0.5% in South Carolina, and by 1.1% in the southeast, while growing slightly in the nation by 0.4%. The State's total gross domestic product grew at an average annual growth rate of 0.8% (vs. 0.8% for southeastern states, and 1.1% for the nation) from 2004-2009.

Employment. The State's unemployment rate in November, 2010 was 10.6%.The State's unemployment rate at December 31, 2009 was 12.4%, up 3.0% from 9.4% in December 31, 2008. By comparison, the unemployment rate in December, 2009 was 10.1% for the southeastern states, and 9.8% for the nation. Over the past several years, the State's unemployment rates have trended higher than the unemployment rates of other southeastern states and the nation. Largest contributors to the state's unemployment rate are declines in manufacturing jobs and growth in the labor force. While the State's economy is generating jobs, not enough jobs have been created to address the expanding labor force. The State's nonagricultural employment decreased 0.005% from January, 2004-December, 2009, from 1.813 Million to 1.812 million by December 31, 2009; however, certain individual sectors showed higher rates of growth or decline. Strongest job growth through the period 2004-2009 occurred in the education and health services (25,500 jobs, 2.6% average annual growth), followed by government (53,700, 1.6%), military (3,300, 1.2%), financial activities (4,700, 1.0%), professional and business services (14,100, 0.7%), and information (900, 0.7%). During the same period, the State's manufacturing sector declined by 120,700 jobs (5.0%).

Per Capita Personal Income. In 2009, the State's per capita personal income decreased to $32,603 or -0.7% year over year, compared to a decrease of -1.4% for the southeast and -2.2% for the nation. The State's per capita personal income was 82.9% of the national (compared to 81.6% in 2008) and 89.6% of the southeast (compared to 88.9% in 2008) per capita personal income.

Population. The State's population estimate at December 31, 2009 was almost 4.6 million. The State's rate of growth in population was 11th fastest in the United States in 2009.

Economic Development. For the calendar year 2009, the South Carolina Department of Commerce reported $2.390 billion in new capital investments that are expected to create about 18,004 new jobs. Additional details and other information regarding economic development efforts may be found at the South Carolina Department of Commerce website, located at http://www.sccommerce.com.

The following tables provide further details, analysis and comparative data.

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Relationship of Population and Personal Income
To General Obligations of the State
Fiscal Years 1999 – 2009

Fiscal Year	Population (thousands)	Personal Income (millions)	Total General Obligations (thousands)	Percentage of Debt to Personal Income	Per Capita Debt
2009	4,561	$ 148,710	$ 1,857,510	1.25%	$ 407.26
2008	4,503	147,851	2,016,952	1.36%	447.91
2007	4,424	144,935	2,214,865	1.53%	500.65
2006	4,339	136,722	2,405,119	1.76%	554.30
2005	4,256	127,259	2,298,253	1.81%	540.00
2004	4,201	120,683	2,266,261	1.88%	539.46
2003	4,146	112,712	2,239,207	1.99%	540.09
2002	4,104	108,133	2,204,129	2.10%	537.07
2001	4,062	104,957	2,054,526	2.01%	505.79
2000	4,024	102,154	1,392,192	1.36%	345.97
1999	3,975	95,735	1,139,782	1.19%	286.74

Sources:
Population: United States Bureau of the Census.
Personal Income: United States Department of Commerce, Bureau of Economic Analysis.
Total General Obligations: South Carolina Office of State Treasurer.
Excludes debt not repaid through general governmental resources.
Rev. 10/2010.

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South Carolina Real Gross Domestic Product
Seasonally Adjusted at Annual Rate
2004 – 2009

	Calendar Years ($ in millions)						% of Total Gross Domestic Product			Average Annual Growth 2004-09		
	2009	2008	2007	2006	2005	2004	South Carolina	Southeast States	All States	South Carolina	Southeast States	All States
Total gross domestic product	$ 146,617	$ 146,223	$ 150,255	$ 145,314	$ 141,677	$ 140,635				0.8%	0.8%	1.1%
Agriculture, forestry, fishing, and hunting	1,117	1,032	867	1,049	1,317	1,188	0.8%	1.0%	1.1%	-1.2%	0.7%	2.8%
Mining	325	174	155	249	243	336	0.2%	1.4%	1.7%	-0.7%	-0.2%	0.9%
Construction	6,352	7,240	8,136	8,396	8,330	8,524	4.3%	4.1%	3.7%	-5.7%	-5.0%	-4.5%
Manufacturing	23,436	23,613	25,340	24,118	23,966	23,986	16.0%	12.4%	12.1%	-0.5%	-1.1%	0.4%
Trade, transportation and utilities	27,108	26,971	28,201	28,211	27,136	26,785	18.5%	17.9%	16.5%	0.2%	0.6%	0.5%
Wholesale trade	8,441	8,504	8,670	8,594	8,259	8,184	5.8%	6.0%	5.8%	0.6%	0.9%	1.2%
Retail trade	11,203	11,210	12,247	12,288	11,713	11,588	7.6%	6.7%	6.0%	-0.7%	-0.3%	-0.8%
Information	4,608	4,313	4,111	3,964	3,755	3,649	3.1%	4.5%	5.2%	4.8%	2.4%	3.3%
Financial activities	24,674	24,292	25,244	22,905	21,791	21,855	16.8%	19.1%	21.4%	2.5%	2.1%	2.2%
Professional and business services	13,947	13,801	14,136	13,509	13,079	12,675	9.5%	11.4%	11.7%	1.9%	1.8%	1.7%
Education and health services	9,920	9,900	9,622	9,366	8,946	8,763	6.8%	7.9%	8.1%	2.5%	2.5%	2.3%
Leisure and hospitality	6,175	6,185	6,707	6,423	6,074	6,175	4.2%	4.0%	3.7%	0.0%	0.3%	0.4%
Other services, except public administration	3,891	4,099	4,103	4,045	3,917	3,943	2.7%	2.5%	2.3%	-0.3%	-0.7%	-0.8%
Government	25,063	24,603	23,633	23,079	23,124	22,756	17.1%	13.9%	12.0%	2.0%	1.6%	1.2%
Federal	6,949	6,745	6,300	6,088	6,086	6,187	4.7%	4.8%	3.4%	2.4%	1.9%	1.4%
State	5,507	5,702	5,602	5,559	5,584	5,356	3.8%	2.7%	2.3%	0.6%	1.3%	1.1%
Local	12,607	12,155	11,731	11,431	11,454	11,212	8.6%	6.5%	6.3%	2.4%	1.4%	1.2%

Source:
U.S. Department of Commerce, Bureau of Economic Analysis; Moody's Economy.com.
Rev. 1/2011.

Nonfarm Wage and Salary Employment
Seasonally Adjusted at Annual Rate
1999 – 2009

	All Employees (thousands)			% of Total Nonfarm Employment			Average Annual Growth			Total Job Growth/(Decline) (thousands)		
South Carolina	2009	2004	1999	2009	2004	1999	2008-2009	2004-2009	1999-2009	2008-2009	2004-2009	1999-2009
Total nonagricultural employment	1,809.4	1,848.2	1,850.1				-4.3%	-0.4%	-0.2%	(82.1)	(38.8)	(40.7)
Natural resources and mining	8.2	10.0	11.5	0.5%	0.5%	0.6%	-4.7%	-3.9%	-3.3%	(0.4)	(1.8)	(3.3)
Construction	82.5	114.4	116.0	4.6%	6.2%	6.3%	-18.8%	-6.3%	-3.4%	(19.1)	(31.9)	(33.6)
Manufacturing	413.8	534.5	670.9	22.9%	28.9%	36.3%	-12.1%	-5.0%	-4.7%	(57.0)	(120.7)	(257.1)
Trade, transportation and utilities	345.4	357.8	361.6	19.1%	19.4%	19.5%	-5.1%	-0.7%	-0.5%	(18.6)	(12.4)	(16.3)
Wholesale trade	65.2	66.1	61.9	3.6%	3.6%	3.3%	-7.4%	-0.3%	0.5%	(5.2)	(0.9)	3.3
Retail trade	221.5	229.7	236.1	12.2%	12.4%	12.8%	-3.9%	-0.7%	-0.6%	(9.0)	(8.2)	(14.6)
Information	27.8	26.8	30.1	1.5%	1.5%	1.6%	-1.9%	0.7%	-0.8%	(0.5)	0.9	(2.3)
Financial activities	100.6	95.9	87.9	5.6%	5.2%	4.8%	-3.7%	1.0%	1.4%	(3.9)	4.7	12.7
Professional and business services	412.4	398.3	388.7	22.8%	21.6%	21.0%	-3.3%	0.7%	0.6%	(13.9)	14.1	23.7
Education and health services	208.6	183.1	154.2	11.5%	9.9%	8.3%	0.3%	2.6%	3.1%	0.7	25.5	54.4
Leisure and hospitality	206.8	202.4	188.8	11.4%	11.0%	10.2%	-3.3%	0.4%	0.9%	(7.0)	4.3	17.9
Other services, except public administratioı	137.7	142.9	116.5	7.6%	7.7%	6.3%	-3.1%	-0.7%	1.7%	(4.4)	(5.3)	21.2
Military	58.2	54.9	58.5	3.2%	3.0%	3.2%	2.1%	1.2%	0.0%	1.2	3.3	(0.3)
Government	703.5	649.9	635.2	38.9%	35.2%	34.3%	1.2%	1.6%	1.0%	8.1	53.7	68.3
Federal	31.4	28.2	29.2	1.7%	1.5%	1.6%	2.2%	2.2%	0.7%	0.7	3.2	2.2
Local	222.6	201.1	188.3	12.3%	10.9%	10.2%	2.5%	2.0%	1.7%	5.5	21.5	34.3
State	97.8	95.7	100.2	5.4%	5.2%	5.4%	-2.1%	0.4%	-0.2%	(2.1)	2.1	(2.4)

Source:
United States Bureau of Labor Statistics; Moody's Economy.com.
Rev. 10/2010.

