

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

ANNUAL ACCOUNTABILITY REPORT

FOR

FISCAL YEAR 2005-06

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. The purpose of the Authority is to develop the business and economic welfare of the State of South Carolina through loans, investments, and the financial promotion of export of goods and services produced within the State. Such efforts are aimed at providing maximum opportunities for the creation and retention of jobs by the small and middle market business sector, thereby allowing the State and its citizens to prosper and enjoy a quality of life unsurpassed.

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 eleven years, Business Carolina, Inc., a 501© (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. BCI continues to service JEDA's loan portfolios and other related tasks through a Memorandum of Understanding.

Despite an uncertain economy, JEDA experienced a decent year closing twenty-three (23) tax-exempt IRB projects for a total of \$650,650,000. This activity assured a profitable fiscal and calendar year.

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

3) OPPORTUNITIES

- (a) Expand client base through new Taxable Bond Program to include commercial real estate developers, the growing health care industry, community service organizations, such as YMCA's, YWCA's, private schools and institutions of higher learning and cultural organizations such as art museums.
- (b) Continue to expand marketing plan to more effectively reach more citizens in the State of South Carolina.

BARRIERS

- (c) Continued uncertainty of economic growth in South Carolina.
 - (d) Lack of available State funding to provide needed matching funds for companion federally sponsored programs. The failure of congress to make meaningful changes in the IRB statute to make program more attractive to small manufacturers.
4. The Accountability Report is used in several ways, each designed to improve the overall effectiveness and efficiency of the agency. One use is to examine program offerings to insure that they are consistent with the agency's stated "Mission and Values". Another usage is to determine the effectiveness of current programs and how they contribute to the overall profitability of the agency.

SECTION II BUSINESS OVERVIEW

1) NUMBER OF EMPLOYEES – 2

2) OPERATION LOCATION(S)

Headquartered in Columbia, South Carolina – 1441 Main St., Suite 905,
Columbia, SC. No additional locations

3) EXPENDITURES

(See Chart)

Base Budget Expenditures

Major Budget Categories	02-03 Actual Expenditures		03-04 Actual Expenditures		04-05 Appropriation Act	
	Total Funds	General Funds	Prelim Total Fund	Prelim General Funds	Prelim Total Funds	Prelim General Funds
Personal Service	\$102,296	0	\$109,512	0	\$122,055	0
Other Operating	\$88,042	0	\$136,446	0	\$149,230	0
Special Items	0	0	0	0	0	0
Permanent Improvements	0	0	0	0	0	0
Case Services	0	0	0	0	0	0
Distributions to Subdivisions	\$45,592	0	\$285	0	\$2,000,00	0
Fringe Benefits	\$23,562	0	\$25,068	0	\$26,323	0
Non-recurring	0	0	0	0	0	0
Total	\$259,492	0	\$271,311	0	\$2,297,608	0

4) KEY CUSTOMERS

Our key customer base remains unchanged. They are as follows:

- a. 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 medium-growth companies that are more established and provide a tremendous amount of stability in the economy.
- b. 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.
- c. Rural and Community based firms – This group of companies represents a wide range of business enterprises in rural, low-income, or predominantly-minority communities. Most of these companies are traditional, non-traded sector businesses and micro-enterprises.

- d. The growing health care community to include hospitals, nursing homes, assisted living facilities, retirement homes, hospice facilities, etc.
- e. 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

- 1. Capital Markets (IRB)
- 2. National, Regional and State Banking Sector
- 3. Department of Treasury
- 4. Local and statewide elected officials

6) KEY SUPPLIERS

- 1. Bank of America
- 2. Wachovia Bank
- 3. BB&T
- 4. First Citizens Bank
- 5. Carolina First Bank
- 6. NBSC
- 7. Regions Bank
- 8. South Carolina Bank & Trust
- 9. Independent Banks of South Carolina (as a group)
- 10. Federal Home Land Bank of Atlanta
- 11. Merchant Capital
- 11. Major law firms in State that have bond practices to include:
 - (a) Haynsworth Sinkler Boyd
 - (b) McNair Law Firm
 - (c) Nexsen Pruet Jacobs & Pollard
 - (d) Parker Poe Adams & Bernstein
 - (e) Nelson Mullins Riley & Scarborough
 - (f) McGuire Woods
 - (g) Howell Linkous & Nettles, LLC

