

MINUTES OF STATE BUDGET AND CONTROL BOARD MEETING

November 22, 2010 -- 2:00 P. M.

The Budget and Control Board (Board) met at 2:00 p.m. on Monday, November 22, 2010, in the Governor's conference room in the Wade Hampton Office Building, with the following members in attendance:

Governor Mark Sanford, Chairman;
Mr. Converse A. Chellis, III, State Treasurer; and
Mr. Richard Eckstrom, Comptroller General.

The following members participated in the meeting via telephone:

Senator Hugh K. Leatherman, Sr., Chairman, Senate Finance Committee; and
Representative Daniel T. Cooper, Chairman, Ways and Means Committee.

Also attending were Budget and Control Board Executive Director Frank Fusco; Chief of Staff William E. Gunn; General Counsel Edwin E. Evans; Governor's Deputy Chief Counsel Brandon Gaskins; Deputy State Treasurer Frank Rainwater; Comptroller General's Chief of Staff James M. Holly; Ways and Means Committee Chief of Staff Beverly Smith; Board Secretary Delbert H. Singleton, Jr., and other Budget and Control Board staff.

[Secretary's Note: The Board met immediately following a meeting of the State Educational Facilities Authority for Private, Nonprofit Institutions of Higher Learning, the members of which are the Budget and Control Board members, *ex officio*.]

Adoption of Agenda for Budget and Control Board

Upon a motion by Mr. Chellis, seconded by Mr. Eckstrom, the Board adopted the agenda as proposed.

Blue Agenda

Mr. Fusco informed the Board that item 1.g. on the blue agenda should be deleted because it is the same project as item 1.p. but was submitted under a different name.

Upon a motion by Mr. Chellis, seconded by Senator Leatherman, the Board approved blue agenda items, except as otherwise noted herein.

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Executive Director: Revenue Bonds (Blue Agenda item #1)

Mr. Eckstrom said he realized that the end of the calendar year is coming, but asked why so many bond items are coming now. Harry Huntley with JEDA responded that a lot of these issues are bank qualified issues that have to be done by December 31st. He said the Board was told about this issue at its June 2010 meeting. He said in order to get the bond issues done in an orderly fashion by the end of the year this is the only way to make it happen.

Mr. Eckstrom further asked whether there is other backlog that will be seen in the months ahead. Mr. Huntley said there will be more bond issues coming at the December meeting, but not as many. He said there will probably be a half dozen or more.

The Board approved the following proposals to issue revenue bonds:

- a. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding \$15,500,000 Economic Development Revenue Bonds
Allocation Needed: -0-
Name of Project: ACE Environmental Processing, LLC
Employment Impact: maintain 6 jobs and add 30 within 12 months and 40 within 24 months
Project Description: acquiring land, buildings, improvements, equipment and furnishings of 2 facilities (Pelzer & Starr) for processing, handling and logistics management of industrial recoverable materials
Note: private sale to a financial institution
Bond Counsel: Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P.A. (Exhibit 1)

- b. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding \$6,000,000 Economic Development Revenue Bonds
Allocation Needed: -0-
Name of Project: Campbell Young Leaders, Inc. (The Legacy Charter School)
Employment Impact: maintain 38 jobs and add 28 in 12 months and 37 in 24 months
Project Description: construction, renovation, improvements and acquisition of furnishings and equipment for the Parker Campus and a health and wellness center
Note: private sale to a financial institution
Bond Counsel: Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P.A. (Exhibit 2)

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- c. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding \$85,000,000 Hospital Revenue Refunding Bonds (\$85,000,000 refunding involved)
Allocation Needed: -0-
Name of Project: Conway Hospital, Inc.
Employment Impact: n/a
Project Description: refinancing certain outstanding indebtedness relating to facilities comprising a portion of the hospital and paying certain fees, payments, premiums and expenses to be incurred in connection with the issuance of the bonds
Note: *private or public sale*
Bond Counsel: Ray E. Jones, Parker Poe Adams & Bernstein LLP
(Exhibit 3)
- d. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding \$30,000,000 Hospital Revenue Bonds
Allocation Needed: -0-
Name of Project: Georgetown Hospital System
Employment Impact: maintain 1373 jobs and add 6 within 12 months
Project Description: constructing and equipping MOB (medical office building) in Murrell's Inlet to include hospital services; acquiring medical equipment; and reimbursement for prior routine capital expenditures for equipment
Note: *private sale*
Bond Counsel: Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P.A.
(Exhibit 4)
- e. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding \$15,000,000 Economic Development Revenue Bonds
Allocation Needed: -0-
Name of Project: Goodwill Industries of Lower South Carolina, Inc.
Employment Impact: 103 existing jobs in aggregate and 7 new jobs and jobs created through job training
Project Description: finance acquisition of land and various facilities in Berkeley County, Beaufort County, Florence County and Dorchester County and defraying cost of construction, equipping, furnishing and installation
Note: *private sale*
Bond Counsel: E. Tyler Smith, Haynsworth Sinkler Boyd, P. A.
(Exhibit 5)
- f. Issuing Authority: Jobs-Economic Development Authority