South Carolina Labor Force and Employment 2000 – 2009
Seasonally Adjusted

Calendar Year	Civilian Labor Force (thousands)	Total Employed (thousands)	Total Unemployed (thousands)	S.C. Unemployed as Percent of Labor Force	Southeast Unemployed as Percent of Labor Force	U.S. Unemployed as Percent of Labor Force
2009	2,173	1,905	268	12.3%	10.1%	9.8%
2008	2,165	1,976	189	8.7%	7.1%	7.0%
2007	2,121	2,003	118	5.6%	4.6%	4.9%
2006	2,124	1,992	132	6.2%	4.2%	4.6%
2005	2,083	1,942	141	6.8%	4.9%	5.1%
2004	2,038	1,897	141	6.9%	4.9%	5.4%
2003	1,997	1,862	136	6.8%	5.2%	5.9%
2002	1,957	1,836	121	6.2%	5.4%	5.9%
2001	1,921	1,809	112	5.8%	5.5%	5.5%
2000	1,994	1,923	71	3.6%	3.9%	4.0%

Source:
U. S. Bureau of Labor Statistics; Moody's Economy.com.
Rev. 10/2010.

Comparison of Average Annual Growth Rates for Labor Force
South Carolina, Southeast and United States

	Civilian Labor Force			Total Employment		
Calendar Years	South Carolina	Southeast	United States	South Carolina	Southeast	United States
2000-2009	1.0%	1.0%	0.8%	-0.1%	0.2%	0.1%
1990-2000	1.4%	1.6%	1.3%	1.6%	1.8%	1.5%
1980-1990	2.1%	2.1%	1.6%	2.3%	2.2%	1.8%
1970-1980	3.3%		2.6%	3.1%		2.4%
1960-1970	1.8%		1.7%	1.8%		1.8%
1950-1960	0.7%		1.1%	0.6%		1.1%
1940-1950	0.8%		1.1%	1.4%		2.2%

Source:
United States Department of Labor, Bureau of Labor Statistics; Moody's Economy.com.
Rev. 10/2010.

Population Estimates
2000 – 2009

	December 31				1 Year	Avg Annual
Geographic Area	2009	2008	2007	2000	Growth Rate	Growth Rate
South Carolina	4,561,242	4,503,280	4,424,232	4,023,570	1.3%	1.4%
Southeast	73,103,030	72,444,490	71,613,756	65,467,732	0.9%	1.2%
United States	310,973,851	308,329,401	305,521,142	285,986,378	0.9%	0.9%

Source: U.S. Census Bureau; Moody's Economy.com.
Rev. 10/2010.

Total Personal and Per Capita Personal Income in South Carolina,
The Southeast, and the United States

	South Carolina				Southeast		United States	
Calendar Year	Total Personal Income (Millions)	Per Capita Personal Income	Percent of Southeast	Percent of U.S.	Total Personal Income (Millions)	Per Capita Personal Income	Total Personal Income (Millions)	Per Capita Personal Income
2009	$ 148,710	$ 32,603	89.6%	82.9%	$ 2,660,459	$ 36,393	$ 12,225,831	$ 39,315
2008	147,851	32,832	88.9%	81.6%	2,674,674	36,920	12,400,467	40,218
2007	144,935	32,759	89.2%	82.1%	2,631,306	36,743	12,186,668	39,888
2006	136,722	31,507	89.2%	82.6%	2,494,946	35,340	11,544,918	38,162
2005	127,259	29,900	89.3%	83.1%	2,338,562	33,496	10,779,104	35,971
2004	120,683	28,725	89.9%	83.1%	2,196,887	31,936	10,266,156	34,573
2003	112,712	27,183	90.4%	83.2%	2,040,508	30,079	9,609,053	32,661
2002	108,133	26,349	91.2%	83.8%	1,937,761	28,895	9,174,562	31,456
2001	104,957	25,834	91.2%	83.5%	1,877,020	28,328	8,934,588	30,924
2000	102,154	25,389	92.0%	83.2%	1,805,794	27,583	8,728,517	30,521
1999	95,735	24,086	91.9%	83.6%	1,692,754	26,208	8,151,372	28,820
1998	91,050	23,232	92.1%	84.2%	1,606,477	25,218	7,717,538	27,599
Growth Rates:								
1 Year		-0.7%				-1.4%		-2.2%
3 Year		1.1%				1.0%		1.0%
5 Year		2.6%				2.6%		2.6%
10 Year		3.1%				3.3%		3.2%

Source:
Population: United States Bureau of the Census; Moody's Economy.com.
Personal Income: United States Department of Commerce, Bureau of Economic Analysis. Moody's Economy.com.
Rev. 10/2010.

Total Economic Development by New and Expanded Projects in the State
Calendar Years 1999 – 2009

Year	New		Expanded		Total	
	Number of Jobs	Investment (000s)	Number of Jobs	Investment (000s)	Number of Jobs	Investment (000s)
2009	12,550	$ 1,765,044	5,454	$ 618,477	18,004	$ 2,383,521
2008	10,688	2,075,985	8,305	2,093,766	18,993	4,169,751
2007	8,100	1,451,000	7,566	2,594,000	15,666	4,045,000
2006	7,456	1,294,705	6,964	1,703,440	14,420	2,998,145
2005	6,705	1,270,650	5,665	1,390,860	12,370	2,661,510
2004	6,821	1,102,800	6,670	1,656,540	13,491	2,759,340
2003	3,443	280,535	5,237	845,957	8,680	1,126,492
2002	3,443	308,877	7,366	2,268,956	10,809	2,577,833
2001	5,817	282,400	8,749	2,132,492	14,566	2,414,892
2000	4,469	376,290	17,357	3,320,561	21,826	3,696,851
1999	2,952	372,600	13,536	3,547,800	16,488	3,920,400

Source:
S.C. Department of Commerce, Division of Business Development.
Rev. 10/2010.

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Value of Announced International Investments
As a Percentage of Total Investments in the State
1999 – 2009
(thousands)

Year	International Investment	Total Industrial Investments	International Investments Percent of Total
2009	$ 451,675	$ 2,383,521	18.9%
2008	1,824,495	4,169,751	43.8%
2007	2,061,000	4,045,000	51.0%
2006	926,220	2,998,145	30.9%
2005	1,262,840	2,661,510	47.4%
2004	813,100	2,759,340	29.5%
2003	571,510	1,128,492	50.6%
2002	1,868,776	4,207,985	44.4%
2001	1,097,812	5,278,495	20.8%
2000	2,028,411	6,134,374	33.1%
1999	2,742,829	6,377,259	43.0%

Source:
S. C. Department of Commerce, Division of Business Development.
Rev. 10/2010.

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Real Estate and Construction
2004 – 2009

	2009	2008	2007	2006	2005	2004	Annual Growth 2008-2009	Annual Growth 2004-2009
Residential Permits								
Total	17,501	16,584	35,885	44,775	58,529	48,477	6%	-18%
Single-family	15,427	13,661	27,841	37,151	49,209	39,399	13%	-17%
Multifamily	2,075	2,924	8,043	7,624	9,320	9,078	-29%	-26%
Housing Starts								
Total	16,045	18,809	34,168	43,400	57,012	42,132	-15%	-18%
Single-family	14,957	13,986	28,006	36,962	47,887	36,225	7%	-16%
Multifamily	1,088	4,823	6,162	6,438	9,125	5,907	-77%	-29%
Mortgage Originations ($ Millions)								
Total	*	*	$ 32,881	$ 33,578	$ 35,902	$ 26,532	*	*
Purchase	*	*	20,431	21,450	23,179	16,218	*	*
Refinance	*	*	12,450	12,128	12,724	10,313	*	*
Existing Home Sales								
Single-family (Thousands)	74	60	86	95	112	93	22%	-5%
Median Existing Home Price ($ Thousands)	$ 146	$ 152	$ 161	$ 163	$ 158	$ 145	-4%	0%
Housing Affordability Index (1980=100)	178	160	140	128	129	146	11%	4%
Rental Vacancy Rate (%)	16%	13%	11%	11%	10%	15%	21%	2%

Source:
US Bureau of the Census; National Association of Home Builders;
US Department of Housing and Urban Development; Moody's Economy.com.
Rev. 10/2010.

* Data not currently available.

LEGAL MATTERS

Litigation

There is presently no litigation challenging the validity of any general obligation debt issued or proposed to be issued by the State. The Attorney General of the State advises that, except as described immediately below, there is neither threatened nor, to his knowledge pending, any litigation which would have any material adverse effect upon the revenues of the State.

Anonymous Taxpayer vs. South Carolina Department of Revenue. A separate anonymous taxpayer protest seeks a refund of income taxes pursuant to the statute providing for tax credits related to Economic Impact Zones. The Department of Revenue denied the refund, and the matter came before an Administrative Law Court. The Administrative Law Court allowed a $2,112,640 refund for tax year 1995, but denied the $15,323,257 refund request for tax years 1997 and 1998. Both the taxpayer and the Department of Revenue are seeking judicial review by the circuit court.

Abbeville County School District, et. al. v. State of South Carolina. This action was originally brought seeking declaratory and injunctive relief on behalf of certain school districts, taxpayers, and individuals alleging that the State's method of funding primary and secondary public education violated several provisions of State and federal law. The lower court dismissed the complaint on all counts. The South Carolina Supreme Court affirmed the lower court's dismissal of all but one of the counts, but reversed the lower court's dismissal of a claim arising under the education clause of the South Carolina Constitution. Specifically, the South Carolina Supreme Court held that the South Carolina Constitution requires the State to provide the opportunity for each child within the State to receive a minimally adequate education. Finding that the complaint stated a claim under this provision, the South Carolina Supreme Court remanded the case for further proceedings. Following the remand, the plaintiffs requested leave to amend their complaint in this action to add a claim for damages for past actions or omissions of the State. The Court accepted the amended complaint. The suit also contains requests for declaratory and injunctive relief that could result in the State's providing additional monies for public education and, possibly, for other purposes. On December 29, 2005, the Court issued an order concluding that the instructional facilities in the school districts are safe and adequate to provide the opportunity for a minimally adequate education; that the State's curriculum standards at the minimum encompass the knowledge and skills necessary to satisfy the definition for a minimally adequate education; that the State's system of teacher licensure is sufficient to ensure at least minimally competent teachers to provide instruction consistent with the curriculum standards; that inputs into the educational system, except for the funding of early childhood intervention programs, are sufficient to satisfy the constitutional requirement; that the constitutional requirement of adequate funding is not met by the State as a result of its failure to adequately fund early childhood intervention programs; and that the students in the school districts are denied the opportunity to receive minimally adequate education because of the lack of effective and adequately funded early childhood intervention programs designed to address the impact of poverty on their educational abilities and achievements. Motions for reconsideration were denied in June, 2007, and the parties have since appealed to the South Carolina Supreme Court. The South Carolina Supreme Court heard the case on June 25, 2008, but has yet to render a decision. There is no official estimate of the fiscal impact of any remedial action that will be necessitated by the findings of the South Carolina Supreme Court; however, the General Assembly made provision in the 2006-07 Appropriation Act for $23 million to be expended for the purpose of initially addressing the findings in such proceedings, and further provided for establishment of a committee to study and determine steps necessary to address those findings in future years.

