

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

ANNUAL ACCOUNTABILITY REPORT

FOR

FISCAL YEAR 2009-10

SECTION I: EXECUTIVE SUMMARY

1. MISSION AND VALUES

The South Carolina Jobs-Economic Development Authority (JEDA), created by an act of the General Assembly by Section 41-43-10 is a quasi-public instrument of the State. JEDA promotes the business and economic welfare of South Carolina by assisting in the financing of public and private projects throughout the State. JEDA serves as a statewide conduit issuer of special obligation revenue bonds and acts on behalf of the borrower to access financial markets and capital. JEDA serves manufacturers, hospitals, nonprofit organizations and other entities that qualify for tax-exempt and taxable financing. Its mission is to develop the business and economic welfare of the State of South Carolina with efforts aimed at the creation and retention of jobs in the State.

Values – TIIP

Timeliness – provide the best service as quickly as possible

Integrity – our work is honest and straightforward

Innovative – we provide solutions to financial situations

Personal – conducting business is a relational art and pursuit

2. MAJOR ACHIEVEMENTS

For fifteen years, Business Carolina, Inc., a 501(c)(4) public corporation administered JEDA's programs through a Memorandum of Understanding. JEDA's Board of Directors determined during FY 2003 that reorganization and separation would be advisable. The reorganization encompassed a complete programmatic break with Business Carolina, Inc. Under this reorganization JEDA became the state's primary issuer of tax-exempt and taxable debt (Industrial Revenue Bonds). Business Carolina assumed total responsibility for all other lending programs. In April 2007, JEDA moved its offices from 1441 Main Street to 1201 Main Street, adjacent to the SC Department of Commerce. All of our business needs including office space, information technology and telephones are part of our annual rental contract with the Department of Commerce.

In 2010, JEDA issued the first Recovery Zone Facility Bond in the State of South Carolina in favor of Mast General Store, which proceeds will help the company to convert the former Lourie's Department Store on Main Street into one of its popular general merchandise stores. The proceeds of this bond will play a role in the revitalization of the downtown Columbia area, and is a creative and innovative financing method, which combined the volume cap allocations of the City of Columbia and Richland County. A "recovery zone" is any area which has been designated as having significant poverty, unemployment, home foreclosures or general distress. Recovery Zone facility bonds are low-interest bonds utilizing volume cap allocations received by counties and municipalities having population in excess of 100,000 in South Carolina through the American Recovery and Reinvestment Act (ARRA) of 2009. Almost any kind of business is eligible to use proceeds of these bonds, including manufacturing, plants, distribution centers, hotels and research parks and may be used to finance the purchase of depreciable

property within a recovery zone. Rental of residential real property, as well as the provision of certain leisure activities, is not an eligible business.

The downward trend experienced during FY 08-09 continued into FY 09-10, and the ongoing slowdown in both the national and local economy is reflected in the status quo in IRB bond financings through JEDA this past year. JEDA closed fourteen (14) bonds for a total of \$357,992,891 during FY09-10, and reissued and/or modified two (2) bonds for a total of \$130,000,000. The effect of the economy was again noticeable in the manufacturing industry, where only one bond closed during the year. Of the fourteen bond closings, there were four hospitals, two education facilities, six non-profit organizations, one manufacturing facility and one facility bond (other). Of the two (2) reissues and/or modifications, both were for hospitals.

3. KEY STRATEGIC GOALS

- a. Maintain profitability
- b. Fully develop and market new Taxable Bond Program as well as expand the issuance of bonds to eligible non-profits
- c. Cultivate new market with existing industries
- d. Market bond programs to banks and economic developers across the state

4. OPPORTUNITIES

- a. Expand marketing plan to more effectively reach more manufacturing entities in the State of South Carolina
- b. Expand marketing plan to educate bankers, CPA's, nonprofits, and economic developers in the State as to the benefits of the JEDA bond program
- c. American Recovery and Reinvestment Act of 2009 (ARRA) –Stimulus Bill – has created new opportunities with the changes in bank qualified (BQ) rate financing of the Recovery Zone Bonds.
- d. Expand client base through new Taxable Bond Program.

5. BARRIERS

- a. Due to the current economic conditions, there has been a slowdown in industry expansion.
- b. The recent upheaval in financial markets is shrinking the available market for purchasing the bonds issued by JEDA.