7) ORGANIZATIONAL STRUCTURE

(See organizational chart attached)

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 is significantly impacted through new and better jobs, increased taxes for the respective communities as well as the state as a whole and all of the benefits that flow from the increased revenue – i.e. schools, infrastructure, health care, police

protection, etc. For the investment through loans and other services provided by JEDA, the quality of life for all citizens must be improved.

Traditionally the Board of Directors of the South Carolina Jobs-Economic Development Authority (JEDA) have provided one facet of leadership through the establishment of policies and attendant guidelines. The Board has several critical committees to include the (1) Executive Committee; (2) Personnel Committee; (3) Budget & Finance Committee; (4) Marketing and Public Relations Committee and (5) Loan Committee. Each committee's recommendations are presented to the full board for ratification and/or approval. The Chief Executive Officer serves in an ex-officio capacity on all board committees. The CEO has the responsibility to interpret and articulate board policy to staff. It is his responsibility to provide the leadership style that not only directs staff on a day-to-day basis but also motivates.

*JEDA presently operates in a rather unique manner in that it contracts its loan analysis, underwriting and accounting and bookkeeping to Business Carolina, Inc., a 501-(c)(4) Development Finance Company. This unique arrangement requires yet another dimension of leadership for the CEO in that fluent communications with BCI personnel are constantly required.

Category 2 – Strategic Planning

JEDA's Strategic Plan is very simple and straight forward. We have transitioned into an agency that issues tax-exempt and taxable Industrial Revenue Bonds. The new dimensions for the tax-exempt program are (1) further expansion of JEDA Health Care Bonds (i.e. hospitals, nursing homes, retirement homes, etc.), hospice facilities and cultural organizations such as museums, etc. The Taxable Bond is a relatively new product introduced last year into the marketplace. We continue to actively market this program along with Merchant Capital among South Carolina banks that are members of the Federal Home Land Bank of Atlanta.

Category 3 - Customer Focus

1. Identify Key Customers and Stakeholders
 1. Existing traded sector firms
 2. Potential high-growth firms
 3. Rural and community based firms
 4. Regional and local economic development organizations (Economic Development Allies)
 5. SC DOC
 6. SC Economic Developers Association (SCEDA)
 7. Capital Markets
2. How do you determine who your customers are and what are their key requirements?

JEDA's 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 has periodically performed and updated its marketing and operating plan. The sole purpose of the update is to determine if the 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 by them, analyze the data and develop new products or enhance our customer service to meet those needs that the survey identified.

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

Relationships are built over time and through networking. JEDA cultivates its customers and stakeholders in the same manner. The officers within the corporation are responsible for marketing the company; and consequently call on these two different stakeholders whenever they are in their locale. We are active in trade organizations germane to our primary focus.

Category 4 – Measurement, Analysis, and Knowledge Management

***This function performed under contract by Business Carolina**

In 2004, Business Carolina updated its loan tracking system, by installing a system known as PCFS. This software, like Sparak 3000 is a functionally rich account processing system specifically designed to track loan account information. Users can quickly view detailed, reliable information on any account to include property description, collateral and tickler information.

The decision on which operations, processes and systems to measure is directly related to those that are critical to the financial operation and viability of our portfolio. Ongoing monitoring of all loan accounts, in the form of a physical visit, is the responsibility of BCI's Loan Administration. This keeps us abreast of any changes or problems that may arise on each account. Internal interim financial statements are prepared each month, and these statements are reviewed and analyzed by both board and staff.