Dean v. South Carolina Department of Public Safety. This class action suit seeks back wages including overtime pay for all hours during which State troopers were on call and during which they were on special duty assignments. The suit seeks payment under the Fair Labor Standards Act ("FLSA") and the State Wage Payment Act. The court has ruled that this is an "opt in" class, so that it includes all troopers in the State except for the less than 200 State troopers who opted out. Questions to be resolved in the case include whether a two or three year statute of limitations applies and whether the period of recovery may be extended back to 1986, the year the FLSA became applicable to the states. The court has ruled that treble damages would not apply to the State, but it has not ruled on the statute of limitations issue. Extensive discovery is proceeding. Settlement discussions have been undertaken. Under the plaintiffs' theory of the case, in the event of a loss to the State, the amount could exceed $12 million. The State is vigorously defending this case, but cannot predict its outcome.

Ahrens et al. v. The South Carolina Retirement System and the State of South Carolina. This case is a class action case alleging that provisions in Act No. 153 of the Acts and Joint Resolutions of the General Assembly of South Carolina for the year 2005 ("Act No. 153") requiring retirees in the South Carolina Retirement System ("SCRS") who have returned to covered employment to make employee contributions are unconstitutional and illegal. A circuit court judge has certified the class in this case and issued an order on the merits granting the plaintiffs relief based on the equitable theory of estoppel. The circuit court denied all other claims for relief made by the plaintiffs, including all contract based causes of action. The SCRS and the State have appealed the circuit courts various orders and the South Carolina Supreme Court has taken jurisdiction of the appeal. As of June 30, 2010, the SCRS had collected approximately $44.5 million in the form of retirement contributions from members of the SCRS who retired prior to July 1, 2005 and returned to work. If the plaintiffs were to prevail, most of these contributions would be refunded to the members and no future contributions could be collected from them and the subject statutes would not apply to them. The SCRS and the State believe their defenses are meritorious and the defendants are vigorously contesting these claims.

Arnold et al. v. the South Carolina Police Officers Retirement System, the South Carolina Retirement System and the State of South Carolina. This case is a class action case filed on August 9, 2005, alleging that provisions in Act No. 153 requiring retirees in the Police Officers Retirement System ("PORS") who have elected to return to covered employment to make employee contributions are unconstitutional and illegal. A circuit court judge has certified the class in this case and issued an order on the merits granting the plaintiffs relief based on the equitable theory of estoppel. The circuit court denied all other claims for relief made by the plaintiffs, including all contract based causes of action. The SCRS and the State have appealed the circuit courts various orders and the South Carolina Supreme Court has taken jurisdiction of the appeal. As of June 30, 2010, the SCRS had collected approximately $14.3 million in the form of retirement contributions from members of the PORS who retired prior to July 1, 2005 and returned to work. If the plaintiffs were to prevail, most of these contributions would be refunded to the members and no future contributions could be collected from them and the subject statutes would not apply to them. The PORS and the State believe their defenses are meritorious and the defendants are vigorously contesting these claims.

Hutto et al. v. South Carolina Retirement System and the State of South Carolina, et al. This putative class action was filed in federal court in August, 2010. It seeks relief based on causes of action similar to those that were raised and disposed of in the *Ahrens* and *Arnold* cases described above. The plaintiffs in *Hutto* all retired after Act No. 153 was enacted and thus were on notice that they would pay retirement contributions if they chose to return to work. Defendants have filed a motion to dismiss the complaint on numerous grounds. No hearing has been scheduled on this motion, and it is too early to offer any opinion about the potential outcome of this case. As of June 30, 2010, the SCRS had collected approximately $71.5 million in the form of retirement contributions from members of the SCRS who are retired and returned to work on or after July 1, 2005. The SCRS and the State are vigorously contesting this matter.

Certain Tax Cases. Several unresolved legal actions, in which the State is involved, challenge the legality of certain taxes. In the event of unfavorable outcomes in all of these cases, the State does not expect ultimate liability to exceed $160.9 million. Although State losses in these cases could reduce future revenues, the preceding estimate does not include any impact on future revenues.

Other Litigation. Certain other legal actions to which the State is a party are discussed in the notes section to the State's audited financial statements available at www.cg.state.sc.us. Those discussions accurately portray the status and potential impact of such actions, based upon information currently available to the State.

Legal Opinions and Certificates

The State will furnish the Bonds in typewritten form along with the approving legal opinions of the State's tax counsel, Parker Poe Adams & Bernstein LLP (in such capacity, "Special Tax Counsel"), with respect to each Series of Bonds, and the State's bond counsel (a) Parker Poe Adams & Bernstein LLP ("School Facilities Bond Counsel"), with respect to the Series 2011A School Facilities Refunding Bonds, and (b) McNair Law Firm, P.A. ("Capital Improvement Bond Counsel" and together with School Facilities Bond Counsel, "Bond Counsel"), with respect to the Series 2011A Capital Improvement Refunding Bonds. The opinions of Bond Counsel with respect to the Bonds will state in substance: (1) the Bonds are valid and legally binding obligations of the State; (2) the full faith, credit, and taxing power of the State are pledged to the payment of the principal of and interest on the Bonds; and (3) that provision has been made for the allocation, on an annual basis, of sufficient tax revenues to provide for the punctual payment of the principal of and interest on the Bonds. The opinions of Special Tax Counsel with respect to the Bonds will state in substance: (1) assuming compliance with certain covenants discussed under "LEGAL MATTERS – Tax Exemption" below, interest on the Bonds is excludable from gross income for federal income tax purposes under the Code; and (2) interest on the Bonds is exempt from all State, county, municipal, school district and other taxes or assessments imposed within the State, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except estate or other transfer taxes, and certain fees or franchise taxes.

Bond Counsel and Special Tax Counsel have assisted the State by reviewing certain information supplied by the State and others and included in this Official Statement, but have not undertaken to verify the accuracy of such information. The opinions of Bond Counsel and Special Tax Counsel will be limited solely to the legality and enforceability of the Bonds and certain tax matters with respect to the Bonds, as applicable, and no opinion will be given with respect to this Official Statement.

At the closing and delivery of the Bonds, the State Treasurer will execute and deliver a certificate stating, in essence, that this Official Statement was prepared under his supervision, and, to the best of his knowledge, does not contain any untrue statement of a material fact or omit to state any material fact which should be included herein for the purpose for which this Official Statement is to be used or which is necessary to make such statements and information herein not misleading, and that there has been no material adverse change in the financial condition of the State from that reflected in this Official Statement.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Tax Exemption

On the date of issuance of the Bonds, Special Tax Counsel will render its opinions with respect to the Bonds that, under existing law and assuming compliance by the State with certain provisions of the Code, the interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

The interest on the Bonds will be taken into account in determining adjusted current earnings of certain corporations (as defined for federal income tax purposes), and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its federal alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

The Code imposes various restrictions, conditions and requirements relating to the exclusion of interest on obligations, such as the Bonds, from gross income for federal income tax purposes, including, but not limited to, the requirement that the State rebate certain excess earnings on proceeds and amounts treated as proceeds of the Bonds to the United States Treasury, restrictions on the investment of such proceeds and other amounts, and restrictions on the ownership and use of the facilities financed or refinanced with proceeds of the Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied by the State subsequent to issuance of the Bonds to maintain the excludability of the interest on the Bonds from gross income for federal income tax purposes. Special Tax Counsel's opinions are given in reliance on certifications by representatives of the State as to certain facts material to the respective opinions and the requirements of the Code.

The State has covenanted to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest on the Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The opinions of Special Tax Counsel assume compliance by the State with such covenants, and Special Tax Counsel has not been retained to monitor compliance by the State with such covenants subsequent to the date of issuance of the Bonds. Failure to comply with certain of such requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. No other opinion is expressed by Special Tax Counsel or Bond Counsel regarding the federal tax consequences of the ownership of or the receipt or accrual of interest with respect to the Bonds.

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includible in gross income for federal income tax purposes. Special Tax Counsel cannot predict whether the Internal Revenue Service will commence an audit of the Bonds. Prospective purchasers and owners of the Bonds are advised that, if the Internal Revenue Service does audit the Bonds, under current Internal Revenue Service procedures, at least during the early stages of an audit, the Internal Revenue Service will treat the State as the taxpayer, and the owners of the Bonds may have limited rights, if any, to participate in such audit. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds and the accrual or receipt of interest on the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property or casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain Subchapter S Corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Special Tax Counsel does not express any opinion as to any such collateral tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors as to the collateral tax consequences.

Proposed legislation is considered from time to time by the United States Congress that, if enacted, would affect the tax consequences of owning the Bonds. No assurance can be given that any future legislation, or clarifications or amendments to the Code, if enacted into law, will not contain provisions which could cause the interest on the Bonds to be subject directly or indirectly to federal or State income taxation, adversely affect the market price or marketability of the Bonds or otherwise prevent the owners of the Bonds from realizing the full current benefit of the status of the interest on the Bonds.

Special Tax Counsel is further of the opinion that, under existing law, interest on the Bonds is exempt from all State, county, municipal, school district, and all other taxes or assessments of the State, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate or other transfer taxes, provided that the interest thereon may be includable for certain franchise fees or taxes.

