



RATINGS:
Moody's Investors Service: Aa1
Standard & Poor's: AA+
(See "RATINGS" herein)

NEW ISSUE - BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, subject to the conditions and limitations stated therein, interest on the Bonds (i) will be excludable from gross income for federal income tax purposes, (ii) will not be an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporation; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporation; and (iii) will be exempt from all State of South Carolina, county, municipal, and all other taxes and assessments, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except estate or other transfer taxes, provided that the interest thereon may be includable for certain franchise fees or taxes. For a more complete discussion of federal tax consequences to recipients of interest on the Bonds, see "TAX EXEMPTION AND OTHER TAX MATTERS" herein.

**\$25,185,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012C
BEAUFORT COUNTY, SOUTH CAROLINA**

Dated: Date of Delivery

Due: February 1, as set forth in the inside cover

The \$25,185,000 General Obligation Refunding Bonds (the "Bonds") will be general obligation debt of Beaufort County, South Carolina (the "County"), and as such the full faith, credit, resources and taxing power of the County will be irrevocably pledged for the payment thereof. See "THE BONDS - Security" herein.

The Bonds are issuable in fully registered form and when issued will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), to which principal and interest payments on the Bonds will be made. Purchases of beneficial interests in the Bonds will be made in book-entry form only, in the principal amounts of \$5,000 or any whole multiple thereof. So long as Cede & Co. as nominee of DTC is the registered owner of the Bonds, references herein to the holders of the Bonds or registered owners of the Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, the principal and interest on the Bonds are payable to Cede & Co. as nominee for DTC, which will in turn remit such principal and interest to the Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System." Wells Fargo Bank, N.A. will serve as Registrar/Paying Agent for the Bonds.

The Bonds will be dated their date of delivery, and will mature serially on February 1 in each of the years and in the principal amounts and bear interest at the rates shown on the inside front cover page. Interest on the Bonds is first payable on February 1, 2013, and semiannually thereafter on each February 1 and August 1. The Bonds will not be subject to redemption prior to their stated maturities.

Bids will be received until 11:00 a.m., South Carolina time, Wednesday, August 22, 2012, in the office of the County Administrator located at 100 Ribaut Road, Room 156, Beaufort, South Carolina. The Bonds are offered when, as and if issued and subject to the approving opinion as to legality of McNair Law Firm, P.A., Columbia, South Carolina. It is expected that the Bonds in definitive form will be available for delivery on or about September 5, 2012.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

PNC CAPITAL MARKETS LLC

Dated: August 21, 2012

MATURITY SCHEDULE
\$25,185,000

(February 1)	Principal	Interest		CUSIP
<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>No.</u>
2015	\$ 805,000	2.00%	0.40%	074347WV3
2016	785,000	3.00	0.55	074347WW1
2017	1,070,000	3.00	0.72	074347WX9
2018	1,055,000	4.00	1.00	074347WY7
2019	1,350,000	5.00	1.33	074347WZ4
2020	1,730,000	5.00	1.59	074347XA8
2021	2,120,000	4.00	1.83	074347XB6
2022	3,590,000	4.00	2.02	074347XC4
2023	4,295,000	4.00	2.15	074347XD2
2024	5,740,000	4.00	2.26	074347XE0
2025	2,645,000	3.00	2.44	074347XF7

**COUNTY COUNCIL
OF BEAUFORT COUNTY, SOUTH CAROLINA**

Wm. Weston J. Newton, Chairman
D. Paul Sommerville, Vice Chairman
Steven M. Baer
Rick Caporale
Gerald Dawson
Brian Flewelling
Herbert N. Glaze
Laura Von Harten
William L. McBride
Stewart H. Rodman
Gerald W. Stewart

Gary T. Kubic
County Administrator

David A. Starkey, CPA
Chief Financial Officer

Bond Counsel

McNair Law Firm, P.A.
Beaufort, South Carolina
Columbia, South Carolina

Financial Advisor

First Southwest Company
Charlotte, North Carolina

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INTRODUCTION

This Official Statement is provided for the purpose of furnishing certain information in connection with the public invitation for bids for the purchase of the \$25,185,000 General Obligation Refunding Bonds, Series 2012C (the “Bonds”) of Beaufort County, South Carolina (the “County”). This Official Statement has been prepared under the supervision of David Starkey, Chief Financial Officer. The information furnished herein includes a description of the Bonds, the County and its indebtedness, tax information, economic data, financial information and other matters. Also included are certain information and data pertaining to the County and the State of South Carolina (the “State”).

THE BONDS

Description

The Bonds will be general obligation bonds of the County; will be issuable initially in fully registered book-entry-only form in denominations of \$5,000 each or any integral multiple thereof not exceeding the principal amount of Bonds maturing each year; will be numbered from R-1 upward; and when issued will be registered to Cede & Co., as nominee for DTC. The Bonds will be dated their date of delivery; will bear interest from their date at the rates shown on the inside front cover hereof payable initially on February 1, 2013, and semiannually thereafter on February 1 and August 1 of each year until they mature; and will mature on February 1 in each of the years and in the principal amount shown on the inside front cover hereof.

Redemption Provisions

The Bonds will not be subject to redemption prior to their stated maturities.

Book-Entry-Only System

Beneficial ownership interests in the Bonds will be available only in book-entry form. Beneficial owners of the Bonds (“Beneficial Owners”) will not receive a physical bond certificate representing their interests in the Bonds purchased. So long as Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”) or its nominee is the registered owner of the Bonds, references in this Official Statement to the owners of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners. Unless and until the book-entry-only system has been discontinued, the Bonds will be available only in book-entry-only form in principal amounts of \$5,000 or any integral multiple thereof.

The following description of DTC, its procedures and record keeping on 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.

Depository Trust Company. DTC will act as securities depository for the Bonds. The Bonds will be issued 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 in the aggregate principal amount of each maturity of the Bonds will be deposited with DTC.

DTC Participants and Indirect Participants. 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, as amended. DTC holds and provides asset servicing for over 3.6 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. DTCC 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 ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. 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.

Beneficial Owners. 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, unless the event use of the book-entry system for the Bonds is discontinued.

Transfers and Exchanges. 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 affect 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. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond Ordinance. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may

wish to provide their names and addresses to the Registrar/Paying Agent and request that copies of the notices be provided directly to them.

Notices; Redemption. Redemption notices shall be sent to DTC. If less than all of 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.

Consent and Voting. 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 procedures. Under its usual procedures, DTC mails an omnibus proxy to the Registrar/Paying Agent 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).

Because DTC is treated as the Owner of the Bonds for substantially all purposes under the Bond Ordinance, Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of the Beneficial Owners is unknown to the County, to DTC or to the Registrar/Paying Agent, it may be difficult to transmit information of potential interest to Beneficial Owners in an effective and timely manner. Beneficial Owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the Bonds that may be transmitted by or through DTC.

Principal and Interest Payments. 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 County or Registrar/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 (nor its nominee), the Registrar/Paying Agent or the County, 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 Registrar/Paying Agent's responsibility, 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 County can give no assurance that Direct and Indirect Participants will promptly transfer payments to Beneficial Owners.

A Beneficial Owner shall give notice to elect to have the Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records to the Tender Agent. The requirement for physical delivery of the Bonds in connection with an option tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

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 County. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor depository). In that event, Bonds will be printed and delivered to the Beneficial Owners.

The County and the Registrar/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 to be given to Owners; (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 County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

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

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE SOLE HOLDER OF THE BONDS, THE COUNTY SHALL TREAT CEDE & CO. AS THE ONLY HOLDER OF THE BONDS FOR ALL PURPOSES, INCLUDING RECEIPT OF ALL PRINCIPAL AND PREMIUM OF AND INTEREST ON THE BONDS, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE COUNTY. THE COUNTY, THE REGISTRAR AND THE 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 TO BE GIVEN TO BENEFICIAL OWNERS; (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.

Discontinuance of Book-Entry-Only System. In the event that the Bonds are no longer in book-entry-only form, the certificates held by DTC or a successor securities depository will be cancelled and the County will execute and deliver the Bonds in fully registered form to the Beneficial Owners of the Bonds as shown on the records of the DTC Participants or the nominee of a successor securities depository. If no other securities depository is named, interest on the Bonds shall be payable to the Registered Owners on each interest payment date and principal of the Bonds at maturity upon presentation and surrender thereof to the Paying Agent at its corporate trust office. The Bonds would be transferable on the registration books of the County maintained by the Registrar by the registered owner in person or by his duly authorized attorney upon surrender of the Bond to be transferred together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney. The Registrar will, upon receipt thereof, authenticate and deliver a new Bond or Bonds in like principal

amounts as the Bond so presented. The County and the Paying Agent will deem and treat the person in whose name each Bond is registered as the absolute owner thereof for all purposes.

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

Notwithstanding the foregoing, at the request of the purchaser, the Bonds will be issued as one single, fully registered bond and not issued through the book-entry system.

Purposes

The Bonds are being issued to provide funds (i) to refund certain maturities of the County's original principal amount \$30,500,000 General Obligation Bonds, Series 2004, dated October 15, 2004 (the "Bonds to be Refunded"); (ii) to pay costs and expenses of the issuance of the Bonds, and (iii) such other lawful purposes as the County Council shall determine.

Security

For the payment of the principal and interest on the Bonds as they respectively mature and for the creation of such sinking fund as may be necessary therefor, the full faith, credit and taxing power of the County are irrevocably pledged and there shall be levied annually by the County auditor and collected by the County treasurer in the same manner as other County taxes are levied and collected, as tax, without limit, on all taxable property in the County sufficient to pay the principal and interest of the Bonds as they respectively mature and to create such sinking fund as may be necessary therefor.

In addition, Article X of the Constitution of the State of South Carolina, 1895, as amended, provides:

If at any time any political subdivision shall fail to effect the punctual payment of the principal of or interest on its general obligation debt, then, in such instance, the State Treasurer shall withhold from such political subdivision sufficient moneys from any state appropriation to which such political subdivision may be entitled and apply so much as shall be necessary to the payment of the principal and interest on the indebtedness of the political subdivision then due.

The following table shows the amount of such State appropriations subject to being withheld under the foregoing provisions of Article X received by the County for the last five years for which information is available and the County's projection for 2013:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u> <u>Received</u>
2008	\$6,970,132
2009	6,647,008
2010	5,549,391
2011	5,168,424
2012*	4,937,348
2013**	6,063,217

*Unaudited

**Projected

Authorization

The Bonds will be issued pursuant to and in accordance with the Constitution of the State of South Carolina, 1895, as amended (the "Constitution"), and the statutes of the State, including Title 11, Chapters 15, 21 and 27 of the Code of Laws of South Carolina, 1976, as amended; and an ordinance enacted on August 13, 2012 (the "Ordinance") authorizing the issuance and sale of general obligation refunding bonds of the County to refund the 2015-2025 maturities of the County's original principal amount \$30,500,000 General Obligation Bonds, Series 2004..