Loan data is collected, maintained and updated constantly to ensure that information is current at all times. Both the Finance Department and the Information Technology Department track all lending activity. This dual tracking creates the checks and balances between the two units, thus ensures that the data is accurate. All information is readily available for decision-making purposes. The internal operations of storing and retrieving data are managed by up-to-date computer equipment and software. Our systems are both reliable and efficient in supporting our daily workload. Systems are frequently monitored for efficiency and data is stored and backup up daily.

Year-end financial audits are performed by outside accounting firms. The audits include a review of all financial records, technological systems, program requirements, and system processes. In addition to the year-end financial audits, periodic audits are performed on the programs by third-party agencies to ensure that specific program requirements are adhered to and that program records are accurately maintained.

Our financial agency data, lending reports and loan 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 performance, both past and present, and to develop additional lending programs, policies and regulations that meet the needs of businesses around the State.

The tracking of data allows for specific comparisons (i.e. # loans made; # jobs created per program; # loans per County; average dollar amount per loan; etc.). This information is used to project future goals, to measure program performances, and to determine the effectiveness of lending guidelines. With these types of comparisons, we are able to continuously revise/develop effective lending strategies and/or programs that meet the needs of the State.

Category 5 - Human Resources

1. This facet of the organizational culture continues to be one that embodies a high standard of excellence. This is a point that is stressed from the initial interview and then continuously throughout an individual's tenure with JEDA. Individual and group conversations are held from time to time with all employees discussing their goals and aspirations in life and how that correlates to utilizing and realizing their full potential professionally.

The formal process is generally held during the discussion of an employee's annual evaluation. In this setting, not only are weaknesses discussed but also strengths and how one can improve in all aspects. Various staff luncheons, ice cream socials and birthday celebrations were held to serve as motivational tools.

2. As an entity similar to a commercial banking facility, we generally attempt to mirror training programs and professional development programs found in the commercial banking community. We also utilize the Office of Human Resource Management, State of South Carolina for guidance and direction in this critical area.

- Specific training needs for individuals are often recommended by management and their evaluation of training needs. Frequently individual employees also request training.
3. Our employee performance management system is really a dialogue between supervisor and the individual employee. It is not a "brow-beat" session where only negatives are emphasized. Secondly, where there is an area of strength, employees are praised for their performance and examples given of how they can improve. Where there are weaknesses, care is given to outlining or detailing how an individual employee can improve their performance. When necessary, periodic meetings are held to measure an individual's progress to date.
 4. The building landlord 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 underground parking lot, the surface parking lot, elevator areas and all streets that surround the office building. Mailboxes and trashcans are located in common use areas for safety. To ensure a healthy work environment, staff is afforded the opportunity to participate in health screenings; to attend conferences focusing on chronic diseases, fitness, health and nutrition programs sponsored by the SC Budget and Control Board, Office of Insurance Services. Our office is also smoke free.
 5. The extent of our involvement in the community is through various community organizations and churches. Staff is given 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. Also, during the Christmas holiday, monies are solicited from customers, allies, board members and staff to purchase food baskets for needy families in various low-income communities in the Columbia area. This endeavor is performed currently with the Community organization known as Beyond the Door.

Category 6 - Process Management *(Services provided by Business Carolina, Inc under contract to JEDA)

The Key Processes for JEDA are loan marketing, underwriting and servicing. New technology has been incorporated by the manager of a unit who realizes the need and effectively proposes the use of technology as a method of increasing efficiency and effectiveness. A cost benefit analysis is conducted to justify the acquisition and need of training for new technology.

Key Processes ensure that Key Performance Requirements are met primarily by historical baseline performance and customer feedback comparisons. The amount of time required to close a loan and make disbursements is gauged against historical norms and customer requirements through an ongoing dialogue of customer expectations and needs.

As previously stated, the Community Development Block Grant Program (CDBG) will continue to be phased out over the next two years. The marketing firm hired by JEDA (Stratagem) will continue to develop all marketing materials in close concert with our board marketing committee and the CEO. The web site is constantly updated and

quarterly newsletters published. We have utilized the “email blast” to inform our constituency of program highlights. A post card mailer describing the new Taxable Bond program and other special projects will continue to be utilized this year.