- c. There is only one “AAA” bond insurer (down from seven two years ago), which hospitals and other nonprofits have relied heavily on credit enhancements in the past.
- c. Economic growth in rural South Carolina is limited.

SECTION II BUSINESS OVERVIEW

1. NUMBER OF EMPLOYEES – 2

2. OPERATION LOCATION(S)

Headquartered at 1201 Main St., Suite 1600, Columbia, SC 29201.
No additional locations.

3. EXPENDITURES

The summary of annual expenditures for JEDA is below. It is important to note that JEDA no longer receives any appropriation for administrative expenses or programs. JEDA had been receiving a matching administrative expense as required by HUD, but that was discontinued in 2008. In addition, all of our business needs including office space, information technology, accounting and telephones are part of our annual rental contract with the Department of Commerce. JEDA is self-funded through the fees generated by the issuing of industrial revenue bonds.

Major Budget Categories	2008-09 Actual Expenditures		2009-10 Actual Expenditures		2009-10 Budgeted Expenditures	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	131,719	0	124,602	0	127,000	0
Other Operating	104,485	0	122,397	0	140,300	0
Special Items	0	0	117,608	0	0	0
Fringe Benefits	29,857	0	32,495	0	30,500	0
Non-recurring Refunds to Grantor	0	0	306,272	0	300,000	0
Total	266,061	0	703,371	0	597,800	0

4. KEY CUSTOMERS

Our key customer base is as follows:

- a. Small Manufacturing Facilities – Small manufacturers are engaged in (a) making or processing raw material into a final product; (b) recycling; (c) distribution and are eligible for up to \$10 million in tax-exempt financing. Their total capital expenditure may not exceed \$20 million over a 6 year period.
- b. Existing Traded Sector Firms – These companies are small to medium sized firms in a variety of traded sector industries – those which sell goods and services outside of their community – most of which are locally owned. These firms are typically more established medium-growth companies and provide a tremendous amount of stability in the economy.
- c. Potential High Growth Firms, especially technology based – These companies often gain a significant competitive advantage by applying and/or developing technological innovations, although the vast majority of these firms are not in traditional “high-tech” industries. These companies typically start small and grow very rapidly.
- d. The growing health care community which includes hospitals, nursing homes, assisted living facilities, retirement homes, hospice facilities, etc.
- e. Nonprofit associations represent an increasing percentage of our bond issues. These are 501(c)(3) organizations, which are able to borrow on a tax-exempt basis under federal tax laws. JEDA is the only statewide issuer of tax-exempt bonds able to serve that market. This market represents a majority of JEDA’s new issues- private schools, YMCA’s, educational foundations and museums are examples.
- f. Regional and Local Economic Development Organizations – A need exists among local economic development officials, the ten regional councils of governments and community development corporations.

5. KEY STAKEHOLDERS

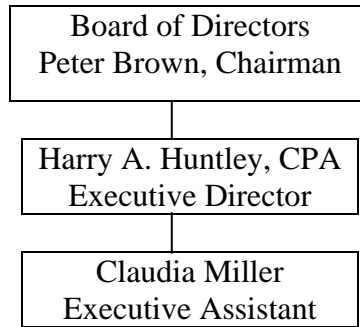
- a. Capital Markets (IRB)
- b. National, Regional and State Banking Sector
- c. Department of Treasury
- d. Local and statewide elected officials

6. KEY SUPPLIERS

- a. Major law firms in State that have bond practices to include:
 - (1) Haynsworth Sinkler Boyd
 - (2) McNair Law Firm
 - (3) Nexsen Pruet Jacobs & Pollard
 - (4) Parker Poe Adams & Bernstein
 - (5) McGuire Woods
 - (6) Howell Linkous & Nettles, LLC
 - (7) Pope Zeigler
- b. Regional & National Banks
- c. Independent Banks of South Carolina (as a group)

- d. Federal Home Loan Bank of Atlanta
- e. Merchant Capital

7. ORGANIZATIONAL STRUCTURE



SECTION III

Category 1 – Leadership

Clearly, the mission of the South Carolina Jobs-Economic Development Authority (JEDA) remains that of providing an alternative source of capital for businesses that will either expand their existing facilities or start new enterprises in South Carolina. In either case, the quality of life must be significantly impacted through creation of new and better jobs, increased tax revenue for the respective communities and the State as a whole-which benefits flow to schools, infrastructure, health care, police protection, etc. Investment through conduit bond issues provided by JEDA must improve the quality of life for all citizens in the municipality, county and the State of South Carolina.