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Amount of Issue: Not Exceeding \$2,500,000 Economic Development Revenue Bonds

Allocation Needed: -0-

Name of Project: Goodwill Industries of the Southern Piedmont, Inc.

Employment Impact: the project is expected to create approximately 4 jobs of at least median wages during construction and create and retain approximately 25 jobs at or above median wages

Project Description: construction, furnishing, and equipping of a 12,000 square-foot facility to be located at the Riverview Commons Shopping Center, 1922 Mt. Gallant Road, Rock Hill for use primarily as a Goodwill donation drop-off and retail facility to support workforce development services

Note: *negotiated private sale as a private placement*

Bond Counsel: Margaret C. McGee, Pope Zeigler, LLC
(Exhibit 6)

[Secretary's Note: Blue agenda item 1.g. was deleted from the agenda.]

- h. Issuing Authority: Jobs-Economic Development Authority
- Amount of Issue: Not Exceeding \$65,000,000 Recovery Zone Facility Revenue Bonds
- Allocation Needed: -0-
- Name of Project: MTU Detroit Diesel, Inc.
- Employment Impact: approximately 250 new, full-time jobs
- Project Description: establishing a manufacturing facility in Aiken County
- Note:* *public or private sale*
- Bond Counsel: Ray E. Jones, Parker Poe
(Exhibit 7)
- i. Issuing Authority: Jobs-Economic Development Authority
- Amount of Issue: Not Exceeding \$15,000,000 Economic Development Revenue Bonds
- Allocation Needed: -0-
- Name of Project: New Horizons Family Health Services, Inc.
- Employment Impact: maintain 150 jobs and add 24 in 12 months and 48 in 24 months
- Project Description: acquire land, a building or buildings, and necessary furnishings and equipment for a new health center in Greenville County
- Note:* *private sale to a financial institution*
- Bond Counsel: Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P.A.
(Exhibit 8)
- j. Issuing Authority: Jobs-Economic Development Authority
- Amount of Issue: Not Exceeding \$27,000,000 Economic Development

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Revenue Bonds

Allocation Needed: -0-
Name of Project: The University of South Carolina Development Foundation
Employment Impact: creation of an estimated 18 new jobs and the maintenance of existing employment for approximately 12 people
Project Description: (i) defray the cost of purchasing, renovating and equipping certain buildings for (a) lease by The University of South Carolina Development Foundation to the University of South Carolina for educational, research, administrative and operational uses and (b) use by the borrowers, other support organizations of the University and agencies of the state, located in the City of Columbia, Richland County; and (ii) refinance (a) the Authority's \$6,000,000 original principal amount Economic Development Revenue Bonds, Series 2000, or any loan incurred to pay the same, and (b) certain taxable loans or bonds incurred by the borrower to acquire land and building for the ultimate benefit of the University
Note: private sale (or underwriting) to a financial institution
Bond Counsel: Robert S. Galloway, III, Haynsworth Sinkler Boyd, P.A. (Exhibit 9)

- k. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding \$15,000,000 Economic Development Revenue Bonds (\$11,450,000 refunding involved)
Allocation Needed: -0-
Name of Project: Upper Palmetto YMCA (formerly Community Young Men's Christian Association of Rock Hill, SC)
Employment Impact: maintain approximately 476 jobs
Project Description: (a) refinance certain conventional loans incurred to purchase, renovate and acquire various branch facilities of Upper Palmetto YMCA in York County; (b) finance the acquisition of a branch facility currently under lease in York County; (c) refinance the \$15,300,000 original principal amount South Carolina Jobs-Economic Development Authority Economic Development Revenue Bonds, Series 2004, now outstanding in the amount of \$11,450,000; and (d) finance a swap termination payment related to the 2004 bonds
Note: private sale to a financial institution
Bond Counsel: Robert S. Galloway, III, Haynsworth Sinkler Boyd, P. A. (Exhibit 10)
- l. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding \$30,000,000 Economic Development Revenue Bonds