The Key Process for marketing has been 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 that we offer are the ones that are most needed. A Marketing Strategy has been 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 were those areas and a call plan to approach these financial institutions for partnering. It has been previously determined that at commercial banks does not function properly in all areas of the State. Our strategy is to continue to use our expertise to make sound lending decisions in those areas where the financial markets do not operate properly. The last component of this strategy will be the training of existing staff to execute this strategy.

Loan Administration has documented about eighty percent (80%) of our procedural processes. The intent is to constantly streamline our standard operating procedures (SOP) and engage in frank discussions as to the need and effectiveness of each SOP. Timesheets have also been amended to allow for the tracking of how much time it takes to complete a task. This is done with the intent of establishing baseline ties to complete tasks. Baseline comparisons are coming from the banking industry. It is the intent of loan administration to be come more efficient by evaluating all SOP's and monitoring time for completion rates as a mechanism to track processes to identify problems for early corrections.

Finance and Loan Administration support Key processes. Loan Administration tracks disbursements and receipts of loans, provide amortization schedules for billings and provides a check and balance for finance. Finance ensures adequate case flow for operations, properly deposits receipts and prepares checks to be disbursed. Due to the reconciling nature of these two areas, these processes are improved by constant communication between Loan Administration and finance. If balances do not reconcile, a problem is identified which leads to communication and process review to determine a solution.

Key partner interactions are with our attorneys, other commercial lenders and our economic development allies. Our economic development allies are supported by our participation and leadership in and with professional groups – these include Independent Banker's Association, the SC Banker's Association and the SC Economic Developers Association. The relationships we build with other commercial lenders and our allies result in business participations or even financing a deal that they cannot service. By taking deals that are either too small or too complex, JEDA has developed a feeder system. This also promotes a symbiotic relationship where everyone gains from the relationship.

Category 7 – RESULTS

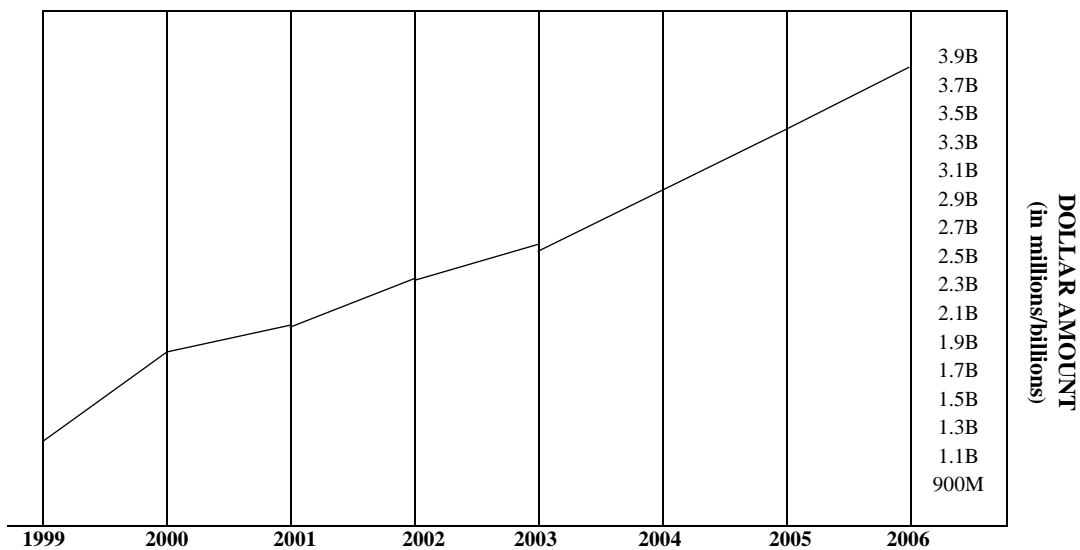
JEDA realizes that customer service and customer satisfaction are, as in almost any business endeavor, paramount to the success of the organization.