Initiative and Referendum

Section 4-9-1220, Code of Laws of the State of South Carolina 1976, as amended (the "Code") provides that within 60 days after the enactment of any ordinance authorizing the issuance of bonds, the repayment of which requires a pledge of the full faith and credit of a county, a petition signed by 15% of the qualified electors of the county may be filed requesting that any such ordinance be repealed. If such ordinance is not repealed, the question of repeal of the ordinance must be submitted to the electors within one year.

A county, under Section 11-27-40 of the Code, may publish a notice in a newspaper of general circulation in the county of the adoption of an ordinance authorizing general obligation bonds. In the event such a notice is published, the above initiative and referendum provisions would not be applicable unless a notice, signed by not less than five qualified electors, of the intention to seed a referendum, were to be filed with the clerk of court of the county and the clerk of the county council within 20 days following such publication.

Publication of its enactment was published in *The Island Packet* and *The Beaufort Gazette*, newspapers of general circulation in the County, on Wednesday, August 15, 2012. The 20-day period will expire on September 4, 2012. Prior to closing on September 5, 2012, no litigation will be verified.

Defeasance

If all the Bonds shall have been paid and discharged, then the obligations of the County under the Ordinance and all other rights granted thereby, shall cease and determine. Bonds shall be deemed to have been paid and discharged under any of the following circumstances:

(i) If a bank or other financial institution shall hold, at the stated maturities of Bonds, in trust and irrevocably appropriated thereto, moneys for the full payment thereof; or

(ii) If default in the payment of the principal of Bonds or the interest thereon shall have occurred, and thereafter tender of payment shall have been made, and a bank or other financial institution shall hold, in trust and irrevocably appropriated thereto, sufficient moneys for the payment thereof to the date of the tender of payment; or

(iii) Payment of the principal of and interest on Bonds either (1) shall have been made or caused to be made in accordance with the terms thereof; or (2) shall have been provided for by irrevocably depositing with a bank or other financial institution in trust and irrevocably set aside exclusively for such payment, (a) moneys sufficient to make such payment, or (b) Government Obligations (as defined below) maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment and all necessary and proper fees, compensation and expenses of such bank or other financial institution. At such time as such Bonds shall no longer be deemed to be

outstanding under the Ordinance, such Bonds shall cease to draw interest from the due date thereof and, except for purposes of any such payment from such moneys or Government Obligations as set forth in (ii) above, shall no longer be secured by or entitled to the benefits of its authorizing ordinance.

“Government Obligations” means any of the following:

(a) direct obligations of the United States of America or agencies thereof or obligations, the payment of principal or interest on which, in the opinion of the Attorney General of the United States, is fully and unconditionally guaranteed by the United States of America; and

(b) Non-callable, U.S. Treasury Securities - State and Local Government Series (“SLGS”).

THE COUNTY

General Description

The County is located in the southeastern corner of the State of South Carolina, known as the “Lowcountry.” With a land area of approximately 637 square miles, it is bordered to the south and east by the Atlantic Ocean, to the west by Jasper County, and to the north by Hampton County and Colleton County. The County stretches nearly 30 miles along the Atlantic Ocean and includes 64 major islands and hundreds of small islands.

Form of Government

The County operates under the Council-Administrator form of government in accordance with Title 4, Chapter 9 of the Code of Laws of South Carolina, 1976, as amended (the “Home Rule Act”). The County Council consists of 11 members who are elected in each general election from single member districts for four year terms beginning on January 1 of the year of their election. Beginning in 1994, five members are elected in presidential election years and six members are elected in other general election years. The council elects a Chairman at its first meeting in January following the general election.

The members of the County Council, their occupations, the districts they represent and the years in which their present terms expire are as follows:

<u>Name</u>	<u>Occupation</u>	<u>District</u>	<u>Term Ends</u>
Wm. Weston J. Newton, Chairman	Attorney	Bluffton/ Daufuskie Island #4	12/2014
D. Paul Sommerville, Vice Chairman	Management Consultant	Lady’s Island/Beaufort #7	12/2014
Steven M. Baer	Electrical Engineer	Hilton Head #2	12/2014
Rick Caporale	Telecommunications Consultant	Hilton Head Island #1	12/2014
Gerald Dawson	Minister	Sheldon/Dale/Lobeco #6	12/2012
Brian Flewelling	Title Abstractor	Burton #9	12/2012
Herbert N. Glaze	Public Educator	Burton #8	12/2012
Laura Von Harten	Marketing/Product Dev.	Beaufort/Port Royal #11	12/2014
William L. McBride	Retired Public Educator	St. Helena Island #5	12/2012
Stewart H. Rodman	Businessman	Hilton Head #3	12/2014
Gerald W. Stewart	Businessman	Sun City #10	12/2014

In addition to the County Council, the County has six other elected officials who are responsible for the duties specified in the legislation establishing their offices: Auditor, Coroner, Sheriff, Clerk of Court, Probate Judge, and Treasurer.

County Employees

The County Council appoints a County Administrator who serves at the pleasure of County Council and is responsible for County operations, subject to supervision of County Council. The County Administrator has the responsibility for preparing the County’s annual budget for submission to County Council prior to the beginning of each fiscal year. The County Administrator supervises the expenditure of appropriated funds. Changes in the budget in the course of the fiscal year must be approved by County Council. See **“FINANCIAL AND TAX INFORMATION - Budget Procedure.”**

Following are brief resumes of the County Administrator and the Chief Financial Officer of the County.

Gary Kubic, County Administrator. Mr. Kubic, holds a Juris Doctor degree from the University of Akron School of Law, and a Bachelor of Science degree in Business Administration from Ohio State University. Prior to coming to work for the County, Mr. Kubic was Administrator of Mahoning County, Ohio from 1993 to 2003. Prior to his tenure with Mahoning County, Mr. Kubic served the City of Youngstown for 18 years, including 8 years as Finance Director. He was appointed County Administrator in December 2003.

David Starkey, Chief Financial Officer. Mr. Starkey, a graduate of the University of South Carolina and the University of Delaware, obtained his CPA certification in 2005. Prior to coming to work for the County in November 2007, Mr. Starkey was an audit manager at Elliott Davis, LLC. He was appointed to Chief Financial Officer in January 2009.

As of June 30, 2012, the County employed 1,128 full-time equivalent employees, consisting of:

<u>Department</u>	<u>FTE</u>
General Government	266
Public Safety	479
Public Works	120
Public Health	136
Public Welfare	6
Culture and Recreation	79
Enterprise Funds	<u>42</u>
Total	1,128

Services Provided

The County provides various local services which are funded primarily from the County’s *ad valorem* tax levy. These services include: administrative services; judicial services; law enforcement; public works, community and human services; and other miscellaneous services. The County also collects fees and user charges to offset the cost of providing certain of these services.

Services Provided by other Governmental Entities

The municipalities located within the County (including the City of Beaufort, the Town of Port Royal, the Town of Bluffton, and the Town of Hilton Head Island) also provide many of the services

listed above and, in some cases, additional services not provided by the County. In addition, several special purpose districts created by State legislation, some of which have taxing authority, provide certain services with funds from taxes levied and collected on their behalf by the County. Water and sewer services are provided by the Beaufort-Jasper Water and Sewer Authority and municipalities and other public service districts within the County. Fire protection is provided by organized fire districts, public service districts, voluntary fire fighting units and municipal fire departments.

County government does not control these separate bodies. Refuse collection is franchised to private contractors. Household garbage transfer stations are provided at various locations throughout the County.

Fringe Benefits and Retirement

Substantially all full-time, permanent employees of the County participate in statewide, cost sharing multiple-employer defined benefit pension plans administered by the State Retirement System. Generally all employees, with the exception of law enforcement personnel and certain others, participate in the South Carolina Retirement System (SCRS). Law enforcement personnel and certain other employees participate in the South Carolina Police Officers Retirement System (PORS). Contribution rates are actuarially established. Employees covered by SCRS or PORS contribute 6.5% of their gross salary. The County contributes 9.39% of the total gross salaries of employees covered by SCRS and 11.53% of the total gross salaries of employees covered by PORS. The County's contributions to SCRS for the years ended June 30, 2011, 2010, and 2009 were \$3,232,140, \$3,228,011, and \$3,230,276, respectively, which are equal to the required contributions. The County's contributions to PORS for the years ended June 30, 2011, 2010, and 2009 were \$2,049,754, \$1,870,440, and \$1,825,061, respectively, which are equal to the required contributions.

Liability Insurance

Subject to specific immunity set forth in the South Carolina Tort Claims Act (the "Act"), local governments including the County are liable for damages not to exceed \$300,000 per incident/person and \$600,000 per occurrence/aggregate. No punitive or exemplary damages are permitted under the Act. Insurance protection to units of local government is provided from either the South Carolina Insurance Reserve Fund established by the State Budget and Control Board, private carriers, self-insurance or pooled self-insurance funds. The County currently maintains liability insurance coverage with the South Carolina Insurance Reserve Fund. In the opinion of the County's Administrator, the amount of liability coverage maintained by the County is sufficient to provide protection against any loss arising under the Act.

School District

The School District of Beaufort County (the "School District") is coextensive with the County. The School District, which was established by State legislation, provides certain services with funds from taxes levied and collected for it by the County. The School District currently operates 16 elementary schools, six middle schools, four high schools, four special schools, and one career education center.

DEBT STRUCTURE

Legal Debt Limit of the County

Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended (the “Constitution”), provides that counties shall have the power to incur bonded indebtedness in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law. General obligation debt may be incurred only for a public and corporate purpose in an amount not exceeding 8% of the assessed value of all taxable property of such county without the necessity of holding a referendum. General obligation debt authorized by a majority vote of the qualified electors of the County voting in a referendum may be incurred without limitation as to amount. Title 4, Chapter 15 of the Code provides that the governing bodies of the several counties of the State may issue general obligation bonds to defray the cost of any authorized purpose and for any amount not exceeding its applicable constitutional debt limit.

Under Article X, Section 14 of the Constitution, bonded indebtedness of the County existing on November 30, 1977, and bonded indebtedness authorized by a majority vote of the qualified electors of the County voting in a referendum is not considered in determining the County’s 8% debt limitation.