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Allocation Needed: -0-
Name of Project: Wofford College
Employment Impact: maintain 414 jobs and add 18 faculty and 14 staff in 48 months
Project Description: renovate 4 student residence and construct 2 new student residences, including related meeting rooms and parking facilities; energy savings improvement and miscellaneous classroom and administrative improvements
Note: private sale to a financial institution
Bond Counsel: Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P.A.
(Exhibit 11)

m. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding \$10,000,000 Economic Development Revenue Bonds (\$3,000,000 refunding involved)
Allocation Needed: -0-
Name of Project: Young Men's Christian Association of Greater Spartanburg
Employment Impact: maintain 200 jobs and add 60 – 80 seasonal jobs within 12 months
Project Description: redeveloping 10 acre site to include construction and equipping of a new facility to provide wellness and recreational programs and to refund outstanding Series 1996 bonds and bank loan
Note: private sale to a financial institution
Bond Counsel: Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P.A.
(Exhibit 12)

n. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding \$1,500,000 Economic Development Revenue Bonds
Allocation Needed: -0-
Name of Project: YMCA of the Upper Pee Dee
Employment Impact: 90 existing jobs in aggregate and 5 new in 12 months and 10 in 24 months
Project Description: construction and equipping of gymnasium in Chesterfield County, including office and locker rooms, and refinancing outstanding indebtedness in Chesterfield County and Darlington County for improvements
Note: private sale
Bond Counsel: Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P.A.
(Exhibit 13)

o. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding \$8,500,000 Economic Development Revenue Bonds (\$8,500,000 refunding involved)
Allocation Needed: -0-

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Name of Project: Presbyterian College
Employment Impact: 50
Project Description: refunding the College's outstanding \$6,500,000 Educational Facilities Authority for Private Nonprofit Institutions of Higher Learning Educational Facilities Revenue Bonds (Presbyterian College Project), Series 2009, and approximately \$1,250,000 in conventional financing, and reimbursing the College for expenditures of approximately \$500,000 in operating funds, all of which proceeds and expenditure amounts were used to defray the cost of constructing, furnishing, and equipping the Borrower's pharmacy school
Note: private sale (or underwriting) to a financial institution
Bond Counsel: Ben T. Zeigler, Haynsworth Sinkler Boyd, P.A.
(Exhibit 14)

- p. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: N/E \$14,600,000 Economic Development Revenue Bonds
Allocation Needed: -0-
Name of Project: Edward Via College of Osteopathic Medicine Carolinas Campus
Employment Impact: 40 jobs within 12 months and total of 60 within 24 months
Project Description: to design, acquire, construct, furnish and equip a new medical education campus to offer four years of osteopathic medical education opening in the fall of 2011
Note: private sale to a financial institution
Bond Counsel: E. Tyler Smith, Haynsworth Sinkler Boyd, P.A.
(Exhibit 15)

ARRA Advisory Committee: ARRA Volume Cap Recommendations (Regular Session Item #1)

The American Recovery and Reinvestment Act (ARRA) of 2009 provided or expanded authority for certain types of entities to borrow funds with favorable tax treatment in two areas: recovery zone bonds (economic development and facilities bonds) or qualified energy conservation bonds. As a result of ARRA, South Carolina was allocated \$115,041,000 for Recovery Zone Economic Development Bonds (RZEDB) and \$172,562,000 for Recovery Zone Facilities Bonds (RZFB). Presently, available volume cap for reallocation is \$20,145,000 for RZEDB and \$66,189,000 for RZFB.

Act 290 of 2010 created the South Carolina Volume Cap Allocation Act (the Act) which designated the Budget and Control Board as the entity responsible for managing the reallocation

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of certain unused ARRA Bond volume cap allocations. As defined in the Act, ARRA Bonds include Recovery Zone Facility Bonds, Recovery Zone Economic Development Bonds, and Qualified Energy Conservation Bonds as described in ARRA. The Act delegated to the Board the authority to allocate or reallocate the volume cap authorized for South Carolina in ARRA. As prescribed in this new law, on June 30, 2010, the Board created an Advisory Committee to make recommendations for allocation or reallocation of volume cap. The Committee consists of the Executive Director of the Budget and Control Board or his designee, the Secretary of Commerce or his designee, the Executive Director of the Association of Counties or his designee, the Executive Director of the South Carolina Jobs-Economic Development Authority or his designee, the Director of the Office of Local Government of the Budget and Control Board, and the Director of the Energy Office of the Budget and Control Board or his designee.