Since we do little advertising, satisfied customers are a key source of new business for us. We depend heavily on referrals from state and federal government agencies, the financial community, economic developers and from satisfied customers.

Our staff interacts with customers and potential customers on a daily basis and are constantly receiving valuable feedback. We listen to what the customers have to say, good and bad, and react by making adjustments and changes where practical.

We have always tried to be proactive in our ongoing effort to improve customer relations and feel that overall, those relations are excellent.

**BONDS OUTSTANDING
1999-2006**



Human Resource Focused Results

JEDA is a relatively small lending entity of two employees and eight with our contractor BCI. Our size requires a much greater degree of involvement by each employee as compared to the requirements of a larger organization. Each person is a significant “cog” in the operation and, as such, each job correspondingly carries greater responsibility. We demand and receive a higher level of excellence from everyone. We make sure the candidate is qualified for the job being interviewed for and we make sure he/she understands exactly what the position will entail and require. This initial understanding has been a contributor to our having experienced few problems with excessive absenteeism or high turnover.

Being small, as mentioned earlier, makes everyone a contributor; it fosters a sense of belonging and it encourages teamwork. This and an occasional “pat on the back” have instilled a sense of pride and enhanced overall good morale.

During the periodic employee review, much interaction takes place between the parties involved. The results of these reviews indicate that a very high percent of our employees

are satisfied with their jobs. Combined with that feeling of belonging we provide a safe, quiet, private professional environment in which to work.

In addition to a comfortable working environment are the many activities we participate in as a total group. We have weekly staff meetings in which all staff participates; we have an annual retreat where informal interaction and new ideas come together; and an outstanding employee is selected each year by his/her peers.

The statistics and numbers tell us that we are doing the right things and our employees are responding. Even so, the effort is ongoing as we strive everyday to make JEDA a better place in which to work.

Supplier Focused Results

Most of our “suppliers” are governmental agencies or financial institutions that supply us with capital funds that we, in turn, lend through our various lending programs.

Over the years, we have enjoyed excellent relations with all of our “funding sources”. As outlined in the “Compliance Section” of this report we must conform to certain regulations and requirements as mandated by the individual funding entities. As a part of the effort to ensure that these requirements are being met, we make our records available at all times for review. These reviews come in the form of monthly, quarterly and annual reporting as well as onsite inspections by various governmental and financial audit teams.

The JEDA staff has daily contact with almost all fund suppliers, has established, and nurtured an excellent working relationship. The knowledge and trust that has evolved over the years only goes to reinforce the formal ties that have been established.

In the final analysis, the best measure of our success with suppliers can be found in the fact that we have been able to maintain a good working relationship with all of them over the years. In fact, nearly twenty-five years of existence JEDA has not lost a single funding source.

Compliance Focused Results

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

We are regularly reviewed for compliance by several agencies of the federal government as well as by several private financial institutions. The records and practices of JEDA are also reviewed and audited by our own outside independent audit firm for compliance. An opinion is required on each audit and, to date, no material problems have ever been reported.

We are required to furnish monthly, quarterly and annual reports of various kinds to our CPA firm, trustee banks and the Department of Housing and Urban Development (HUD). These reports reveal the status of the various funds from an availability and performance standpoint.