Special Tax Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Special Tax Counsel as of the date thereof. Special Tax Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Special Tax Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Special Tax Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Special Tax Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that Special Tax Counsel deems relevant to such opinions. Special Tax Counsel's opinions express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering its opinions, Special Tax Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the applicable opinion is rendered, or of the future performance of the State, nor does the rendering of such opinions guarantee the outcome of any legal dispute that may arise out of the transaction.

Original Issue Discount

The Series 2011A School Facilities Refunding Bonds maturing in the years ____ through ____, inclusive, and the Series 2011A Capital Improvement Refunding Bonds maturing in the years ____ through ____, inclusive, were sold at initial public offering prices that are less than the amount payable at maturity (the "Discount Bonds"). The difference between the initial public offering prices to the public (excluding bond houses and brokers) at which price a substantial amount of each maturity of the Discount Bonds is sold and the amount payable at maturity constitutes original issue discount, which will be treated as interest on such Discount Bonds and to the extent properly allocable to particular owners who acquire such Discount Bonds at the initial offering thereof, will be excludable from gross income for federal income tax purposes to the same extent as other interest on such Discount Bonds. As discount is accrued, the purchaser's basis in a Discount Bond is increased by a corresponding amount, resulting in a decrease in the gain (or an increase in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Discount Bond prior to its maturity.

The Code and Treasury Regulations contain certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of obligations such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial offering at the initial offering price at which a substantial amount of such Discount Bonds were sold should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds. Owners who may acquire Bonds that are Discount Bonds should consult their tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Original Issue Premium

The Series 2011A School Facilities Refunding Bonds maturing in the years ____ through ____, inclusive, and the Series 2011A Capital Improvement Refunding Bonds maturing in the years ____ through ____, inclusive, were sold at initial public offering prices that are greater than the amount payable at maturity (the "Premium Bonds"). An amount equal to the excess of the purchase price of the Premium Bonds over their stated redemption prices at maturity constitutes premium on such Premium Bonds. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

MISCELLANEOUS

Continuing Disclosure

Pursuant to Section 11-1-85 of the South Carolina Code, the State Budget and Control Board has covenanted as to the Bonds to file with a central repository for availability in the secondary bond market when requested:

(1) An annual independent audit of the State within thirty days of the State's receipt of the audit; and

(2) Event specific information within thirty days of an event adversely affecting more than five percent of revenues of the State's tax base.

The only remedy for failure by the State Budget and Control Board to comply with these covenants shall be an action for specific performance. Moreover, the State Budget and Control Board has specifically reserved the right to amend the covenants to reflect any change in such Section 11-1-85 without the consent of any Bondholder (as such term is defined in the applicable bond resolution authorizing each Series of Bonds).

In accordance with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"), the State has covenanted in the applicable bond resolutions authorizing the issuance of each Series of Bonds to execute and deliver prior to closing a Continuing Disclosure Undertaking for each Series of Bonds. A form of the Continuing Disclosure Undertaking appears in Appendix C to this Official Statement. The State is current with all continuing disclosure obligations under the Rule with regard to debt previously issued by the State.

Underwriting

The Series 2011A School Facilities Refunding Bonds have been awarded at competitive sale to __________ (the "Series 2011A School Facilities Refunding Bonds Purchaser"). The Series 2011A School Facilities Refunding Bonds Purchaser has agreed, subject to certain conditions, to purchase the Series 2011A School Facilities Refunding Bonds at par, plus a net original issue premium of $________ and accrued interest from March 1, 2011. The Series 2011A School Facilities Refunding Bonds Purchaser has advised the State that it intends to publicly offer the Series 2011A School Facilities Refunding Bonds at the yields set forth on the inside cover page of this Official Statement under the heading "$197,235,000 General Obligation State School Facilities Refunding Bonds, Series 2011A of the State of South Carolina." Such yields may be changed from time to time by the Series 2011A School Facilities Refunding Bonds Purchaser. The Series 2011A School Facilities Refunding Bonds Purchaser may offer and sell Series 2011A School Facilities Refunding Bonds to certain dealers and others at yields higher than the offering yields stated on the inside cover page hereof. The Series 2011A School Facilities Refunding Bonds Purchaser has received no fee from the State for underwriting the Series 2011A School Facilities Refunding Bonds.

The Series 2011A Capital Improvement Refunding Bonds have been awarded at competitive sale to __________ (the "Series 2011A Capital Improvement Refunding Bonds Purchaser"). The Series 2011A Capital Improvement Refunding Bonds Purchaser has agreed, subject to certain conditions, to purchase the Series 2011A Capital Improvement Refunding Bonds at par, plus a net original issue premium of $________ and accrued interest from March 1, 2011. The Series 2011A Capital Improvement Refunding Bonds Purchaser has advised the State that it intends to publicly offer the Series 2011A Capital Improvement Refunding Bonds at the yields set forth on the inside cover page of this Official Statement under the heading "$126,295,000 General Obligation State Capital Improvement Refunding Bonds, Series 2011A of the State of South Carolina." Such yields may be changed from time to time by the Series 2011A School Facilities Refunding Bonds Purchaser. The Series 2011A Capital Improvement Refunding Bonds Purchaser may offer and sell Series 2011A Capital Improvement Refunding Bonds to certain dealers and others at yields higher than the offering yields stated on the inside cover page hereof. The Series 2011A Capital Improvement Refunding Bonds Purchaser has received no fee from the State for underwriting the Series 2011A Capital Improvement Refunding Bonds.

Financial Advisor

Public Resources Advisory Group, New York, New York, has acted as financial advisor to the State in connection with the issuance and sale of the Bonds. The firm has provided technical assistance in structuring the Bonds and related matters.

Ratings

As noted on the cover page of this Official Statement, Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Credit Market Services, a Division of The McGraw-Hill Companies, Inc. (collectively, the "Rating Services") have assigned the Bonds ratings of "___", "___", and "___," respectively. Such ratings reflect only the respective views of the Rating Services, and an explanation of the significance of such ratings may be obtained from the Rating Services. The State has furnished to the Rating Services certain information and materials regarding the Bonds. Generally, the Rating Services base ratings on such information and materials and on investigations, studies and assumptions furnished to and obtained and made by the Rating Services. There is no assurance that such ratings will remain unchanged for any period of time or that ratings may not be lowered or withdrawn entirely by the Rating Services if in their judgment circumstances warrant. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

CUSIP Numbers

At the direction of the undersigned, "CUSIP" identification numbers will be imprinted on the Bonds, and such numbers shall not constitute a part of the contract evidenced by the Bonds, and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of or payment for the Bonds. In addition, failure on the part of the State to use such CUSIP numbers in notices to holders of the Bonds shall not constitute an event of default or similar violation of the State's contract with such holders.

Conclusion

The information in this Official Statement has been assembled for the purpose of enabling those who may purchase and sell the Bonds to have appropriate information to evaluate the worth of the Bonds. The undersigned believes that the information herein furnished should be sufficient for the purposes for which it is intended. If, however, additional information or explanations are required, inquiries may be made to Morgan A. O'Donnell, Program Manager, Debt Division, 122 Wade Hampton Office Building, Capitol Complex, Columbia, South Carolina 29201 (telephone: 803-734-1391; email: morgan.odonnell@sto.sc.gov); Rick Harmon, Senior Assistant State Treasurer, 122 Wade Hampton Office Building, Capitol Complex, Columbia, South Carolina 29201 (telephone: 803-734-2114; email: rick.harmon@sto.sc.gov); the State's Disclosure Counsel, Margaret Christian Pope, Esquire, Pope Zeigler, LLC, 1411 Gervais Street, Suite 300, Columbia, South Carolina 29201 (telephone: 803-354-4901; email: mpope@popezeigler.com), or the undersigned.

/s/ ____

Curtis M. Loftis, Jr., State Treasurer

APPENDIX A

Attached hereto are the

GENERAL FUND FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

State of South Carolina

Office of Comptroller General

1200 Senate Street
305 Wade Hampton Office Building
Columbia, South Carolina 29201

Telephone: (803) 734-2121
Fax: (803) 734-1765
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RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL

JAMES M. HOLLY
CHIEF OF STAFF

January 25, 2011

APPENDIX A

GENERAL FUND FINANCIAL STATEMENTS

The financial statements and schedule presented herein include only the General Fund of the State of South Carolina. They do not include other funds, account groups, activities, or component units that Generally Accepted Accounting Principles would require to be included as a part of the State's reporting entity. Therefore, they do not provide a comprehensive disclosure of the State's financial condition as a whole. Instead, full disclosure is provided in the State's Comprehensive Annual Financial Report, a separately prepared and independently audited report.

For comparative purposes, the information provided on the following pages is presented for the past five fiscal years. Prior-year amounts have been reclassified when appropriate to conform with the current year's presentation. Differences in presentation are explained in the Summary of Significant Accounting Policies in the accompanying Notes to the Financial Statements.

The State's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010, is available at http://www.cg.sc.gov or by contacting the Comptroller General's Office at (803) 734-2121. That document includes the report of the State's independent auditors and comprehensive financial data on the State that is prepared in accordance with Generally Accepted Accounting Principles.