The County’s debt limitation is computed below:

Assessed Value (tax year 2011)	\$1,799,834,659*
	<u> </u> x <u> </u> 8%
Constitutional Debt Limit	\$ 143,985,973
Outstanding Debt Subject to Limit	<u> 80,253,597</u>
Legal Debt Limit Without a Referendum	\$ 63,732,376

*Unaudited

Outstanding Indebtedness

The following table sets forth the amount of general obligation indebtedness of the County (including special assessment districts) at the end of each of the past five fiscal years:

Year Ended	General Obligation
<u>June 30</u>	<u>Indebtedness</u>
2007	\$141,670,000
2008	177,515,000
2009	159,305,000
2010	201,355,000
2011	200,555,000
2012	193,415,000

Description of General Obligation Indebtedness by Issue

The following table gives specific information concerning all general obligation issues of the County outstanding as of the date hereof.

Date of <u>Issue</u>	Interest <u>Rates</u>	Maturity <u>Dates</u>	Amount <u>Outstanding</u>
06/15/2003 ¹	3.125%	02/01/2013	\$ 1,200,000
10/15/2004 ²	3.250%-5.000%	02/01/2013-25	28,250,000
11/02/2006	3.625%-8.000%	03/01/2013-26	14,350,000
11/30/2006 ³	4.000%-5.000%	03/01/2013-26	26,500,000
10/03/2007 ³	4.000%-5.000%	03/01/2013-27	23,500,000
11/07/2007 ⁴	4.000%-5.000%	02/01/2013-20	15,540,000
03/10/2010 ⁵	2.250%-5.000%	03/01/2013-20	23,605,000
03/10/2010 ⁶	4.700%-5.625%	03/01/2021-29	24,550,000
11/18/2010	2.000%-4.000%	02/01/2014-22	8,125,000
12/28/2011 ³	2.000%-3.500%	03/01/2013-31	10,000,000
02/07/2012 ⁷	2.000%-4.000%	03/01/2014-23	15,295,000
05/10/2012	1.50%	05/10/13	<u>2,500,000</u>
Total			\$193,415,000

¹ \$494,160 is included in 8% debt limit

² \$9,726,475 is included in 8% debt limit

³ Debt approved by referendum

⁴ \$10,360,518 is included in 8% debt limit

⁵ \$13,922,229 is included in 8% debt limit

⁶ \$14,479,590 is included in 8% debt limit

⁷ \$6,298,481 is included in 8% debt limit

Other Financial Obligations

The County has Tax Increment Financing Revenue Bonds outstanding in the amount of \$58,470,000.

In December 2002, the County issued \$40,000,000 in Tax Increment Financing Revenue Bonds for the New River TIF District, bearing interest rates of 3.0% to 5.5% and with varying maturities through 2027. The proceeds of these bonds were used to provide infrastructure and other improvements within the New River TIF District, including buildings, which the County owns, used by both the University of South Carolina – Beaufort and the Technical College of the Lowcountry.

In November 2003, the County issued \$23,680,000 in Tax Increment Financing Revenue Bonds for the Bluffton TIF District, bearing interest rates of 2.0% to 5.0% and with varying maturities through 2028. The proceeds of these bonds were used to pay the outstanding bond anticipation note and to provide infrastructure improvements within the Bluffton TIF District.

In September 2007, the County issued a note for \$1,800,000 for the balance owed for the construction of hangars at the Hilton Head Island Airport. The note is payable in quarterly payments of \$31,634, including interest at 5.0% through June 2032.

The County leases certain office space and machinery and equipment under cancellable operating leases. Under the terms of the lease agreements, the County's obligation to continue rental obligations is contingent upon the continued appropriation of funds by the County for that purpose. Total rental expenses for the year ended June 30, 2011, were approximately \$858,000.

Composite Debt Service

The following table sets forth the debt service requirements for the County's outstanding bonds including the Bonds.

<u>Fiscal Year Ending June 30</u>	<u>Principal and Interest on Outstanding Bonds*</u>	<u>Principal and Interest on the Bonds</u>	<u>Total Debt Service</u>
2013	\$18,030,051	\$ 396,268	\$ 18,426,319
2014	16,083,425	977,100	17,060,525
2015	15,674,150	1,782,100	17,456,250
2016	16,185,775	1,746,000	17,931,775
2017	16,236,275	2,007,450	18,243,725
2018	16,430,575	1,960,350	18,390,925
2019	16,217,325	2,213,150	18,430,475
2020	15,919,875	2,525,650	18,445,525
2021	16,151,075	2,829,150	18,980,225
2022	14,163,610	4,214,350	18,377,960
2023	12,845,120	4,775,750	17,620,870
2024	11,106,275	6,048,950	17,155,225
2025	12,317,525	2,724,350	15,041,875
2026	7,700,835	---	7,700,835
2027	3,505,124	---	3,505,124
2028	3,867,024	---	3,867,024
2029	3,921,114	---	3,921,114
2030	2,147,800	---	2,147,800
2031	<u>2,147,625</u>	<u>---</u>	<u>2,147,625</u>
Total:	\$220,650,578	\$34,200,618	\$254,851,196

*Excludes the bonds to be refunded

General Obligation Debt on a Per-Capita Basis

The following table sets forth the amount of general obligation indebtedness of the County for each of the past five fiscal years expressed per capita and as a percent of assessed property value:

Year Ended	General Obligation	County Debt	County Debt as
<u>June 30</u>	<u>Indebtedness</u>	<u>Per Capita¹</u>	<u>% of Assessed Value</u>
2007	\$141,670,000	\$ 979	8.88%
2008	177,515,000	1,057	9.38
2009	159,305,000	1,030	8.63
2010	201,355,000	1,251	9.94
2011	200,555,000	1,148	10.16

¹ Based on U.S. Census Bureau estimates of population.

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2011.

Anticipated Capital Needs

The County has several ongoing capital projects which include repairs to the County courthouse, administrative building, law enforcement center, and detention center. These repairs will be paid from several sources including approximately \$7.5 million in general obligation bonds to be borrowed in late fiscal year 2012 or early fiscal year 2013. The County has constructed a new Department of Special Needs facility which project will be completed within fiscal year 2012. The former Department of Special Needs facility will be taken over by the County Coroner, who currently has no designated facility. The estimated upfit to the former Department of Special Needs facility for the Coroner is \$1 million. This also requires an additional general obligation bond borrowing, which is planned in late fiscal year 2012 or early fiscal year 2013.

In addition to the above, the County has received \$4 million in USDA and CDBG grants and has approved for and been awarded a \$6 million low-interest 40-year loan offer from the USDA to construct a library on St. Helena Island within the County. The County will be borrowing the \$6 million in FY 2012, as the project is currently under construction.

Legal Debt Limit of Counties, Incorporated Municipalities and Special Purpose Districts

Under the provisions of Article X, Section 14 of the Constitution, each incorporated municipality and special purpose district may, in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law (a) incur general obligation debt authorized by a majority vote of the qualified electors thereof voting in a referendum, without limitation as to amount, and (b) incur, without an election, general obligation debt (in addition to bonded indebtedness existing on November 30, 1977, and bonded indebtedness authorized by a majority vote of qualified electors) in an amount not exceeding eight percent (8%) of the assessed value of all taxable property therein.

Legal Debt Limit of School Districts

Article X, Section 15 of the Constitution empowers each school district of the State to incur general obligation debt in such manner and upon such terms and conditions as the General Assembly shall prescribe by law. After November 30, 1982, each school district may incur general obligation debt, upon such terms and conditions as the General Assembly may prescribe, in an amount not exceeding 8% of the assessed value of all taxable property of such school district. Bonded indebtedness existing on November

30, 1982, and bonded indebtedness authorized by a majority vote of the qualified electors of the school district voting in a referendum will not be considered in the computation of the 8% limitation.

Overlapping Debt

The following table sets the total amount of general obligation indebtedness of each political subdivision overlapping the School District outstanding as of April 2, 2012.

<u>Political Subdivision</u>	<u>Outstanding Debt</u>	<u>Percentage Applicable to County</u>
Beaufort County School District	\$314,830,621	100%
<u>Municipalities</u>		
City of Beaufort	13,280,000	100
Town of Bluffton	6,500,000	100
Town of Hilton Head	58,965,000	100
Town of Port Royal	528,222	100
<u>Special Purpose Districts</u>		
Broad Creek PSD	6,315,000	100
Fripp Island PSD	None	100
Hilton Head #1 PSD	11,473,079	100
<u>Fire Districts</u>		
Bluffton Fire District	None	100
Burton Fire District	None	100
Lady's Island/St. Helena Island Fire District	6,137	100
Sheldon Fire District	None	100

⁽¹⁾ Issued by Beaufort County for Bluffton Fire District, but not includable against 8% limit.
Source: County officials; South Carolina Municipal Council.

Miscellaneous Debt Information

The County has not defaulted in the payment of principal or interest, or in any other material respect, with respect to any of its securities at any time within the last 25 years, nor has the County within such time issued any refunding bonds for the purpose of preventing a default in the payment of principal or interest on any of its securities then outstanding. The County has not used the proceeds of any bonds or other securities (other than tax anticipation notes) for current operating expenses at any time within the last 25 years.

CERTAIN FISCAL MATTERS

Property Assessment Rates

Article X of the South Carolina Constitution mandates that the assessment of all property, both real and personal, shall be equal and uniform and that the following ratios shall apply in the appropriate classifications of property:

- (1) Real and Personal Property of Manufacturers and Utilities – 10.5% of fair market value;
- (2) Transportation Companies for Hire (railroads and pipelines) – 9.5% of fair market value;
- (3) Inventories of Business Establishments – 6% of fair market value;
- (4) Legal Residence and not more than five contiguous acres – 4% of fair market value;
- (5) Agricultural property used for such purposes owned by individuals and certain small corporations – 4% of use value (if the property owner makes proper application and qualifies);
- (6) Agricultural and timberlands belonging to large corporations (more than 10 shareholders) – 6% of use value; (if the property owner annually makes proper application and qualifies);
- (7) All other real property – 6% of fair market value; and
- (8) Motor Vehicles – 6.75%, decreasing to 6.0% in 2007; and
- (9) All other personal property – 10.5% of fair market value.

In South Carolina, local taxes for counties, schools and special purpose districts are levied as a single tax bill which each taxpayer must pay in full. Taxes are levied by the Auditors of the various counties. In the County, current and delinquent tax collections are made through the office of the County Treasurer. Tax bills are mailed from the County Treasurer's office on September 30 or as soon thereafter as is practicable. Real and personal property taxes (except taxes on motor vehicles) are payable on a monthly basis and are payable on or before January 15 without penalty. A penalty of 3% is added on January 16th, an additional penalty of 7% is added on February 2nd and an additional penalty of 5% is added on February 17th, at which time the office of the County Treasurer issues orders of execution on all unpaid accounts. The County Sheriff is authorized to seize by appropriate means the personal property of a defaulting taxpayer. Thereafter, such property may be sold to satisfy unpaid personal property taxes. Delinquent taxes on real property may be collected through sale of the property by the County.