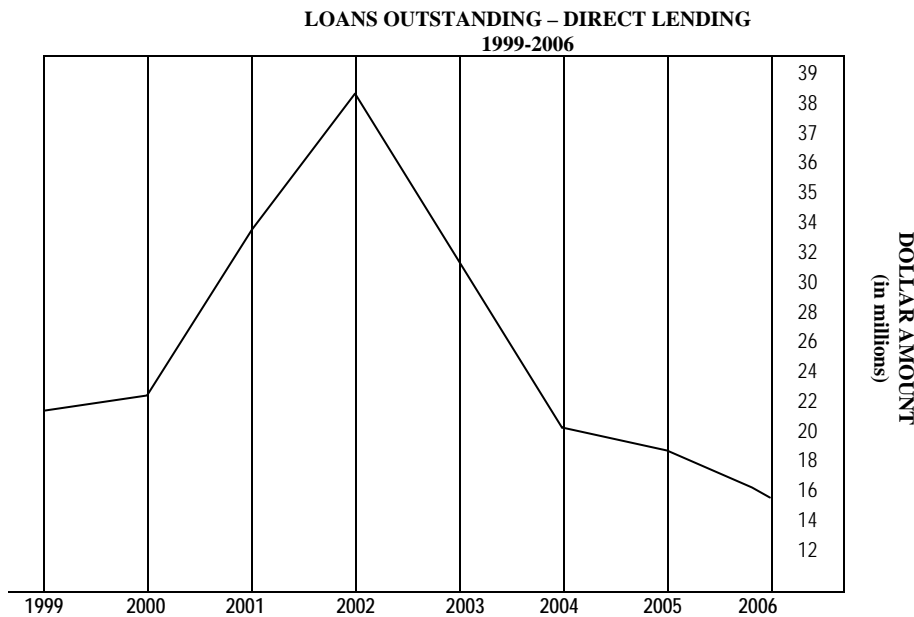
We welcome these audits and view them as an opportunity to further improve and update our files and processes. In almost every case, an “exit” review is conducted by the audit team to discuss the findings and point out specific areas of strength and weakness. Again, we use these reviews as opportunities to improve record keeping and processes.

The many reviews by the various agencies and banks over the years have kept us “on our toes” and demonstrated that we have been up to the task relative to regulatory compliance.

Financial Focused Results

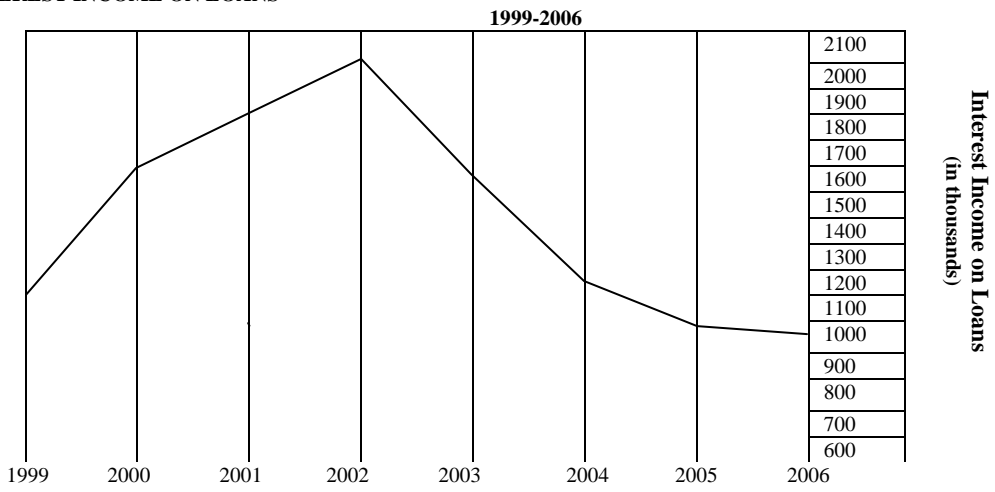
JEDA continues to maintain a stable financial condition over the years thru an ever-increasing menu of program offerings and sound fiscal management.

We understand the need to protect taxpayer’s dollars and strive each year to increase the combined fund balances, which, in turn, increases the amount of money available to lend. Since 1997, loan volume has been sufficient together with strong fiscal management, which has allowed us to remain profitable which is demonstrated by the following chart:



Even though the economy has caused our loan volume to decrease somewhat the volume amount still represents a healthy portfolio sufficient to fund future needs.

INTEREST INCOME ON LOANS



The numbers represented in this section reflect the success of JEDA over the last seven years. This success has not been by accident, but the result of hard work by a dedicated staff and boards.

ATTACHMENT

SC Jobs-Economic Development Authority

Organizational Chart

Board of Directors

Elliott E. Franks, III
President & CEO

Gwen Suber
Executive Assistant