Richard Eckstrom
Comptroller General

State of South Carolina
General Fund
Balance Sheets

Last Five Fiscal Years
(Expressed in Thousands)

	June 30				
	2010	2009	Restated 2008	2007	2006
ASSETS					
Cash and cash equivalents	$ 542,494	$ 536,611	$ 876,995	$ 1,413,878	$ 1,183,208
Investments	27,833	27,157	26,108	48,988	40,005
Invested securities lending collateral	155,250	430,197	740,759	592,883	332,360
Receivables, net:					
Accounts	1,255	1,660	1,604	2,042	2,886
Accrued interest	5,026	6,671	10,209	10,106	9,624
Income taxes	424,083	428,039	442,062	461,659	428,223
Sales and other taxes	301,760	289,362	313,161	355,157	342,326
Patient accounts	10,210	9,991	16,183	13,281	15,925
Loans and notes	—	15	14	5	14
Due from Federal government and other grantors	12,563	8,950	6,666	5,463	3,944
Due from other funds	45,742	89,345	40,968	41,006	41,775
Due from component units	9,620	10,881	8,269	—	7,838
Interfund receivables	5,514	1,972	9,758	9,204	5,711
Inventories	7,924	10,621	14,909	15,385	13,014
Total assets	**$ 1,549,274**	**$ 1,851,472**	**$ 2,507,665**	**$ 2,969,057**	**$ 2,426,853**
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 273,837	$ 280,944	$ 355,364	$ 340,796	$ 134,163
Accrued salaries and related expenditures	56,402	65,512	72,944	69,046	62,298
Tax refunds payable	663,723	604,518	588,979	598,055	541,307
Payable-aid to individual/families	1,587	2,768	1,801	1,305	764
Intergovernmental payables	25,074	31,805	59,884	25,403	14,641
Due to other funds	115,808	163,562	218,641	90,292	81,111
Due to component units	—	—	1	1	3
Interfund payables	—	10,895	—	—	—
Deferred revenues	55,991	52,057	82,823	111,314	104,777
Securities lending collateral	171,180	456,640	740,759	592,883	332,360
Other liabilities	37,317	77,542	54,673	47,025	41,584
Total liabilities	**1,400,919**	**1,746,243**	**2,175,869**	**1,876,120**	**1,313,008**
Fund balances:					
Reserved for:					
General reserve fund	110,883	—	95,123	167,732	153,488
Inventories	7,924	10,621	14,909	15,385	13,014
Interfund receivables	—	115	223	1,333	2,470
Appropriations to be carried forward	64,283	218,729	229,131	225,645	107,365
Long-term loans and notes receivable	—	7	12	4	12
School building aid	1,555	1,729	2,375	3,058	3,820
Unreserved:					
Designated for future years' expenditures	—	—	—	567,959	453,052
Designated for capital projects	—	—	—	111,821	102,326
Undesignated	(36,290)	(125,972)	(9,977)	—	278,298
Total fund balances	**148,355**	**105,229**	**331,796**	**1,092,937**	**1,113,845**
Total liabilities and fund balances	**$ 1,549,274**	**$ 1,851,472**	**$ 2,507,665**	**$ 2,969,057**	**$ 2,426,853**

State of South Carolina
General Fund
Statements of Revenues, Expenditures, and Changes in Fund Balance

Last Five Fiscal Years
(Expressed in Thousands)

	Fiscal Year Ended June 30				
	2010	2009	Restated 2008	2007	2006
Revenues:					
Taxes:					
Individual income	$ 2,643,141	$ 2,811,634	$ 3,344,965	$ 3,323,665	$ 3,115,907
Retail sales and use	2,199,513	2,248,962	2,458,786	2,633,562	2,533,540
Other	701,160	769,580	854,588	877,147	873,247
Departmental services	4,138	63,641	447,532	424,704	425,893
Interest and other investment income	50,815	60,422	147,366	129,320	62,766
Licenses, fees, and permits	96,071	113,309	111,440	121,056	125,673
Federal	87,461	78,274	98,516	91,041	82,366
Fines and penalties	52,484	21,587	22,596	21,393	22,311
Unclaimed Property	44,043	27,442	5,790	22,603	26,578
Other	29,349	33,663	23,741	22,914	20,929
Total revenues	**5,908,175**	**6,228,514**	**7,515,320**	**7,667,405**	**7,289,210**
Expenditures:					
Current:					
Health and environment	1,009,426	1,079,264	1,955,047	1,744,123	1,600,693
Administration of justice	508,931	561,631	613,693	561,717	513,531
Education	270,080	262,562	421,945	334,738	278,760
General government	259,750	338,090	453,451	507,866	306,933
Social services	117,977	108,114	143,232	131,719	82,502
Natural resources and economic development	73,830	95,668	130,389	111,216	85,595
Transportation	808	31	—	—	—
Capital outlay	—	—	2,400	—	35
Debt service:					
Principal retirement	141,956	159,611	157,286	158,318	158,947
Interest and financing charges	54,599	63,595	65,970	72,242	70,761
Intergovernmental	2,348,033	2,561,314	2,832,693	2,894,039	2,705,648
Total expenditures	**4,785,390**	**5,229,880**	**6,776,106**	**6,515,978**	**5,803,405**
Revenues over expenditures	**1,122,785**	**998,634**	**739,214**	**1,151,427**	**1,485,805**
Other financing sources (uses):					
Bonds and notes issued	—	—	—	—	21,000
Capital leases	—	—	513	—	—
Transfers in	72,343	72,955	10,177	29,235	29,970
Transfers out	(1,152,002)	(1,298,156)	(1,511,045)	(1,201,570)	(911,029)
Net other financing uses	**(1,079,659)**	**(1,225,201)**	**(1,500,355)**	**(1,172,335)**	**(860,059)**
Revenues and other sources over (under) expenditures and other uses	**43,126**	**(226,567)**	**(761,141)**	**(20,908)**	**625,746**
Fund balance at beginning of year	**105,229**	**331,796**	**1,092,937**	**1,113,845**	**488,099**
Fund balance at end of year	**$ 148,355**	**$ 105,229**	**$ 331,796**	**$ 1,092,937**	**$ 1,113,845**

State of South Carolina
Budgetary General Fund
Budgetary Comparison Schedule

Last Five Fiscal Years
(Expressed in Thousands)

	Revenues	Expenditures	Revenues Over (Under) Expenditures
2010			
Final Budget	$ 5,032,754	$ 5,406,469	$ (373,715)
Actual	5,241,896	5,116,241	125,655
Variance Favorable	$ 209,142	$ 290,228	$ 499,370
2009			
Final Budget	$ 5,673,947	$ 5,967,704	$ (293,757)
Actual	5,544,173	5,747,915	(203,742)
Variance Favorable (Unfavorable)	$ (129,774)	$ 219,789	$ 90,015
2008			
Final Budget	$ 6,509,306	$ 7,300,341	$ (791,035)
Actual	6,392,394	7,037,300	(644,906)
Variance Favorable (Unfavorable)	$ (116,912)	$ 263,041	$ 146,129
2007			
Final Budget	$ 6,675,157	$ 6,350,280	$ 324,877
Actual	6,658,503	6,117,311	541,192
Variance Favorable (Unfavorable)	$ (16,654)	$ 232,969	$ 216,315
2006			
Final Budget	$ 5,978,759	$ 5,651,442	$ 327,317
Actual	6,226,027	5,540,437	685,590
Variance Favorable (Unfavorable)	$ 247,268	$ 111,005	$ 358,273

Net Other Financing Sources (Uses)	Net Increase (Decrease) in Budgetary Fund Balance	Beginning Budgetary Fund Balance	Ending Budgetary Fund Balance
$ —	$ (373,715)	$ 120,512	$ (253,203)
—	125,655	120,512	246,167
$ —	$ 499,370	$ —	$ 499,370
$ —	$ (293,757)	$ 324,254	$ 30,497
—	(203,742)	324,254	120,512
$ —	$ 90,015	$ —	$ 90,015
$ (111,821)	$ (902,856)	$ 1,080,981	$ 178,125
(111,821)	(756,727)	1,080,981	324,254
$ —	$ 146,129	$ —	$ 146,129
$ (447,983)	$ (123,106)	$ 987,772	$ 864,666
(447,983)	93,209	987,772	1,080,981
$ —	$ 216,315	$ —	$ 216,315
$ (99,356)	$ 227,961	$ 533,365	$ 761,326
(231,183)	454,407	533,365	987,772
$ (131,827)	$ 226,446	$ —	$ 226,446

State of South Carolina
General Fund
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note summarizes the State's significant accounting policies in effect during the 2009-2010 fiscal year. Policies in effect during the fiscal years 2005-2006 through 2008-2009 that changed subsequently are described in Note 3, Accounting and Reporting Changes.

a. Scope of These Financial Statements

These financial statements present data only for the State of South Carolina's General Fund. The information presented here was excerpted from the State's audited financial statements that were prepared in accordance with Generally Accepted Accounting Principles (GAAP). The information presented excludes many of the State's funds, component units, and disclosures required by GAAP and excludes government-wide financial statements required by GAAP. Accordingly, this presentation does not conform with GAAP.

The following funds and discretely presented component units are included in the State's Comprehensive Annual Financial Reports but are excluded from these financial statements:

- Special Revenue Funds
- Capital Projects Fund
- Permanent Funds
- Enterprise Funds
- Internal Service Funds
- Fiduciary Funds
- Discretely Presented Component Units:
  - South Carolina Public Service Authority (Santee Cooper)
  - South Carolina State Ports Authority
  - Connector 2000 Association, Inc.
  - South Carolina Lottery Commission
  - Clemson University Foundation
  - University of South Carolina Educational Foundation
  - South Carolina Medical Malpractice Liability Joint Underwriting Association
  - South Carolina First Steps to School Readiness Board of Trustees
  - Children's Trust Fund of S.C., Inc.

To gain a more complete understanding of the State's finances, please review the State's audited Comprehensive Annual Financial Reports at http://www.cg.sc.gov or contact the South Carolina Comptroller General's Office by telephone (at (803) 734-2121) or by mail (1200 Senate Street, 305 Wade Hampton Office Building, Columbia, South Carolina 29201).

b. The General Fund – Definition

The State uses fund accounting under which it segregates its resources and accounts for them in various individual funds. Each individual fund is an accounting entity with a self-balancing set of accounts.

The General Fund is the State's general operating fund. It accounts for resources that pay for the services South Carolina's State government traditionally has provided to its citizens, except those required to be accounted for in another fund. As required by GAAP, the measurement focus of the General Fund is on sources, uses, and balances of financial resources.

c. Basis of Accounting

The basis of accounting determines when the State recognizes revenues and expenditures as well as the related assets and liabilities.

The General Fund uses the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within one month of the end of the current fiscal period with the following exceptions—revenues from licenses, fees, fines, and penalties are recorded using the cash basis of accounting; tax and grant revenues are considered available if collected within one year; and interest on monies held in the General Fund is recorded as it accrues. Receivables not expected to be collected within the established availability periods are offset by deferred revenues.