The South Carolina Department of Revenue ("DOR") has been charged with the responsibility of taking steps necessary to ensure equalization of assessments statewide in order that all property is assessed uniformly and equitably throughout the State, and may require reassessment of any part or all of the property within a County. Under law enacted by the South Carolina General Assembly in 1995, every fourth year the County and the State are required by law to effect an appraisal of all property within the County and to implement that appraisal as a new assessment in the following year. The County completed a reassessment in Fiscal Year 2008 which was implemented in Fiscal Year 2009. The next reassessment is scheduled for Fiscal Year 2013 to be implemented in Fiscal Year 2014. Regulations adopted by the DOR prior to the 1995 law and which are still in place also require that a reappraisal program must be instituted by a county if the median appraisal for all property in such county (as a whole or for any class of property) is higher than 105% or lower than 80% of fair market value.

The Comptroller General of the State may extend the time for assessment and collection of taxes by county officials. Unpaid taxes, both real and personal, constitute a first lien against the property taxed.

The County Assessor appraises and assesses all the real property and mobile homes located within such county and certifies the results to the County Auditor. The County Auditor appraises and

assesses all motor vehicles, marine equipment, business personal property and airplanes. The DOR furnishes guides for use by the counties in the assessment of automobiles, automotive equipment, and certain other classes of property and directly assesses the real and personal property of public utilities, manufacturers and also of business equipment.

Each year the DOR certifies its assessments to the County Auditors each of whom prepares assessment summaries from the respective certifications, determines the appropriate millage levies, prepares tax bills and then in September charges the County Treasurer with the collection. South Carolina has no statewide property tax.

State Tax Reform

On June 1, 2006, the South Carolina General Assembly adopted House Bill 4449 which became Act 388 (“Act 388”), which provides, among other things, a new mechanism for the funding of a portion of school operations and a limitation on annual growth in millage levied by political subdivisions and school districts for operations. . The operating millage limits and limitations on increases in assessed value were further modified by the General Assembly in its 2011 session (the “2011 Amendments”).

Sales Tax Imposition; Exemption of Owner-Occupied Property from School Operating Taxes.

Pursuant to Act 388, an additional one percent sales tax will be imposed State-wide beginning on June 1, 2007. The additional tax does not apply to certain items, including certain accommodations (e.g., hotels, motels, campgrounds and the like), items taxed at a defined maximum tax (e.g., automobiles, taxed at a maximum of \$300, regardless of sales price), and unprepared food (upon which the present 5% tax will be reduced to 3% on October 1, 2006). Receipts from the new one percent sales tax must be credited to the “Homestead Exemption Fund” created pursuant to Act 388.

Effective beginning with tax year 2007, all owner-occupied real property in the State will be exempted from ad valorem real property taxes levied for school district operations (the “New Homestead Exemption”). Proceeds of the sales tax deposited in the Homestead Exemption Fund will be distributed to all school districts of the State in substitution for the ad valorem real property taxes not collected as a consequence of the New Homestead Exemption, provided, however, that in no event shall the amount of sales taxes distributed to the school district or districts within any county be less than \$2,500,000 in the aggregate.

As described above, the New Homestead Exemption is for owner-occupied real property. Commercial property and other non-owner-occupied residences will continue to be subject to ad valorem real property taxes, including for school district operations. See “—*Local Option Sales Tax for Additional Tax Relief.*”

Act 388 provides that reimbursement in Fiscal Year 2007-08 for amounts not collected by reason of the New Homestead Exemption shall be equal to the amount estimated to be otherwise collected in Fiscal Year 2007-08 by the school district from school operating millage imposed on owner-occupied residential property therein. Beginning in Fiscal Year 2008-09 and continuing each year thereafter, the aggregate reimbursement to the school districts of the State will increase by an amount equal to the percentage increase in the previous year of the Consumer Price Index, Southeast Region, as published by the United States Department of Labor, Bureau of Labor Statistics plus the percentage increase in the previous year in the population of the State as determined by the Office of Research and Statistics of the State Budget and Control Board. The aggregate amount of the reimbursement increase in any year will be distributed among the school districts of the State proportionately based on each school district’s

weighted pupil units as a percentage of statewide weighted pupil units as determined annually pursuant to the State's "Education Finance Act."

Any amounts remaining in the Homestead Exemption Fund after the distribution of moneys as described in the preceding paragraphs must be distributed to the 46 counties of the State, proportionately based upon population, and applied as a credit against ad valorem real property taxes levied against, first, owner-occupied real property, and, thereafter, to all other classes of taxable property, for county operating purposes.

To the extent revenues in the Homestead Exemption Fund are insufficient to pay all reimbursements to the school districts of the State as described above, the difference must be paid from the State's general fund. Enforcement of the requirement described in the preceding sentence is not self-executing, and will in each applicable year be subject to the appropriation of the necessary amounts by the General Assembly.

Limitation on Millage Increases

Act 388 also imposes a limitation on increases in millage levied for operational purposes by all political subdivisions and school districts. As of July 1, 2007, annual millage levies may increase only at a rate equal to the sum of (a) the increase in the consumer price index, plus (b) the rate of population growth of the political subdivision or school district, as the case may be. This limitation does not apply to millage that is levied to pay bonded indebtedness. This limitation may be overridden by a vote of two-thirds of the governing body of the political subdivision or school district, as applicable, but only for the following purposes and only in a year in which such condition exists:

- (1) a deficiency of the preceding year;
- (2) any catastrophic event outside the control of the governing body such as a natural disaster, severe weather event, act of God, or act of terrorism, fire, war, or riot;
- (3) compliance with a court order or decree;
- (4) taxpayer closure due to circumstances outside the control of the governing body that decreases by ten percent or more the amount of revenue payable to the taxing jurisdiction in the preceding year; or
- (5) compliance with a regulation promulgated or statute enacted by the federal or state government after the ratification date of Act 388 for which an appropriation or a method for obtaining an appropriation is not provided by the federal or state government.

After giving effect to the amendments in Act No. 388 and the 2011 Amendments, the local governing body (a) may no longer override the Operating Millage rate increase limitation, except as described herein, (b) may increase the Operating Millage from a previous year (beginning in 2007) by an amount equal to (1) the percentage increase in population of the governmental unit during such previous year plus (2) the Average CPI Increase plus (3) the operating millage increase allowed by operating of clauses (1) and (2), but not imposed, for the three property tax years preceding the year to which the current limit applies, and (c) may by a two-thirds vote of the members of the local governing body increase Operating Millage above the limits described in (2) in response to the following limited events: (A) the deficiency, if any, of the preceding year; (B) any catastrophic event outside the control of the local governing body; (C) compliance with a court order or decree; (D) taxpayer closure due to circumstances outside the control of the local governing body that decreases by ten percent or more the amount of

revenue payable to the taxing jurisdiction in the preceding year; or (E) compliance with a regulation promulgated or statute enacted by the federal or state government after January 1, 2007, for which an appropriation or a method for obtaining an appropriation is not provided by the federal or state government. The limitation on Operating Millage increases does not affect millage that is levied to pay bonded indebtedness or payments for real property purchased using a lease-purchase agreement or used to maintain a reserve account.

Local Option Sales Tax for Additional Tax Relief

Act 388 further authorizes the imposition within a county, subject to approval by referendum, of a local sales tax to provide additional property tax relief. The local sales tax authorized by Act 388 may only be imposed to the extent necessary to provide a 100% credit to all classes of taxable property against (a) county operating taxes, (b) school operating taxes, or (c) both, as set forth on the referendum ballot. In no event, however, may the rate of such local sales tax exceed one percent. Act 388 also provides a procedure for rescinding this local sales tax, as well as any other local sales taxes in force as of June 1, 2006. No assurance can be given that the County will not conduct such a referendum, or that such a local option sales tax will not be implemented within the County.

Act 388 further provides that if a county has enacted a tax increment financing redevelopment plan, or other financing plan that relies upon property tax for its funding to retire indebtedness or pay for project costs, the rate of the local option sales tax must be set in an amount that considers the full funding for the project or retirement of indebtedness, which includes compliance with any covenants in the governing documents authorizing the indebtedness. The revenues of such tax attributable to the funding replacement for a tax increment redevelopment financing plan or other plan that relies upon property tax for its funding must be distributed by the county treasurer pursuant to Title 4, Chapter 10 of the Code of Laws of South Carolina 1976, as amended.

Reassessment Valuations Limited

Act 388 also provides that the growth in valuation of real property attributable to reassessment may not exceed 15% for each five-year reassessment cycle. Growth in valuation resulting from improvements to real property is exempt from this restriction. Moreover, upon the sale of any parcel of real property or other “assessable transfer of interest” including long-term leases, conveyances out of trusts, and other defined events, but excluding transfers between spouses, such parcel will be reassessed to its then-current market value. The limitations on reassessment described in this paragraph were approved in a State-wide referendum held on November 7, 2006. The 2011 Amendments further provided for an exemption from the increase in assessed value as of the date of an assessable transfer equal to 25% of the assessed value of certain real property subject to a 6% assessment ratio (generally, commercial property).

Homestead Exemptions -- Property Tax Relief

South Carolina provides, among other exemptions, two exemptions for homesteads. The first is a general exemption from all ad valorem property taxes and applies to the first \$50,000 of value of the dwelling place of persons who are over 65 years of age, totally and permanently disabled or legally blind (the “Homestead Exemption”). The second exemption (the “Property Tax Relief Exemption”) applies only to ad valorem taxes levied for school operating budgets (exclusive of amounts in those budgets for the payment of lease-purchase agreements for capital construction) (the “School Taxes”). The Property Tax Relief Exemption applies to property classified as the legal residence and up to 5 contiguous acres of land contiguous thereto when owned by the occupant of such residence. The value of the property exempted pursuant to the Property Tax Relief Exemption is determined each year by a formula which takes into account the amount made available by the General Assembly for such purpose in a State

Property Tax Relief Fund and the total School Taxes but for such exemption. In both cases, the revenues that would have been received by various taxing entities but for the exemptions are replaced by funds from the State. In the case of the Homestead Exemption, the State pays each taxing entity the amount to which it is entitled by April 15 of each year from the State's general fund. In the case of the Property Tax Relief Exemption, the payments are to be made from the State Property Tax Relief Fund and are due by April 15 of each year, but an amount equal to 90% of such payments is required to be paid to the school districts during the last calendar quarter of the calendar year ending prior to such April 15.