The Board of Directors of the South Carolina Jobs-Economic Development Authority (JEDA) provides leadership through the establishment of policies and attendant guidelines, while the Executive Director has the responsibility to interpret and articulate board policy, and to provide the leadership style that directs and motivates.

Category 2 – Strategic Planning

JEDA’s Strategic Plan is very clear-cut. We are an agency that serves as conduit issuer for tax-exempt and taxable Industrial Revenue Bonds. The new dimensions for the tax-exempt program are further expansion of JEDA Health Care Bonds (i.e. hospitals, nursing homes, retirement homes, etc.), hospice facilities, cultural organizations, tax-exempt entities (501(c)(3)’s, educational facilities, and existing industries, etc. Taxable bonds are a relatively recent addition to the marketplace, which are actively marketed.

Category 3 - Customer Focus

1. Identify Key Customers and Stakeholders
 - a. Existing traded sector firms
 - b. Potential high-growth firms
 - c. Rural and community based firms
 - d. Health care organizations

- e. Nonprofit organizations
 - f. Regional and local economic development organizations (Economic Development Allies)
 - g. SC Department of Commerce
 - h. SC Economic Developers Association (SCEDA)
 - i. Capital Markets
2. How do you determine who your customers are and what are their key requirements?

JEDA's primary customer base continues to be the traditional traded and non-traded small business community having capital needs between \$2,000,000 and \$500,000,000. Two new additions to the customer base are the non-profit health care industry and the cultural organization community, which generally require funding between \$5,000,000 and \$500,000,000.

3. How do you keep your listening and learning methods current with changing customer/business needs?

JEDA participates in financial and educational seminars, trade shows, and conventions hosted by banking and economic development trade organizations, to stay abreast of current events and methodologies in applicable fields.

4. How do you use information from customer/stakeholders to improve services or programs?

In its efforts to meet the financial needs of its client base, JEDA periodically performs and updates its marketing and operating plan. The primary purpose of these updates is to determine whether the offered products and services are meeting the needs of our client base as outlined in the operating plan.

5. How do you measure customer/stakeholder satisfaction?

Critical to the development of the marketing and operating plan update is the input from the existing customer/client base. We extract information provided through feedback, analyze the data, to enhance existing programs and develop new products to meet those needs identified.

6. How do you build positive relationships with customers and stakeholders?

Relationships are developed over time and through continual networking and interfacing. JEDA cultivates its customers and stakeholders in the same manner. We are active in trade organizations germane to our primary focus.

Category 4 – Measurement, Analysis, and Knowledge Management

The change contractually to the South Carolina Department of Commerce for measurement, analysis, etc. has resulted in a change of information technology systems. All historic loan and loan servicing information is processed by a system call TRAKKER. All other system capabilities remain essentially the same.

The year-end financial audit is performed by an outside accounting firm. The audit includes a review of all financial records, technological systems, program requirements, and system processes.

Our financial agency data and bond monitoring information are all reviewed and analyzed in the decision making process. This critical information is necessary in that it is used to measure our past and present performance, and to develop additional programs, policies and regulations that meet the needs of businesses around the State.

The tracking of data allows for specific comparisons (i.e. number of bonds issued; dollar amount of bonds issued; number of jobs retained and/or created per bond issued; number of bond issues by County).

Category 5 - Human Resources

1. The JEDA staff consists of only two individuals; the Executive Director and Executive Assistant. As such, the existing Human Resource guidelines are in place at the time of hire, and communication channels are always open. Goals are outlined and discussed with emphasis on professionalism and mission accomplishment.

A formal discussion is conducted during the annual employee evaluation, addressing strength and identifying potential areas where improvements could be made. Staff luncheons, ice cream socials and birthday celebrations are held to serve as motivational tools.

2. We utilize the Office of Human Resource Management, State of South Carolina for guidance and direction in this critical area.

Evaluation of training needs are made as they arise and as appropriate.

3. The Employee performance management system is a dialogue between the Executive Director and Executive Assistant, and occurs on an ongoing basis.