Under the modified accrual basis, expenditures generally are recorded when a liability is incurred. An exception, however, is that principal and interest on general long-term debt, claims and judgments, and compensated absences, are recognized as expenditures only to the extent they have matured. Proceeds of general long-term debt and from capital leases are reported as other financing sources. General capital asset acquisitions are reported as expenditures (rather than as assets) in the General Fund.

d. Cash and Cash Equivalents

The amounts shown in the Balance Sheets as cash and cash equivalents represent petty cash, cash on deposit in banks, and cash invested in various instruments as a part of the State's cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of domestic corporations, certificates of deposit, and collateralized repurchase agreements. The General Fund participates in the cash management pool. If the General Fund's share of the pool were to become negative, cash and cash equivalents would be presented as zero and the amount owed to the pool presented as an interfund payable.

e. Cash Management Pool – Allocation of Interest to General Fund

The State's cash management pool operates as a general deposit account for numerous funds. The State records each fund's equity interest in the general deposit account. All earnings on that account, however, are recorded in the General Fund.

f. Investments

The investments reported in the General Fund are stock certificates that were transferred to the State as escheat property. The certificates are held in a securities portfolio by a counterparty.

These investments are presented at fair value. See also Note 1m, Escheat Property.

g. Securities Lending Investments

By law, the State may lend securities from its investment portfolios on a collateralized basis to third parties, primarily financial institutions, with a simultaneous agreement to return the collateral for the same securities in the future. The State may lend United States government securities, corporate bonds, other securities and equities for collateral in the form of cash or other securities. The contracts with the State's custodians require them to indemnify the State if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the State for income distributions by the securities' issuers while the securities are on loan.

The weighted average maturity of the State's collateral investments generally matched the maturity of the securities loans during the fiscal year and at June 30, 2010. At June 30, 2010, the State had no credit risk exposure to borrowers because the amounts the State owed the borrowers exceeded the amounts the borrowers owed the State. Either the State or the borrower can terminate all securities loans on demand. There are no restrictions on the amount of the loans that can be made. For the fiscal year ended June 30, 2010, the State experienced no losses on its securities lending transactions because of borrower defaults.

The State receives primarily cash as collateral for its loaned securities. The market value of the required collateral must meet or exceed 102% of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral. During the fiscal year ended June 30, 2010, the State met the 102% requirement. The State cannot pledge or sell collateral securities unless the borrower defaults. The lending agent, on behalf of the State, invests cash collateral received. Accordingly, the State recorded these investments of cash collateral as assets on the Balance Sheet. Corresponding liability amounts also have been recorded because the State must return the cash collateral to the borrower upon expiration of the loan.

h. Receivables and Payables

The State records amounts receivable from parties outside the primary government net of allowances for uncollectible amounts and contractual adjustments. It estimates uncollectible amounts based on past collection experience.

The State presents balances outstanding at the end of the fiscal year that relate to formal lending/borrowing arrangements between funds as interfund receivables and payables; and reports all other outstanding balances between funds as due from/to other funds.

i. Inventories

Inventories of the General Fund are valued at the lower of cost or market using predominantly the average cost methodology. The State records expenditures in the General Fund when it consumes inventory items rather than when it purchases them.

j. Tax Refunds Payable

Most of the tax refunds payable balance in the General Fund relates to individual income tax. During the calendar year, the State collects employee withholdings and taxpayers' payments. Taxpayers file returns by April 15 for the preceding calendar year. At June 30, the State estimates the amount it owes taxpayers for overpayments during the preceding six months. This estimated payable is recorded as tax refunds payable and a reduction of tax revenues.

k. Compensated Absences

During their first ten years of service, most full-time permanent State employees annually earn 15 days of vacation leave and 15 days of sick leave. After ten years, most employees earn an additional 1.25 days of vacation leave for each year of service over ten until they reach the maximum of 30 days per year. Sick leave earnings remain at 15 days per year. Employees may carry forward up to 45 days of vacation leave and 180 days of sick leave from one calendar year to the next. Upon termination of employment, the State pays employees for accumulated vacation leave at the pay rate then in effect. Employees do not receive pay for accumulated sick leave when they terminate. However, at retirement, employees participating in the South Carolina Retirement System and the South Carolina Police Officers' Retirement System may receive additional service credit for up to 90 days of accumulated unused sick leave.

The General Fund records a liability (classified as part of accrued salaries and related expenditures) for compensated absences at June 30 only if the liability for accumulated vacation leave has matured but has not yet been paid at that date (for example, as a result of employee resignations and retirements). The State does not record a liability for unpaid accumulated sick leave.

l. Debt Service Expenditures

The State does not maintain any Debt Service Funds. Accordingly, the General Fund pays all debt service for general obligation bonds (except for those payable by the Department of Transportation Special Revenue Fund, the Local Government Infrastructure Special Revenue Fund, and the Higher Education Enterprise Fund).

m. Escheat Property

The State accounts for its escheat property in the General Fund, the fund to which the property ultimately escheats. The State records a liability and reduces other revenue in the General Fund to the extent it is probable and estimable that such property will be reclaimed and returned to claimants.

NOTE 2: BUDGETARY ACCOUNTING AND REPORTING

a. Budgetary General Fund

South Carolina's Annual Appropriations Act presents a budget for the Budgetary General Fund, the State's budgetary-basis general operating fund. The resources in the Budgetary General Fund are primarily taxes. The State expends these funds to provide traditional State government services. The Budgetary General Fund differs somewhat from the GAAP General Fund. Also see Note 2e, Reconciliation for Budgetary to GAAP Reporting Differences.

b. Basis of Budgeting

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended Budgetary General Fund appropriations lapse on July 31 unless a department or agency is given specific authorization to carry them forward to the next fiscal year. The State records payroll expenditures on the cash basis of accounting.

State law does not precisely define the State's basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

(i) Departments and agencies charge certain vendor and interfund payments against the preceding fiscal year's appropriations through a cut-off that occurs generally in the third week of July.

(ii) Certain revenues collected in advance are recorded as liabilities (deferred revenues) rather than as revenues.

(iii) The following taxes are recorded on the modified accrual basis: admissions tax, alcoholic liquors tax, beer and wine tax, business license tax, documentary tax, electric power tax, and retail sales taxes.

All other revenues are recorded only when the State receives the related cash.

c. Budgetary Policies

The State's legislature is required to adopt a balanced budget annually based on revenue estimates provided by the State's *Board of Economic Advisors* (the BEA). Once the BEA develops these annual estimates, State law requires the BEA to meet at least quarterly to review revenue collections and to adjust its forecasts if necessary. If the BEA reduces revenue projections significantly once the budget year begins, the State's *Budget and Control Board* (the Board) is responsible for mandating spending cuts to keep the budget in balance. If the Board anticipates a year-end operating deficit, the Board must first reduce amounts set-aside in the Annual Appropriations Act for the 2% Capital Reserve (2% of Budgetary General Fund revenues for the latest completed fiscal year). If the anticipated deficit is greater than that reserve, then the Board must reduce agency appropriations evenly across-the-board. The State also is required to maintain a 3% General Reserve (3% of Budgetary General Fund revenues for the latest completed fiscal year) for eliminating a year-end operating deficit. Beginning in fiscal year 2011-2012, this requirement will increase to 5% over a four year transition period. If the State's budgetary General Fund experiences a year-end operating deficit after applying the actions described above, the Board is required to meet and address the deficit within sixty days of August 31.

After the beginning of the fiscal year, departments and agencies may request transfers of appropriations among programs. No such transfer request, however, may exceed 20% of the program budget. In addition, the Budget and Control Board, composed of five key executive and legislative branch elected officials, has the authority to restrict transfers of appropriations between personal service and other operating accounts.

The State maintains budgetary control at the level of summary object category of expenditure within each program of each department or agency. The State's Appropriations Act for the 2009-2010 fiscal year has approximately 2,500 appropriated line items. These line items constitute the level of legal control over expenditures. The level of legal control for all agencies is reported in a publication of the State Comptroller General's Office titled "A Detailed Report of Appropriations and Expenditures," not included herein.

d. Legal Limit on Number of State Employees

The State's Constitution and statutes limit the number of employees that the Budgetary General Fund may fund. In any fiscal year, the ratio produced by dividing the number of permanent employees by the State's population may not exceed the corresponding ratio established during a prior base line period. For each of the last five fiscal years, the Budgetary General Fund employed fewer employees than the legal limit.

e. Reconciliation for Budgetary to GAAP Reporting Differences

The Budgetary Comparison Schedule compares the State's legally adopted budget with actual data in accordance with the State's basis of budgeting. Budgetary accounting principles, however, differ significantly from GAAP accounting principles. These different accounting principles result in basis, perspective, and entity differences in revenues and other sources of financial resources over (under) expenditures and other uses of financial resources. *Basis differences* arise because the basis of budgeting differs from the GAAP basis used to prepare the Budgetary Comparison Schedule. *Perspective differences* result because the Appropriations Act's program oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriations Act. These differences (expressed in thousands) for the last five fiscal years were:

	2010	2009	2008	2007	2006
Net change in fund balance for the Budgetary General Fund…………………….	$ 125,655	$ (203,742)	$ (756,727)	$ 93,209	$ 454,407
Basis differences………………………………	(51,765)	119,272	42,696	(76,866)	43,074
Perspective differences………………………	3,345	(39,688)	(14,925)	(44,041)	103,539
Entity differences………………………………	(34,109)	(102,409)	(32,185)	6,790	24,726
Net change in fund balance for the GAAP General Fund…………………………..	**$ 43,126**	**$ (226,567)**	**$ (761,141)**	**$ (20,908)**	**$ 625,746**

NOTE 3: ACCOUNTING AND REPORTING CHANGES

a. Changes Effective June 30, 2006

Effective June 30, 2006, the State began reserving a portion of fund balance equal to the year-end inventory balance to indicate that the funds are not available for appropriation.

b. Changes Effective June 30, 2009

During fiscal year 2008-2009, the Department of Health and Human Services determined that it had overstated its Medicaid payables estimate at the prior year ended June 30, 2008. The correction of this error decreased previously reported health and environment expenditures and accounts payable by $67.738 million for fiscal year 2007-2008.