Payments in Lieu of Taxes

The State of South Carolina has adopted an array of property tax inducements and incentives to promote investments and the creation of jobs. Companies making qualifying investments of \$2.5 million (\$1 million in some counties and for certain “brownfield” sites) or more may negotiate with the county to make payments in lieu of taxes for a period up to 30 years, which may be extended up to an additional 10 years. In the negotiated payment in lieu of tax setting, taxpayers who have assessment ratios of 10.5% may negotiate with the county for an assessment ratio as low as 6% and, for enhanced investments as low as 4%. Additionally, millage rates may be fixed for the term of the payment in lieu of tax agreement or set to be adjusted every five years. For projects with qualifying investments of at least \$45 million, owners of projects may design a payment schedule so long as the present value of the payments under the schedule are equal to the present value of the payments that would have been made without the schedule.

The State provides alternative provisions respecting the distribution of payments in lieu of taxes to entities having taxing jurisdiction at the location of the investment: (i) revenues received in respect of property that is not included in a multicounty park are allocated in proportion to the amounts that would have been received by the taxing entities if the payments were taxes; (ii) revenues received from property that is in a multicounty park, however, is distributed in accordance with the agreement creating the park; the amount of the distribution to each taxing entity is, for all practical purposes, controlled by the county. Property may be included in a multicounty park under terms of agreements between two or more contiguous counties with individual sites being determined primarily by the county in which the site is located. Payments in lieu of taxes for property located in a multi-county park may be diverted from taxing entities in the sole discretion of the county to fund uses as directed by the county governing body.

In addition to the above-described incentives, under South Carolina law a county may issue special source revenue bonds or grant equivalent credits against a company's payments in lieu of taxes in order to pay for certain infrastructure costs typically associated with the company's new investment. Such bonds or credits are payable from, and effectively allow for the capturing of, portions of the payments in lieu of taxes payable by the company.

The effect of the above-described incentives is that, notwithstanding the fixed payments by the industry, the School District's share of these payments will vary each year in accordance with the ratio its millage rates for that year bear to the total millage that would otherwise apply to the property. Projects on which these payments in lieu of taxes are made are considered taxable property at the level of the negotiated payment for purposes of calculating bonded indebtedness limits and for purposes of computing the index of taxpaying ability pursuant to the South Carolina Education Finance Act. If the property is situated in a multi-county park (“MCP”), the calculation of assessed value for debt limit purposes is based upon the relative share of payments received by all taxing entities which overlap the MCP. Accordingly, a recipient of payments from an MCP is able to include only a fraction of the assessed value of property therein in calculating its debt limit.

Assessed Value of Taxable Property in the County

The assessed value of all taxable real and personal property (non-industrial property) and the assessed value of all real and personal industrial property in the County for each of the last five tax years are set forth below. The growth in resort and residential communities has been the principal factor in the increase in assessed valuation in the County over the period.

Tax Year	Real		Personal		Total	
	Assessed	Market	Assessed	Market	Assessed	Market
2006	\$1,397,740,562	\$31,569,997,800	\$184,669,523	\$2,419,677,833	\$1,582,410,085	\$33,989,675,633
2007	1,452,621,579	32,753,008,310	207,538,743	2,626,086,500	1,660,160,322	35,379,094,810
2008	1,551,233,656	32,339,226,541	243,531,884	2,212,125,019	1,794,765,540	34,551,352,560
2009	1,720,365,297	45,978,771,345	234,553,487	2,691,291,572	1,954,918,784	48,670,062,917
2010	1,610,653,303	45,535,333,122	222,826,243	2,522,695,723	1,833,479,546	48,058,028,845

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2011.

Exempt Manufacturing Property in the County

Article X, Section 3 of the Constitution provides that all new manufacturing establishments located in any county after July 1, 1977, and all additions (in excess of \$50,000) to existing manufacturing establishments are exempt from *ad valorem* taxation for five years for county taxes only. No exemption is granted from school or municipal taxes, although municipal governing bodies may by ordinance grant a similar exemption to manufacturing establishments. Presently there is no exempt manufacturing property located in the County.

Tax Rates

The millage assessed for County operations and debt service in each of the last five tax years is set forth below:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Operations	45.50	40.21	40.21	40.21	40.21
Debt Service	4.00	3.62	4.57	4.57	4.44
Real Property Program	<u>2.40</u>	<u>2.13</u>	<u>2.76</u>	<u>2.76</u>	<u>3.87</u>
Total	51.90	45.96	47.54	47.54	48.52

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2011.

Tax Collection Procedure

In the County, taxes are collected for County and school purposes as a single tax bill which must be paid in full by the individual taxpayer. Taxes are collected on a calendar year basis. Real and personal property taxes in the County are payable on or before January 15 of each year for the prior tax year with the exception of taxes on motor vehicles. All personal property taxes on motor vehicles are due on or before the last day of the month in which the license tag for motor vehicles expires. If real property taxes are not paid on or before January 15, a penalty of 3% is added; if not paid by February 2, an additional penalty of 7% is added; if not paid on or before February 17, an additional penalty of 5% is added and taxes go into execution. Unpaid taxes, both real and personal, constitute a first lien against the property. The County Treasurer is empowered to seize and sell so much of the defaulting taxpayer's estate -- real and personal or both -- as may be sufficient to satisfy the taxes.

Act 388 permits counties to allow real property taxpayers to elect to pay their taxes in six installments each year for tax years beginning after 2006.

Tax Collections for Last Five Years

The following table shows operational, general fund, debt service fund, real property program and solid waste / recycling fund taxes levied (adjusted to include additions, abatements, and nulla bonae) for the County, taxes collected as of June 30 of the year following the year in which the levy was made, and the amount of delinquent taxes (which taxes include taxes levied in prior years but collected in the year shown) and the percentage of taxes collected for the last five fiscal years.

<u>Fiscal Year</u>	<u>Adjusted Tax Levy</u>	<u>Current Taxes Collected</u>	<u>Current Percentage Collected</u>	<u>Delinquent Taxes Collected</u>	<u>Total Percentage Collected</u>
2007	\$66,162,420	\$63,986,885	96.7%	\$2,018,146	99.8%
2008	76,299,793	72,399,594	94.9	3,543,615	99.5
2009	84,939,782	82,472,648	97.1	1,417,008	98.8
2010	81,772,052	79,374,355	97.1	1,305,354	98.7
2011	84,876,614	82,724,674	97.5	---	97.5

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2011.

Ten Largest Taxpayers

The ten largest taxpayers in the County for tax year 2011 (the latest year for which such information is available), their assessed values, and the total amount of taxes paid by each are shown below.

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Taxes Paid</u>
South Carolina Electric & Gas	\$19,469,940	\$4,113,922.69
Marriott Ownership Resorts	20,445,000	3,866,271.73
Palmetto Electric Co-Op	9,791,060	1,881,318.91
Columbia Properties Hilton Head	4,540,040	918,698.20
SCG Hilton Head Property LLC	4,260,000	837,203.69
Bluffton Telephone Company	4,061,400	782,615.79
Sea Pines Resort LLC	3,714,960	606,715.25
Greenwood Development Corp	2,928,680	577,558.23
Hargray Telephone Company	2,988,660	539,492.64
Hilton Head Health Systems	1,883,870	371,395.91

Source: County Treasurer

Vehicle License Fees

The County has imposed a vehicle license fee since January 1, 1994. Collections of the fee for the past five fiscal years are as follows:

<u>Fiscal Year</u>	<u>Collections</u>
2008	1,320,934
2009	1,224,452
2010	1,238,427
2011	1,326,486
2012*	1,312,538

*Unaudited.

Source: County.

County Investment Policy

Pursuant to Section 6-5-10 of the Code of Laws of South Carolina, 1976, as amended, the County Treasurer may invest money subject to his control and jurisdiction in the following types of investments:

- (1) Obligations of the United States and agencies thereof;
- (2) General obligations of the State of South Carolina or any of its political units;
- (3) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government;
- (4) Certificates of deposit where the certificates are insured by an agency of the federal government or, if not so insured, are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest;
- (5) Repurchase agreements when collateralized by securities as set forth in Section 6-5-10; and
- (6) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), and (5) above, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

In addition to these investments, the State has established a South Carolina Pooled Investment Fund into which any county treasurer may deposit public moneys in excess of current needs. The State Treasurer may invest the moneys of the fund in the same types of investments provided for in Section 6-5-10 above (as well as those permitted in Sections 11-9-660 and 11-9-661) and then may sell to all political subdivisions of the State participation units in the fund which shall be legal investments for the subdivisions in addition to the investments and deposits authorized in the sections detailed herein.

FINANCIAL AND TAX INFORMATION

Five Year Summary of General Fund Operations

The following table sets forth a summary of the County's General Fund operations for the fiscal years ended June 30, 2007 through June 30, 2011.

	2007	2008	2009	2010	2011
Revenues					
Property Taxes	\$ 55,872,654	\$ 60,474,820	\$ 74,049,850	\$ 72,781,606	\$ 73,219,927
Licenses and Permits	4,879,471	3,894,583	2,787,597	2,406,781	2,324,230
Intergovernmental	7,813,256	8,649,634	9,064,132	7,840,690	7,209,034
Charges for Services	11,643,392	10,568,767	10,181,054	10,871,664	10,961,275
Fines and Forfeitures	1,150,081	1,029,600	1,063,709	1,114,192	836,282
Interest	1,336,688	1,015,196	1,033,426	535,064	172,209
Miscellaneous	1,561,330	565,823	1,091,778	784,642	822,243
Total Revenues	\$ 84,256,872	\$ 86,198,423	\$ 99,271,546	\$ 96,334,639	\$ 95,545,200
Expenditures					
Current					
General Government	\$ 18,956,722	\$ 20,963,806	\$ 21,049,036	\$ 22,193,897	\$ 20,213,595
Public Safety	35,583,070	38,617,353	40,265,774	39,621,813	39,495,314
Public Works	15,434,287	15,946,656	15,392,335	14,911,639	14,007,631
Public Health	2,731,723	2,975,284	5,151,909	5,149,329	47,066,677
Public Welfare	867,699	931,321	932,425	871,631	872,652
Cultural and Recreation	7,938,119	8,658,731	13,354,314	13,067,668	12,028,494
Capital Projects	---	---	---	1,979,091	1,791,834
Total Expenditures	\$ 81,511,620	\$ 88,093,151	\$ 96,145,793	\$ 97,795,068	\$ 93,116,197
Excess Revenues Over (Under) Expenditures	\$ 2,745,252	\$ (1,894,728)	\$ 3,125,753	\$ (1,460,429)	\$ 2,429,003
Other Financing Sources (Uses)					
Transfers In	\$ 455,547	\$ 2,251,087	\$ 869,682	\$ 2,754,899	\$ 1,428,892
Transfers Out ¹	(1,848,341)	(2,241,888)	(2,812,282)	(3,993,821)	(3,378,949)
Total Other Financing Sources (Uses)	\$ (1,392,794)	\$ 9,199	\$ (1,942,600)	\$ (1,238,922)	\$ (1,950,057)
Net Change in Fund Balance	1,352,458	(1,885,529)	1,183,153	(2,699,351)	478,946
Prior Period Adjustment	(77,431)	---	---	---	---
Fund Balance Beginning of Year	\$ 20,367,493	\$ 21,642,520	\$ 19,756,991	\$ 20,940,144	\$ 18,240,793
Fund Balance End of Year	\$ 21,642,520	\$ 19,756,991	\$ 20,940,144	\$ 18,240,793	\$ 18,719,739

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2011.