The Advisory Committee first met on July 7, 2010, and agreed to send notice to the 46 counties and the cities of Charleston and Columbia advising them that they had until August 7, 2010, to provide notice of intent to use their volume cap allocation assigned to them in ARRA or the allocation would be deemed waived. The notice also made provision for the counties and the two cities to waive all or a portion of their volume cap and provided for them to request reallocation of waived allocation. The notice was provided to the counties and the two cities on July 8, 2010. The Advisory Committee met again on September 14, 2010, to consider applications for recommendation of allocation reallocation of available volume cap. On September 29, 2010, the Board approved requests for reallocation of volume as recommended by the Advisory Committee.

At meetings on November 10 and November 17, 2010, the Advisory Committee met to consider additional requests for allocation of reallocation. The Advisory Committee made the following recommendations for reallocation:

APPLICANT	RECOMMENDATION	PROJECT DESCRIPTION
MTU Detroit Diesel, Inc.	\$62,469,000—RZFB	Build the complete infrastructure, including tooling and equipment, for the manufacturing of diesel engines, systems and parts for off-highway applications consisting of Series 2000 and 4000 diesel engines.

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MTU Detroit Diesel, Inc.	contingent upon the release of any additional RZFB volume cap allocation allocate up to \$2,531,000 to MTU Detroit Diesel, Inc.	
Ace Environmental	\$3,720,000—RZFB	Acquiring land, buildings, improvements, equipment and furnishings of 2 facilities (Pelzer & Starr) for processing, handling and logistics management of industrial recoverable materials
Laurens County Health Care System	\$15,000,000—RZEDB	renovation and expansion of main hospital facility, located on Highway 76 between the cities of Laurens and Clinton, to include a woman's and infant center and an emergency room

Mr. Eckstrom asked what the relationship is between this item and the JEDA bonds for MTU Detroit Diesel, Inc. Mr. Evans said that the volume cap is a component of the financing plan for that project. He also said the same is true for Ace Environmental Processing, LLC. Mr. Eckstrom asked whether without the reallocation the bonding could proceed. Mr. Huntley said the reallocation is needed for the bonding to proceed.

Mr. Eckstrom asked Mr. Evans whether the vote the Board took on the earlier item is valid. Mr. Evans stated the vote is valid and is not contingent upon this item being approved. He said whether the projects succeed in going forward with the financing is contingent upon projects receiving the allocation. He noted that the Board has already authorized JEDA to issue the bonds and that does not need to be a qualified vote. Mr. Eckstrom said that JEDA could not issue the bonds had the authorization not been granted because the bond issues are contingent upon authorization of the allocation. Mr. Evans said that JEDA's approval was contingent upon receiving the allocation. Mr. Huntley said that is correct and he should not have used the word contingent. Mr. Evans said that the feasibility of the financing is dependent upon the allocation. He also reminded the Board that ARRA allocation volume cap has to be used by December 31, 2010, or it will lapse. Mr. Evans commented that the Advisory Committee and the Board have been very responsive to the private sector in getting this reallocation authorized. He noted that the Board will have allocated all the allocation available except for a small portion for economic development bonds.

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Upon a motion by Mr. Chellis, seconded by Senator Leatherman, the Board approved the following ARRA Advisory Committee recommendations for reallocations:

APPLICANT	RECOMMENDATION	PROJECT DESCRIPTION
MTU Detroit Diesel, Inc.	\$62,469,000—RZFB	Build the complete infrastructure, including tooling and equipment, for the manufacturing of diesel engines, systems and parts for off-highway applications consisting of Series 2000 and 4000 diesel engines.
MTU Detroit Diesel, Inc.	contingent upon the release of any additional RZFB volume cap allocation allocate up to \$2,531,000 to MTU Detroit Diesel, Inc.	
Ace Environmental	\$3,720,000—RZFB	Acquiring land, buildings, improvements, equipment and furnishings of 2 facilities (Pelzer & Starr) for processing, handling and logistics management of industrial recoverable materials
Laurens County Health Care System	\$15,000,000—RZEDB	renovation and expansion of main hospital facility, located on Highway 76 between the cities of Laurens and Clinton, to include a woman's and infant center and an emergency room

Information relating to this matter has been retained in these files and is identified as Exhibit 16.

Adjournment

The meeting was adjourned at 2:25 p.m.

[Secretary's Note: In compliance with Code Section 30-4-80, public notice of and the agenda for this meeting were posted on bulletin boards in the office of the Governor's Press Secretary and in the Press Room, near the Board Secretary's office in the Wade Hampton Building, and in the lobby of the Wade Hampton Office Building at 10:30 a.m. on Friday, November 19, 2010.]