NOTE 4: TAXES RECEIVABLE

Taxes receivable (expressed in thousands) at the end of the last five fiscal years were:

	2010	2009	2008	2007	2006
Retail sales and use……………………………….	$ 272,957	$ 263,174	$ 282,460	$ 286,462	$ 277,021
Individual income……………………………………	620,702	624,299	588,362	510,978	445,128
Corporate income……………………………………	26,312	26,485	23,996	9,330	10,018
Insurance……………………………………………….	42,955	42,712	42,484	40,878	36,853
Alcoholic beverages and tobacco……………….	25,175	19,053	18,806	18,003	16,113
Other…………………………………………………….	17,096	14,796	19,653	16,082	17,976
Gross taxes receivable…………………………….	1,005,197	990,519	975,761	881,733	803,109
Less: Allowance for uncollectible taxes………	279,354	273,118	220,538	64,917	32,560
Net taxes receivable…………………………….	**$ 725,843**	**$ 717,401**	**$ 755,223**	**$ 816,816**	**$ 770,549**

NOTE 5: RESERVATIONS AND DESIGNATIONS OF FUND BALANCES

Reserved components of fund balances represent amounts legally segregated and amounts that cannot be appropriated. Designated portions of unreserved fund balances reflect tentative plans for future use of available financial resources.

The unreserved component of fund balances is computed as total fund balances less reserved amounts. For fiscal years 2007-2008 through 2009-2010, the unreserved, undesignated component of fund balances at June 30 was negative because the amounts reserved exceeded total fund balance.

The General Fund had fund balances of $1.114 billion at June 30, 2006. During the fiscal year, the State increased its revenue estimate three separate times by a total of $505.667 million based on favorable reviews of tax revenue collections and economic conditions. Actual revenues for the year were $247.268 million higher than the final revised estimate and $752.935 million higher than the original revenue estimate. Actual revenues exceeded expenditures by $685.590 million because conservative revenue estimates, upon which appropriations are based, limited increases in State agency spending. The State ended the year with an accumulated budgetary general fund surplus of $987.772 million and added $78.333 million to the "rainy day account," bringing it to a fully-funded balance of $153.488 million at June 30, 2006.

The General Fund had fund balances of $1.093 billion at June 30, 2007. During the fiscal year, the State increased its revenue estimate three separate times by a total of $586.285 million based on continued favorable tax collections and economic conditions. Actual revenues for the year were $569.631 million over the original estimate, yet they were $16.654 million less than the State's final revised estimate. Actual revenues were $541.192 million greater than actual expenditures again due to conservative revenue estimates that limited increases in agency spending. The State ended the year with an accumulated budgetary surplus of $1.081 billion and added $14.244 million to the "rainy day account," bringing it to a fully-funded balance of $167.732 million at June 30, 2007.

The General Fund had fund balances of $331.796 million at June 30, 2008, a drop of $761.141 million from the end of prior fiscal year primarily as a result of economic weakness. During the 2007-2008 fiscal year, the State revised its original revenue estimates downward by $112.713 million. Actual expenditures were $644.906 million greater than actual revenues creating a budgetary fund deficit at June 30, 2008. Cash reserves and surplus funds from fiscal year 2006-2007 were used to eliminate the deficit. The State initially deposited $19.049 million into its "rainy day account" during the 2007-2008 fiscal year but ultimately withdrew $91.658 million to offset revenue shortfalls. The remaining balance of $95.123 million represents 51% of the full-funding requirement.

The General Fund had fund balances of $105.229 million at June 30, 2009, a drop of $226.567 million from the end of the prior fiscal year. The drop was an improvement over the prior fiscal year's drop; however, revenues continued to not meet expectations. During the fiscal year, the State adopted legislation that implemented mid-year targeted agency budget reductions in the amount of $487.906 million coupled with two across-the-board reductions amounting to $485.371 million. Actual revenues for the year were $848.221 million less than prior year revenue collections and $129.774 million less than the final revised estimate. The State ended the year with an accumulated budgetary deficit of $98.217 million after drawing down the entire Capital and General Reserve funds.

The General Fund had fund balances of $148.355 million at June 30, 2010, an increase of $43.126 million over the prior year ending fund balance. Because of continual review of tax revenue collections and uncertain economic conditions, the State revised downward the revenue estimate during the course of the year to a total of $5.033 billion. In addition, the Budget and Control Board took action by mandating agency appropriation reductions of 4.04% and 5.00% amounting overall to $438.680 million. Actual revenues at June 30, 2010, were $209.142 million (4.2%) over the State's adjusted revenue estimate but still had declined from the prior year revenue collections by $302.277 million (5.5%). The State ended the year with an accumulated budgetary surplus of $71.001 million after drawing down the entire Capital Reserve Fund and depositing $110.883 million in the General Reserve Fund, restoring it to 58% of its full-funding requirement.

a. General Reserve Fund

The South Carolina Constitution requires that the State maintain a reserve, commonly referred to as the State's "rainy day account," to prevent deficits in the Budgetary General Fund. The "rainy day account" balance at June 30, 2010, of $110.883 million is $80.889 million below the account's full-funding requirement. The State's Constitution requires restoration of the account to full-funding within three fiscal years after a necessary withdrawal. State law has defined full-funding for the account as 3% of the Budgetary General Fund's revenues for the latest completed fiscal year. This will increase over a four year transition period to 5% of Budgetary General Fund revenues beginning in fiscal year 2011-2012.

Key amounts (dollars in thousands) for the General Reserve Fund for the last five years are:

Fiscal Year Ended June 30	Beginning Balance	Deposits	Draw-Downs	Ending Balance	Calculated Full-Funding Target	Actual End-of-Year % Funded
2010	$ —	$ 110,883	$ —	$ 110,883	$ 191,772	58%
2009	95,123	12,974	(108,097)	—	199,755	0%
2008	167,732	19,049	(91,658)	95,123	186,781	51%
2007	153,488	14,244	—	167,732	167,732	100%
2006	75,155	78,333	—	153,488	153,488	100%

b. Reserved for Inventories

The General Fund reserves a portion of fund balance equal to the year-end inventory balance to indicate that the funds are not available for appropriation.

c. Reserved for Interfund Receivables and Long-Term Loans and Notes Receivable

Long-term interfund receivables, and long-term loans and notes receivable are assets that do not represent expendable available resources. The General Fund, therefore, reserves a corresponding portion of fund balance.

d. Reserved for Appropriations to be Carried Forward

The General Fund does not use encumbrance accounting. However, the reserve for appropriations to be carried forward is used in situations where the General Assembly authorizes Budgetary General Fund appropriations from one fiscal year to be carried forward to the next.

e. Reserved for School Building Aid

Amounts in the General Fund are reserved if committed to State school districts to build school buildings or to retire debt on such buildings. Such amounts are not available for general appropriation.

f. Designated for Future Years' Expenditures and Capital Projects

Amounts in the General Fund are designated for future expenditures if the State intends to use a portion of the fund balance in the Budgetary General Fund to pay for selected recurring and nonrecurring items in the next fiscal year.

The General Assembly also may designate funds to be used in the next fiscal year for specific capital projects.

g. Unreserved, Undesignated Fund Balance

Expendable amounts in the General Fund that are not reserved or designated for future consumption are unreserved, undesignated. When amounts that are reserved exceed the total fund balance, the unreserved, undesignated fund balance is negative.

NOTE 6: LITIGATION

At any point in time, the State is involved in several legal proceedings. Generally, the ultimate outcome of pending and threatened cases is quite uncertain. Likewise, the extent to which the General Fund ultimately may contribute toward settlement payments is generally quite uncertain until the case is actually settled and the General Assembly decides whether to appropriate General Funds for this purpose. The State's Comprehensive Annual Financial Report for fiscal year 2009-2010 contains more complete information regarding litigation cases at June 30, 2010, that ultimately could impact the State's finances.

APPENDIX B

FORMS OF OPINIONS OF BOND COUNSEL

APPENDIX B-1

[FORM OF OPINION]

March ___, 2011

State Budget and Control Board
of South Carolina
Columbia, South Carolina

Re: $197,235,000 General Obligation State School Facilities Refunding Bonds, Series 2011A of the State of South Carolina

Ladies and Gentlemen:

We have acted as bond counsel to the State of South Carolina (the "State") in connection with the issuance of $197,235,000 General Obligation State School Facilities Refunding Bonds, Series 2011A, of the State of South Carolina (the "Bonds"), dated March 1, 2011. In such capacity, we have examined such laws and such certified proceedings and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to and in accordance with the Constitution and Laws of the State of South Carolina, including, particularly, Sections 11-21-10 through 11-21-80, inclusive, of the South Carolina Code of Laws 1976, as amended (the "Bond Enabling Act"), and a resolution duly adopted on September 29, 2010, by the State Budget and Control Board of South Carolina, for the purpose of raising funds for purposes authorized by the Bond Enabling Act, and to pay the costs of issuance of the Bonds.

As to questions of fact material to our opinion, we have relied upon the Transcript of Proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any information provided by the State or others relating to the Bonds, and we express no opinion relating thereto.

Based upon the foregoing, we are of the opinion, as of the date hereof and under existing law, that the Bonds are valid and legally binding general obligations of the State. The full faith, credit, and taxing power of the State of South Carolina are pledged to the payment of the principal of and interest on the Bonds as they become due and payable. Provision has been made for the allocation, on an annual basis, of sufficient tax revenues to provide for the punctual payment of the principal of and interest on the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to judicial discretion, the valid exercise of the sovereign police powers of the State of South Carolina and of the constitutional powers of the United States of America, and to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable, and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement dated February ____, 2011 relating to the Bonds. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We have examined a specimen Bond of this issue and, in our opinion, it is in due form of law.

Very truly yours,

Parker Poe Adams & Bernstein LLP

APPENDIX B-2

[FORM OF OPINION]

March ___, 2011

State Budget and Control Board
of South Carolina
Columbia, South Carolina

Re: $126,295,000 General Obligation State Capital Improvement Refunding Bonds, Series 2011A of the State of South Carolina

Ladies and Gentlemen:

We have acted as bond counsel to the State of South Carolina (the "State") in connection with the issuance of $126,295,000 General Obligation State Capital Improvement Refunding Bonds, Series 2011A, of the State of South Carolina (the "Bonds"), dated March 1, 2011. In such capacity, we have examined such laws and such certified proceedings and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to and in accordance with the Constitution and Laws of the State of South Carolina, including, particularly, the provisions of Act No. 1377 of the Acts and Joint Resolutions of the General Assembly of South Carolina, Regular Session of 1968, as amended, the provisions of Sections 11-21-10 through 11-21-80, inclusive, of the South Carolina Code of Laws 1976, as amended (together, the "Bond Enabling Act"), and a resolution duly adopted on September 29, 2010, by the State Budget and Control Board of South Carolina, for the purpose of raising funds for purposes authorized by the Bond Enabling Act, and to pay the costs of issuance of the Bonds.