¹ General operating funds that are transferred to special funds thereby restricting their uses.

Financial Statements

The financial statements of the County for years ended June 30, 2007, 2008, 2009, 2010 and 2011 have been audited by Elliott Davis, LLC. A portion of the audited financial statements of the County for the year ended June 30, 2011, is attached to this Preliminary Official Statement as Appendix A. Copies of complete audited financial statements for the year ended June 30, 2011, and prior years are available for inspection at the County offices.

Budget Procedure

The Constitution provides that each county shall prepare and maintain annual budgets which provide for sufficient income to meet its estimated expenses for each year. Whenever ordinary expenses of a county for any year shall exceed the income, the governing body of the county is required to provide for levying a tax in the ensuing year sufficient, with all other sources of income, to pay the deficiency in the preceding year, together with the estimated expenses for the ensuing year. These requirements generally have been interpreted so as to allow for payment of expenses from funds on hand or transfers, to the extent such funds are available for such purposes.

The Home Rule Act provides that the fiscal year for county governments begins on July 1 of each year and ends on June 30 of the following year. The County Council is required to adopt annually, prior to the beginning of each fiscal year, operating and capital budgets for the operation of county government. The budgets must identify the sources of anticipated revenue including taxes necessary to meet the financial requirements of the budgets adopted.

In the County, the County Administrator is responsible for submitting prior to June 1, a proposed operating and capital budget for the fiscal year commencing July 1. The Council shall provide for the levy and collection of taxes necessary to meet all budget requirements except as provided for by other revenue sources. After County Council legally enacts operating and capital budgets through passage of an ordinance, the County Administrator, or his designee, is authorized to transfer funds among operating accounts or among capital accounts within a department. The County may make supplemental appropriations which shall specify the source of funds for such appropriations. A supplemental appropriation is defined as an appropriation of additional funds which have come available during the fiscal year and which have not been previously obligated by the current operating or capital budget.

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General Fund Budget for the 2012-2013 Fiscal Year

The following is a summary of the General Fund Budget of the County for the fiscal year ending June 30, 2013.

	<u>FY 2013 Budget</u>
<u>Revenues</u>	
Property Taxes	\$72,323,941
Licenses and Permits	2,680,000
Intergovernmental	8,000,000
Charges for Services	11,175,589
Fines and Forfeitures	860,000
Interest	175,100
Miscellaneous	1,935,500
Total Revenues	<u>\$97,150,130</u>
<u>Expenditures</u>	
General Government	\$23,357,600
Public Safety	42,632,954
Public Works	14,383,793
Public Health	4,358,553
Public Welfare	819,421
Cultural and Recreation	11,597,809
Total Expenditures	<u>\$97,150,130</u>

ECONOMIC AND DEMOGRAPHIC INFORMATION

Location and History

The County is located in the southern coastal area of South Carolina known as the “Lowcountry.” The County is bordered on the east by the Atlantic Ocean, on the north by Colleton County, and on the west by Hampton and Jasper Counties. It includes more than 60 small islands designated as “sea islands,” the largest of which are connected by highway bridges.

The County was formed in 1769, and has a land area of 587 square miles. The County is one of the fastest growing in South Carolina. The County seat is the City of Beaufort. Since the 1600’s, agriculture has played an important role in the economy of the Lowcountry. Currently, however, the Lowcountry generally and the County, specifically, although farming and timber are still present, have significantly diversified their economic base.

Commerce and Development

The County is a center for tourism, recreation, retirement and associated services, and the military. Beaufort County received more than \$1.0 billion in domestic travel expenditures in 2008, the latest year for which county-level figures are available from the South Carolina Department of Parks, Recreation, and Tourism. In 2008, expenditures by tourists generated 12,800 jobs, \$206.8 million in payroll, and \$34.1 million in local tax receipts within the County. Hilton Head Island, Fripp Island and Hunting Island are all located in the County. Interstate Highway I-95, a major north-south artery from Maine to Florida, runs just a few miles from the County and has helped the tourist industry significantly. A four-lane spur through the County connects I-95 with U.S. 278 to Hilton Head Island, also part of the County.

Major residential developments in Southern Beaufort County include Sun City Hilton Head, a 5,000-acre community with more than 4,000 homes and about 8,000 residents within the County. The Beaufort County portion of the community is built out. The community will expand into a neighboring county in order to more than double its current number of homes. Sun City Hilton Head, a Del Webb / Pulte Homes senior community, has a significant economic impact. It has created more than 1,000 permanent jobs, will increase the County's tax base by 25 percent over the next five years, and was the spark for the increased commercial construction along the U.S. 278 Corridor, including a Target store, Wal-Mart Superstore, Home Depot and several major supermarkets. Additional developments in the southern part of the County include Spring Island, Callawassie Island, Colleton River Plantation, Belfair and Westbury Park. In northern Beaufort County, communities continue to develop at Lady's Island, Cat Island, Dataw Island, Habersham, Bray's Island and throughout the City of Beaufort.

In January 2010, Plumm Design, a manufacturer specializing in customized metal designs such as countertops, facades, range-hoods and hand-painted, decorative tin panels, announced that it will locate its new operations in a 26,000-square-foot facility in Beaufort County's Industrial District. The \$3.2 million investment is expected to generate 50 new jobs over its first five years.

CareCore National, LLC constructed a new headquarters facility in the Town of Bluffton in 2007/2008 which created 190 new jobs in 2007 and 125 new jobs in 2008. The total expected for new employment is 350.

The Port of Port Royal, the former break-bulk cargo port of the South Carolina State Ports Authority, is located in the County. The State is currently seeking to sell the 51 acres formerly occupied by the port at the waterfront edge of downtown Port Royal, preferably at a price of \$26 million to \$27 million, to a developer who would transform the property into a mixed-use commercial and residential development.

The U.S. Marine Corps Recruit Depot at Parris Island, the Marine Corps Air Station-Beaufort, and the Beaufort Naval Hospital are all located within the County. These locations have benefited by the Department of Defense closing certain other military bases in the nation. In 2007, there were 6,988 active military and 926 civilians working for the Department of Defense at the Recruit Depot alone. In 2009, Beaufort City Council signed a resolution supporting the Department of Defense's proposal to locate up to 11 joint strike fighter jets at the Air Station beginning in 2013.

University of South Carolina – Beaufort ("USCB"), the Lowcountry's regional senior campus of the University of South Carolina, is located in the County. In 2006, USCB's Small Business Development Center, a free consulting service for entrepreneurial start-ups, helped 14 new businesses get started, helped save or create 70 local jobs and provided \$4.76 million in business loans.

Agriculture and Forestry

Only 12 percent of the County's land is used for agriculture. In 2007, the County ranked last in the State in production of hay. Preliminary cash receipts for crop and livestock production in the County in 2007, the latest year for which information is available, amounted to \$7,099,000, including crops at \$5,553,000 and livestock and livestock products at \$1,546,000, according to the Department of Applied Economics & Statistics at Clemson University and the South Carolina Agricultural Statistics Service.

About 32% of the County's land is forested, and the County ranks 40th among the State's 46 counties in delivered value of timber. The delivered value of harvested timber sold in 2009, the latest year for which information is available, was \$5,809,744.

Tourism

In 2009, tourists spent approximately \$926.5 million in Beaufort County, according to a report by the U.S. Travel Association in November 2010 to the South Carolina Department of Parks, Recreation and Tourism entitled “The Economic Impact of Travel on South Carolina Counties 2009.” In 2009, tourism was responsible for \$197.2 million in payroll, 12,200 jobs, and \$31.4 million in local tax receipts in the County. The County ranked third in the State on these measures, behind only Horry County (where Myrtle Beach is located) and Charleston County. More than 10% of the total amount spent by tourists in all of South Carolina’s 46 counties in 2009 was spent in Beaufort County.

Capital Investment

The following table sets forth the total announced capital investment for new and expanded industry within the County for the last four years for which information is available.

<u>Year</u>	<u>New Investment</u>	<u>New Employment</u>
2006	\$14,000,000	370
2007	---	---
2008	5,115,000	125
2009	5,969,000	50
2010	50,000	10
2011	N/A	N/A

Source: South Carolina Department of Commerce and the Lowcountry Economic Network

The totals in the previous table include the following companies and projects in which the South Carolina Department of Commerce played a major role.

<u>Year</u>	<u>Company</u>	<u>Industry</u>	<u>Project Type</u>	<u>Investment</u>	<u>Jobs</u>
2006	CareCore National, LLC	Service	Expansion	\$6,500,000	300
2006	Grayco	Manufacturing	New	7,500,000	70
2008	CareCore National, LLC	Service	Expansion	4,400,000	125
2009	<i>confidential</i>	Distribution	Expansion	2,769,000	0
2009	Plumm Design	Manufacturing	New	3,200,000	50
2010	Blasch Precision Ceramics	Beaufort	New	50,000	10

Major Employers

The following table shows the largest employers located within the County and the type of business for each:

<u>Name</u>	<u>Type of Business</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
Department of Defense	Military	7,358	12.3%
Beaufort County School District	Education	3,500	5.9
Beaufort County	Local Government	1,340	2.2
Beaufort Memorial Hospital	Healthcare	1,250	2.1
Marine Corps Community Services	Military	770	1.3
Hilton Head Health System	Healthcare	557	0.9
Wal-Mart Stores	Retail	400	0.7
Care Core National, LLC	Healthcare	396	0.7
Cypress Club, Inc.	Tourism	350	0.6
Mariners Inn	Tourism	200	0.3
Sodexo, Inc.	Food Service	200	0.3

Source: Beaufort County Comprehensive Annual Financial Report for the year ended June 30, 2011.