4. The building management maintains a safe work environment. Security is provided before, during and after work hours to ensure safety. Cameras are used to monitor areas such as the parking garage, elevator areas and common areas. Mailboxes and trashcans are located in common use areas for safety. To ensure a healthy work environment, opportunities to participate in health screenings and attend conferences focusing on chronic diseases, fitness, health and nutrition programs sponsored by the SC Budget and Control Board, Office of Insurance Services are offered. Our office is also smoke free.

5. The extent of our involvement in the community is through various community organizations and churches. Staff has the opportunity to volunteer their services with various programs provided by these various community organization campaigns each year. Staff supports very generously the United Way campaign each year.

Category 6 - Process Management *(Services provided by the South Carolina Department of Commerce under contract to JEDA)

As previously stated, the Community Development Block Grant Program (CDBG) will continue to be phased out over this fiscal year. The marketing firm hired by JEDA (Stratagem) will continue to develop all marketing materials in close concert with our Executive Director. The web site is constantly updated and newsletters published. We have utilized the “email blast” to inform our constituency of program highlights.

The Key Process for marketing was revamped for JEDA by our marketing firm. This research included an examination of our current customers and an evaluation of competitive services. The existing market was examined and segmented to determine if the products offered meet those most needed. A Marketing Strategy was developed which enables us to provide the greatest service to our State. A major component of the Marketing Strategy has been the identification of underserved areas, the financial institutions that served those areas and a call plan to approach these financial institutions for partnering.

Key partner interactions are with bond attorneys, commercial lenders and our economic development allies. Our participation and leadership in and with professional groups support our economic development allies – these include Independent Banker’s Association, the SC Banker's Association, and the SC Economic Developers Association. The relationships formed with commercial lenders and our allies result in business participations, and identifying other financing structures for a particular deal.

Category 7 – RESULTS

JEDA realizes that customer service and customer satisfaction are paramount to the success of the organization.

Since our advertising efforts are limited to our key partners, creating and maintaining high levels of satisfaction are a key source of new business. We depend heavily on referrals from state and federal government agencies, the financial community, economic developers, bond attorneys and ultimately, from satisfied customers.

JEDA interacts with existing and potential customers on a daily basis, receiving feedback and comments which are invaluable tools to formulate plans and make adjustments or changes where practical or necessary.

Human Resource Focused Results

JEDA is a very small entity of two employees, which in itself requires a great degree of involvement by each employee in every transaction, and places great demand for responsibility on each member. Employees are qualified and understand the duties and responsibilities required of their respective position.

Being a two member agency makes everyone a contributor, fosters feeling of ownership, partnership, sense of pride and enhanced morale.

Our employees are highly satisfied with their jobs and the feeling of belonging to a safe, private professional organization.

Supplier Focused Results

As JEDA has transitioned into an agency that issues tax-exempt and taxable Industrial Revenue Bonds, our “suppliers” are the financial institutions and underwriters that provide the funding for our bond programs. Our “suppliers” must also include the bond attorneys selected to work with our customers. JEDA provides an extremely transparent, flexible and cost effective method of financing.

The JEDA staff has frequent contact with its suppliers with whom it has established and nurtured an excellent working relationship. In the final analysis, the best measure of our success with suppliers is that we have been able to maintain a good working relationship with all of them over the years.

Compliance Focused Results

JEDA is very aware of and involved in meeting regulatory and compliance requirements.

The records and practices of JEDA are reviewed and audited for compliance by an outside independent audit firm as selected by the State Auditor. We receive an unqualified opinion each year with no problems reported.

We are required to furnish monthly, quarterly and annual reports of various kinds to our CPA firm and trustee banks.

Financial Focused Results

JEDA continues to maintain a stable financial condition through an ever-increasing menu of program offerings and sound fiscal management. Our success is due to the hard work of our dedicated staff and board.

Bond attorneys throughout the state recognize JEDA as being flexible and dependable. Attorneys initiate the majority of our bond closings and the mutual trust and excellent working relationship is the key to our bond production increasing over the past few years.

The graphs below show JEDA’s annual bond production. During the fiscal year ending June 30, 2010, we issued 14 new bonds totaling \$357,992,891. JEDA has issued over \$7 billion in bonds since inception and continues to lead the State in tax-exempt bond financing for industries, hospitals and tax-exempt organizations.