As to questions of fact material to our opinion, we have relied upon the Transcript of Proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any information provided by the State or others relating to the Bonds, and we express no opinion relating thereto.

Based upon the foregoing, we are of the opinion, as of the date hereof and under existing law, that the Bonds are valid and legally binding general obligations of the State. The full faith, credit, and taxing power of the State of South Carolina are pledged to the payment of the principal of and interest on the Bonds as they become due and payable. Provision has been made for the allocation, on an annual basis, of sufficient tax revenues to provide for the punctual payment of the principal of and interest on the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to judicial discretion, the valid exercise of the sovereign police powers of the State of South Carolina and of the constitutional powers of the United States of America, and to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable, and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement dated February ____, 2011 relating to the Bonds. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We have examined a specimen Bond of this issue and, in our opinion, it is in due form of law.

Very truly yours,

McNair Law Firm, P.A.

APPENDIX C

FORM OF CONTINUING DISCLOSURE UNDERTAKING

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered this ___ day of March, 2011, by the State of South Carolina (the "State") in connection with the issuance of the State's $____________ General Obligation State ____________ Bonds, Series 2011__, of the State of South Carolina (the "Bonds").

The Bonds are being issued pursuant to a resolution adopted ___________, 2010 (the "Resolution"), by the State Budget and Control Board of the State of South Carolina authorizing the issuance of the Bonds. The State covenants and agrees as follows:

Section 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the State for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized terms used in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means the annual report provided by the State pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" means any person designated in writing by the State and which has filed with the State a written acceptance of such designation.

"Listed Events" means any of the events listed in Section 5(a) or (b) of this Disclosure Undertaking.

"MSRB" means the Municipal Securities Rulemaking Board.

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit A.

"Official Statement" means the Official Statement dated February ___, 2011, prepared in connection with the Bonds.

"Participating Underwriter" means any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Repository" means the MSRB through its Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org and a State Repository, if any.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" means the State of South Carolina.

"State Repository" means any public or private repository or entity designated by the State as a state repository for purposes of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Undertaking, there is no State Repository.

Section 3. Provision of Annual Reports. (a) The State shall, not later seven (7) months from the end of the State's Fiscal Year (currently June 30), commencing with the report for the Fiscal Year ended June 30, 2011, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Undertaking; provided, however, that the audited financial statements of the State for the Fiscal Year ended June 30, 2011, and for each subsequent Fiscal Year may be submitted separately from the remainder of the Annual Report, and later than the date required for the filing of the Annual Report if they are not available by that date. The State shall make a copy of any Annual Report available to any person who requests a copy at a cost not exceeding the reasonable cost of duplication and delivery. If the State's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a) hereof.

(b) If the State is unable to provide to the Repositories an Annual Report by the date required in subsection (a) above, the State shall send a notice to each Repository in substantially the form attached hereto as Exhibit B.

(c) In the event that there is a Dissemination Agent, then not later than fifteen (15) business days prior to each due date, commencing _______ __, ____, the State shall provide the Annual Report to the Dissemination Agent for distribution to the Repositories. In connection with this distribution of the Annual Report, the Dissemination Agent, if any, or the State shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any, and

(ii) in the event there is a Dissemination Agent, file a report with the State certifying that the Annual Report has been provided pursuant to this Disclosure Undertaking, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Contents of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited Comprehensive Annual Financial Report of the State for the Fiscal Year ended on the previous June 30, prepared in accordance with accounting principles generally accepted in the United States of America applicable to government entities from time to time by the Governmental Accounting Standards Board. If the State's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall include unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Revenue by sources in the preceding Fiscal Year for all governmental fund types, as indicated in Note 1 of the Audited Financial Statements contained as Appendix A in the Official Statement;

(c) Computation of the legal debt margin for General Obligation Bonds as set forth in the Official Statement under the heading "CONSTITUTIONAL AND STATUTORY DEBT LIMIT" and "TABLES RELATING TO THE BONDS AND THEIR EFFECT ON THE DEBT OF THE STATE" – _________________";

(d) Total Outstanding general obligation bonds and maximum annual debt service as set forth in the Official Statement under the heading "TABLES RELATING TO THE BONDS AND THEIR EFFECT ON THE DEBT OF THE STATE"; and

(e) Total general obligation bonds per capita as set forth in the Official Statement under the heading "Relationship of Population and Personal Income to General Obligations of the State."

The Annual Report may consist of one or more documents. Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the State, which have been submitted by the State to each of the Repositories. If the document included by reference is a final official statement, it must be available from the MSRB. The State shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events. (a) Pursuant to the provisions of this Section 5, the State shall give or cause to be given notice of the occurrence of any of the following events with respect to the Bonds:

(i) Delinquency in payment when due of any principal of or interest on the Bonds;

(ii) Defeasance of the Bonds or any portion thereof;

(iii) Any change in any rating on the Bonds;

(iv) Adverse tax opinions;

(v) Tender offers;

(vi) Any unscheduled draw, reflecting financial difficulties, on any reserve fund established by the State to secure further the timely repayment of the Bonds;

(vii) Any unscheduled draw reflecting financial difficulties on any credit enhancement device obtained by the State to secure further the timely repayment of the Bonds;

(viii) Any change in the provider of any credit enhancement device described in item (vii) above, or any failure by the provider to perform under such a credit enhancement device; or

(ix) Bankruptcy, insolvency, receivership or similar event of the State.

(b) Pursuant to the provisions of this Section 5, the State shall give or cause to be given notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) Occurrence of any event of default under the Resolution (other than as described in clause (a)(i) above);

(ii) The issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the status of the securities, or other material events affecting the tax status of the security;

(iii) Amendment to the Resolution or this Disclosure Undertaking modifying the rights of the Beneficial Owners of the Bonds;

(iv) Giving of a notice of optional or unscheduled redemption of any Bonds;

(v) The release, substitution or sale of any property hereafter leased, mortgaged or pledged by the State securing repayment of the Bonds;

(vi) Consummation of a merger, consolidation or acquisition involving an obligate person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms; or

(vii) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) Whenever the State obtains knowledge of the occurrence of a Listed Event in subsection (b) above, the State shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the State determines that a Listed Event in subsection (b) above would be material under applicable federal securities law, or upon the occurrence of any Listed Event in subsection (a) above, the State shall file a notice of the Listed Event in a timely manner, not in excess of ten business days of such occurrence, with the MSRB and the State Repository, if any.

Section 6. <u>Termination of Reporting Obligation.</u> The State's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the State shall give notice of such termination in the same manner as for a Listed Event under Section 5(c) hereof.

Section 7. <u>Dissemination Agent.</u> The State may, from time to time, appoint or engage a Dissemination Agent to assist in its carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the State pursuant to this Disclosure Undertaking.

Section 8. <u>Amendment; Waiver.</u> Notwithstanding any other provision of this Disclosure Undertaking, the State may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements or change in law;

(b) This Disclosure Undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Undertaking, the State shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the State. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c) hereof, and (ii) the Annual Report for the year in which the change is made should prepare a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the State chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the State shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the State to comply with any provision of this Disclosure Undertaking, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking *mandamus* or specific performance by court order, to cause the State to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the State to comply with this Disclosure Undertaking shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the State, the Dissemination Agent, the Participating Underwriters and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity. This Disclosure Undertaking is not intended to create any monetary rights on behalf of any person.

THE STATE OF SOUTH CAROLINA

By: ____________________________
State Treasurer

Date: March ____, 2011

EXHIBIT A

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of the date hereof:

Municipal Securities Rulemaking Board (MSRB)
www.emma.msrb.org

EXHIBIT B

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Issuer: The State Of South Carolina

Obligations: $___________ General Obligation State ______________ Bonds, Series 2011___

Date of Issuance: March ____, 2011

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 10.08(b) of the Resolution adopted on __________, 2010. The State anticipates that the Annual Report will be filed by______________.

THE STATE OF SOUTH CAROLINA

By: ________________________________
State Treasurer

Date: _____________________

APPENDIX D

FORM OF OPINION OF SPECIAL TAX COUNSEL

[FORM OF OPINION]

March ___, 2011

State Budget and Control Board
of South Carolina
Columbia, South Carolina

$197,235,000 General Obligation State School Facilities Refunding Bonds, Series 2011A

$126,295,000 General Obligation State Capital Improvement Refunding Bonds, Series 2011A

of the State of South Carolina

Ladies and Gentlemen:

We have acted as special tax counsel to the State of South Carolina (the "*State*") in connection with the issuance by the State of $197,235,000 General Obligation State School Facilities Refunding Bonds, Series 2011A of the State of South Carolina (the "*2011A School Facilities Refunding Bonds*") and $126,295,000 General Obligation State Capital Improvement Refunding Bonds, Series 2011A of the State of South Carolina (the "*2011A Capital Improvement Refunding Bonds,*" and together with the 2011A School Facilities Refunding Bonds, the "*Bonds*"). In such capacity, we have examined such laws and such certified proceedings and other documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied on the Transcript of Proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any information provided by the State or others relating to the Bonds, and we express no opinion relating thereto.

In addition, we have relied on the opinion of the McNair Law Firm, P.A., dated the date hereof, with respect to the 2011A Capital Improvement Refunding Bonds. We note that such opinion is subject to a number of qualifications and limitations.

On the basis of the foregoing, we are of the opinion, as of the date hereof and under existing law, that:

1. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income of the registered owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the State comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The State has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

2. The Bonds and the interest thereon are exempt from all State, county, school district, municipal and all other taxes or assessments of the State, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except for inheritance, estate or transfer taxes, but the interest thereon may be includable for certain franchise fees or taxes.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement dated February ___, 2011, relating to the Bonds. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

Parker Poe Adams & Bernstein LLP