Labor Force

The composition of the nonagricultural civilian labor force working in the County (regardless of place of residence), for the last five years for which information is available, is as follows:

<u>Sector</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Manufacturing	1,165	1,233	1,171	1,120	963	700
Non-Manufacturing						
Construction & Mining	8,579	8,974	8,367	7,221	6,164	2,913
Transportation and Public Utilities	1,553	1,581	1,434	1,259	1,147	1,061
Wholesale and Retail Trade	11,659	11,887	12,290	12,031	11,320	9,103
Information	921	1,018	1,051	1,045	1,000	735
Finance, Insurance, and Real Estate	9,983	11,331	12,480	12,749	12,736	3,435
Services (including Agricultural Services)	38,867	40,130	42,907	42,722	41,073	26,529
Government	<u>20,200</u>	<u>20,241</u>	<u>20,732</u>	<u>20,926</u>	<u>20,440</u>	<u>3,374</u>
TOTAL	93,273	96,772	100,823	99,527	94,843	47,850

Source: 2005-2009 - South Carolina Employment Security Commission, Labor Market and Information Division; 2010 – South Carolina Department of Commerce, Research Division

The labor force participation rate of residents of the County (regardless of place of employment) for the past five years is as follows:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Civilian Labor Force	62,759	63,717	63,791	63,517	63,786	63,732
Employment	59,786	60,950	60,416	57,924	58,151	58,866
Unemployment	2,973	2,767	3,375	5,593	5,635	4,866

Source: South Carolina Employment Security Commission, Labor Market Information

Unemployment Rate

The average unemployment rate in the County for each of the last 12 months for which data is available is shown below.

<u>Date</u>	<u>Unemployment Rate</u>
June 2011	9.0%
July 2011	9.3
August 2011	9.3
September 2011	8.6
October 2011	8.3
November 2011	7.9
December 2011	7.6
January 2012	7.8
February 2012	7.9
March 2012	7.0
April 2012	7.0
May 2012	8.2

Te County is continuing its trend of being well below the state average of 10.0% for May 2012 and on par with the national average of 8.2%.

Source: South Carolina Department of Employment and Workforce

The average unemployment rate in the County for each of the last five years is shown below. For comparison information for the State and the United States is shown.

<u>Year</u>	<u>County</u>	<u>State</u>	<u>U.S.</u>
2007	4.3%	5.6%	4.6%
2008	5.3	6.9	5.8
2009	8.8	11.7	9.3
2010	8.8	11.2	9.6
2011	8.7	10.3	8.9

Source: U.S. Department of Labor, Bureau of Labor Statistics except 2011, South Carolina Department of Employment and Workforce

Per Capita Personal Income

Beaufort County's per capita income has remained above state and national levels from 1996 to 2009. The County ranked first in the State in per capita personal income in 2009, the last year for which data is available. The per capita personal income in the County, the State and the United States for each of the last five years for which information is available is shown below.

<u>Year</u>	<u>County</u> ¹	<u>State</u> ²	<u>United States</u>
2005	\$39,824	\$30,082	\$35,424
2006	42,971	31,770	37,725
2007	44,123	33,014	39,506
2008	44,583	33,940	40,947
2009	42,313	32,451	39,937
2010	42,430	33,274	41,663

Source: ¹U.S. Census Bureau; ²U.S. Bureau of Economic Analysis

Median Family Income

The County has a median family income of \$68,900 for calendar year 2011. This income level ranks the County as the highest in the State. The table below shows the median family income for a family of four in the County, State and the United States for the last five years:

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2007	\$61,100	\$50,800	\$59,000
2008	61,500	52,900	61,500
2009	65,900	59,663	64,000
2010	66,400	55,700	64,400
2011	68,900	55,100	64,200

Source: U.S. Department of Housing and Urban Development

Retail Sales

The following table shows the level of gross retail sales for businesses located in the County:

<u>Calendar Year Ended</u> <u>December 31</u>	<u>Total</u> <u>Retail Sales</u>
2006	\$3,908,542,814
2007	3,973,795,733
2008	3,713,434,874
2009	3,360,545,855
2010	3,097,165,507
2011	3,541,424,529

Source: South Carolina Department of Revenue

Median Age and Education Levels

In 2000, the County ranked second in the State with 33.2% of its population 25 years or older holding a bachelor's degree or equivalent. The following table illustrates the changes in the median age of the County and the percentage of the population 25 years old and older with a bachelor's degree or higher from Census 2000 to Census 2010. Median age and education statistics for the State and the United States are included for comparison purposes.

	<u>Median Age (in years)</u>			<u>Percentage over 25 with bachelor's degree</u>		
	<u>County</u>	<u>South Carolina</u>	<u>United States</u>	<u>County</u>	<u>South Carolina</u>	<u>United States</u>
2000	35.8	35.4	35.3	33.2%	20.4%	24.4%
2010	40.6	37.9	37.2	36.8	24.2	28.0

Source: U.S. Department of Commerce, Bureau of the Census

Construction Activity

The following table shows the approximate number of residential building permits issued in the County and the approximate cost of construction represented by those permits in each of the last five complete years for which information is available. New construction has, of course, been affected by general economic conditions in the United States affecting real estate activity.

<u>Year Ended</u> <u>December 31</u>	<u>Number of</u> <u>Units</u>	<u>Construction</u> <u>Costs</u>
2007	2,224	530,146,319
2008	1,326	185,428,771
2009	859	163,420,324
2010*	1,726	204,908,090
2011*	1,860	230,434,897

*Includes new construction and renovations for Town of Hilton Head Island

Source: Source: County Building Inspector, Town of Port Royal, Town of Hilton Head Island and City of Beaufort

Population Growth

The following table shows population information for the County for the last four decades for which census figures are available.

	<u>Beaufort County</u>		<u>South Carolina</u>		<u>United States</u>	
	<u>Population</u>	<u>% change</u>	<u>Population</u>	<u>% change</u>	<u>Population</u>	<u>% change</u>
1980	65,364	8%	3,121,820	21%	226,545,805	11%
1990	86,425	32	3,486,703	12	248,709,873	10
2000	120,937	40	4,012,012	15	281,421,906	13
2010	162,233	33	4,625,364	15	308,745,538	10

Source: U.S. Department of Commerce, Bureau of the Census, Population Division.

The following table shows the 2000 Census population and the 2010 Census population of all incorporated municipalities located within the County:

<u>Municipality</u>	<u>2000 Census</u>	<u>2010 Census</u>
City of Beaufort	12,950	12,361
Town of Bluffton	1,275*	12,530*
Town of Hilton Head Island	33,862	37,099
Town of Port Royal	3,950*	10,678*

*A portion of this growth is due to annexation.

Source: U.S. Department of Commerce, Bureau of the Census, Population Division.

Facilities Located Within or Serving the County

Transportation. Three U.S. Highways run through the County. U.S. 17 runs north-south along the coast, connecting the County with Charleston to the north and Savannah, Georgia to the south. U.S. 21 connects U.S. 17 with the City of Beaufort, several islands in northern Beaufort County, and the furthest east point in the County: Hunting Island State Park. U.S. 278 connects U.S. 17 with southern Beaufort County, including Hilton Head Island. The County is served by approximately 133 motor freight carriers. Rail facilities are provided in the County by CSX Railroad which interfaces with Port Royal Railroad at Yemassee, and Amtrak provides passenger service.

There are two airports located in the County, the Beaufort County Airport, on Lady’s Island, and the Hilton Head Island Airport. The Hilton Head Island facility is currently serviced by USAir from Charlotte and American Eagle from Raleigh/Durham. The terminal at the Hilton Head Island Airport was completed in November 2002. The Beaufort County Airport is maintained for general aviation service only.

Hospital Facilities. Beaufort Memorial Hospital (“Beaufort Memorial”) is a non-profit hospital accredited by the Joint Commission on Accreditation of Healthcare Organizations for 197 beds (169 acute, 14 rehab and 14 mental health). It employs 1,200 people, including a medical staff of more than 150 physicians, 100 percent of whom are board-certified. The main hospital is located in the City of Beaufort. Beaufort Memorial’s cancer center in the Town of Port Royal is affiliated with Duke University. Beaufort Memorial’s clinic in the Town of Bluffton includes doctors’ offices, laboratory, x-ray and health education programs. Hilton Head Regional Hospital, within the Town of Hilton Head Island, has 85 staffed beds, including 61 acute care units, 20 intensive care units and 4 post-partum units. A U.S. Naval Hospital is also located within the County which has 49 staffed beds and 5 intensive care unit beds.

Recreation. Hunting Island State Park (“Hunting Island”) is located in the County. Hunting Island is South Carolina’s most popular state park, attracting more than a million visitors each year. The 5,000-acre park includes five miles of beach, thousands of acres of marsh, tidal creeks and maritime forest, a saltwater lagoon and ocean inlet. Amenities include a fishing pier and some of the state’s most desirable campsites and cabins, some of which were built by the Civilian Conservation Corps in the 1930s. The park also includes South Carolina’s only publicly accessible historic lighthouse. Dating from the 1870s, the Hunting Island Lighthouse is 170 feet tall.

Higher Education. University of South Carolina – Beaufort (“USCB”), the Lowcountry’s regional senior campus of the University of South Carolina, is located in the County. USCB itself has two campuses in the County: one in the City of Beaufort, and the other in the Town of Bluffton, near Hilton Head Island. USCB offers baccalaureate degrees and provides local access to graduate courses and

programs through the USC Extended Graduate Campus. USCB had a Spring 2011 headcount enrollment of 1,678 students.

Technical College of the Lowcountry, a public two-year institution, has two campuses in the County: one in the City of Beaufort, the other in the Town of Bluffton. It also has field education offices at the Marine Corps Air Station and Parris Island Marine Recruit Depot. Technical College of the Lowcountry offers more than 70 degree, diploma, or certificate programs, and is fully accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (SACS). It had a Spring 2011 headcount enrollment of 2,678 students.

Webster University, a private graduate institution, has three campuses in the County: at the Beaufort Naval Hospital, Marine Corps Air Station, and Parris Island Marine Recruit Depot. Each location offers Masters in Business Administration degrees as well as master's degrees in other subject areas.

Financial Institutions

According to the Federal Deposit Insurance Corporation, as of June 30, 2011, there were 65 branches of commercial banks and 8 branches of savings institutions in the County, with total deposits of \$3.12 billion at all financial institutions. The continuing reorganization of the banking system in the United States, with its attendant mergers and consolidations, is likely to affect the total number of branch offices in the County.

TAX EXEMPTION AND OTHER TAX MATTERS

Opinion of Bond Counsel

Certain legal matters with regard to the issuance of the Bonds are subject to the approval of McNair Law Firm, P.A., Columbia, South Carolina, Bond Counsel, whose approving opinion will be available at the time of the delivery of the Bonds. The proposed form of Bond Counsel's opinion appears as Appendix C to this Official Statement.

Internal Revenue Code of 1986

The Internal Revenue Code of 1986, as amended (the "Code") includes provisions that relate to tax-exempt obligations, such as the Bonds, including, among other things, permitted uses and investment of the proceeds of the Bonds and the rebate of certain net arbitrage earnings from the investment of such proceeds to the United States Treasury. Noncompliance with these requirements may result in interest on the Bonds becoming subject to federal income taxation retroactive to the date of issuance of the Bonds. The County has covenanted to comply with the requirements of the Code to the extent required to maintain the exclusion of interest on the Bonds from gross income for federal tax purposes. Failure of the County to comply with the covenant could cause the interest on the Bonds to be taxable retroactively to the date of issuance.

The Code imposes an alternative minimum tax on a taxpayer's alternative minimum taxable income. Interest on the Bonds 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 alternative minimum tax imposed on certain corporations. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal or State income taxation, or otherwise prevent the holders thereof from realizing the full current benefit of the tax-exempt status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds and could also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

South Carolina Taxation

The interest on the Bonds is exempt from all State taxation except estate or other transfer taxes. Section 12-11-20 of the South Carolina Code of Laws of 1976, as amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed at the rate of 4-1/2% of the entire net income of such bank. Regulations of the South Carolina Department of Revenue require that the term "entire net income" includes income derived from any source whatsoever including interest on obligations of any state and any political subdivision thereof. Interest on the Bonds will be included in such computation.

Premium Bonds

The Bonds have been sold at public offering prices which are greater than the amount payable at maturity ("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 purchase of Premium Bonds must authorize any premium over such Bonds' 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 Premium Bonds.

LEGAL MATTERS

Bond Counsel Opinion

The issuance of the Bonds is subject to the favorable opinion of McNair Law Firm, P.A., Bond Counsel, as to the validity of the issuance of the Bonds under the Constitution and laws of the State of South Carolina. The proposed form of Bond Counsel's opinion appears as Appendix C to this Official Statement.

The McNair Law Firm, P.A., has assisted the County by compiling certain information supplied to them by the County and others and included in this Official Statement, but said firm has not made an independent investigation or verification of the accuracy, completeness or fairness of such information.

The opinion of McNair Law Firm, P.A., will be limited solely to the legality and enforceability of the Bonds, and no opinion will be given with respect to this Official Statement.

Litigation

There is no controversy or litigation of any nature now pending or, to the knowledge of the County, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or the levy and collection of taxes to pay the Bonds; or questioning the proceedings or authority pursuant to which the Bonds are issued and taxes levied; or questioning or relating to the validity of the Bonds, or contesting the corporate existence of the County or the titles of its present officers to their respective offices.

The absence of such litigation will be confirmed at the time of delivery of the Bonds.

United States Bankruptcy Code

This undertaking of the County should be considered with reference to Chapter 9 of the Bankruptcy Code, 11 U.S.C. 901, et seq., as amended, and other laws affecting creditors' rights and municipalities generally. Chapter 9 permits a municipality, political subdivision, public agency, or other instrumentality of a State that is insolvent or unable to meet its debts as such debts mature to file a petition in the United States Bankruptcy Court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of its creditors; provides that the filing of the petition under that Chapter operates as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; directs a petitioner to file a plan for the adjustment of its debts; permits the petitioner in its plan to modify the rights to payment of its creditors; and provides that the plan must be accepted in writing by or on behalf of creditors; and provides that the plan must be accepted in writing by or on behalf of creditors of each impaired class of claims holding at least two-thirds in amount and more than one-half in number of the creditors which have accepted or rejected the plan. The plan may be confirmed notwithstanding the negative vote of one or more classes of claims if the court finds that the plan is in the best interest of creditors, is feasible, and is fair and equitable with respect to the dissenting classes of creditors. A petitioner has the right to reinstate indebtedness under its plan according to the original maturity schedule of such indebtedness notwithstanding any provision in the documents under which the indebtedness arose relating to the insolvency or financial condition of the debtor before the confirmation of the plan, the commencement of a case under the Bankruptcy Code, or the appointment of or taking possession by a trustee in a case under the Bankruptcy Code or by a receiver or other custodian prior to the commencement of a case under the Bankruptcy Code.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Group ("S&P") (collectively, the "Rating Services") have assigned their municipal bond ratings of "Aa1" and "AA+," respectively, to the Bonds. Such ratings reflect only the views of the Rating Services and an explanation of the significance of such ratings may be obtained from the Rating Services. The County has furnished to the Rating Services certain information and materials respecting the County and the Bonds. Generally, the Rating Services base their ratings on such information and materials and on investigations, studies and assumptions furnished to and obtained and made by them. There is no assurance that such ratings will remain unchanged for any period of time or that they may not be lowered or withdrawn entirely by the Rating Services, if in their judgment circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds have been purchased at a competitive sale from the County for resale by PNC Capital Markets LLC (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at par plus a bid premium of \$3,822,924.60. The initial public offering prices of the Bonds as shown on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may also allow a concession from the public offering prices to certain dealers. If all of the Bonds are sold at the public offering yields as set forth on the inside front cover of this Official Statement, the Underwriter anticipates a total selling compensation of \$115,095.45. The Underwriter has received no fee from the County for underwriting the Bonds.

FINANCIAL ADVISOR

First Southwest Company ("FirstSouthwest") is acting as Financial Advisor (the "Financial Advisor") to the County in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. FirstSouthwest, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies or rating agencies.

FirstSouthwest has provided the following for inclusion in this Official Statement. FirstSouthwest has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the County with respect to the issuance of the Bonds, but the Financial Advisor does not guarantee the accuracy or completeness of such information. FirstSouthwest has or may have other business relationships with the County from time to time and may be acting in capacities other than as a financial advisor. The participation of FirstSouthwest should not be seen as a recommendation to buy or sell the Bonds, and investors should seek the advice of their accountants, lawyers and registered representatives for advice as appropriate.

CERTIFICATE CONCERNING THE OFFICIAL STATEMENT

Concurrently with the delivery of the Bonds, the Administrator of the County will deliver to the purchaser of the Bonds a certificate which will state that, to the best of his knowledge, this Official Statement did not as of its date and as of the sale date, and the final Official Statement does not, as of the date of delivery of the Bonds, contain an untrue statement of a material fact or omit to state a material fact required to be included therein for the purpose for which this Official Statement or the final Official Statement is to be used or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, providing such certificate shall not include consideration of information supplied by, or which should have been supplied by, the successful bidder for the Bonds.

CONTINUING DISCLOSURE UNDERTAKING

The County has covenanted, pursuant to Section 11-1-85, South Carolina Code of Laws 1976, as amended, to file with a central repository for availability in the secondary bond market, an annual independent audit within 30 days of its receipt and event specific information within 30 days of an event adversely affecting more than 5% of tax revenue or the County's tax base.

In order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Rule 15c2-12"), the County has entered

into a Disclosure Dissemination Agent Agreement (“Disclosure Dissemination Agreement”) for the benefit of the holders of the Bonds with Digital Assurance Certification, L.L.C. (“DAC”), under which the County has designated DAC as Disclosure Dissemination Agent. The form of Disclosure Dissemination Agreement is attached hereto as Exhibit C.

The County became obligated to make annual disclosure of certain financial information by filing with each nationally recognized municipal securities information repository ("NRMSIR") in an offering that took place in 2003. Due to administrative oversight certain information was not timely filed for Fiscal Years Ending 2007 and 2008. All financial information has since been filed, including a notice of late filing. The County has implemented procedures to ensure timely filing of all future financial information.

MISCELLANEOUS

Any statements in this Preliminary Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact.

Reference herein to the State Constitution and legislative enactments are only brief summaries of such provisions thereof and do not purport to describe with particularity all provisions thereof.

Please address further inquiries, or requests for additional copies of this Preliminary Official Statement to Gary Kubic, County Administrator, Beaufort County, South Carolina, 100 Ribaut Road, Room 156, Beaufort, South Carolina 29901-1228, Telephone (843) 470-2592; the County’s Bond Counsel, Francenia B. Heizer, Esquire, McNair Law Firm, P.A., 1221 Main Street, Suite 1800, Columbia, South Carolina 29201, Telephone (803) 799-9800, e-mail: fheizer@mcnair.net; or the County’s Financial Advisor, Amy S. Vitner, Senior Vice President, First Southwest Company, 5925 Carnegie Boulevard, Suite 104 Charlotte, North Carolina 28209, telephone (704) 731-2080, e-mail: amy.vitner@firstsw.com.

The delivery of this Official Statement and its use in connection with the sale of the Bonds has been duly authorized by officials of the County in their capacity.

/s/ Gary Kubic
County Administrator, Beaufort County, South Carolina

APPENDIX A

**FINANCIAL STATEMENTS FOR FISCAL
YEAR ENDED JUNE 30, 2011**

APPENDIX B

FORM OF BOND COUNSEL OPINION

(Date of Delivery)

County Council
Beaufort County, South Carolina
Beaufort, South Carolina

BEAUFORT COUNTY, SOUTH CAROLINA
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012C
\$ _____

We have served as bond counsel for Beaufort County, South Carolina (the "County") in connection with the issuance of \$ _____ General Obligation Refunding Bonds, Series 2012C dated _____, 2012C (the "Bonds"). In such capacity, we have examined such law and certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the representations of the County contained in the ordinances of the County authorizing the Bonds and the Federal Tax Certificate of the County dated the date hereof, and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to the issuance of the Bonds have been duly authorized, executed and delivered by all parties thereto other than the County, and we have further assumed the due organization, existence and powers of such other parties other than the County.

As bond counsel, we have been retained solely for the purpose of examining the validity and legality of the Bonds and of rendering the specific opinion herein stated and for no other purpose. We have not verified the accuracy, completeness or fairness of any representation or information concerning the business or financial condition of the County or the purchaser of the Bonds in connection with the sale of the Bonds. Accordingly, we express no opinion on the completeness, fairness or adequacy of any such representation or information.

We refer you to the Bonds and the ordinances for a further description of the Bonds the purposes for which the Bonds are issued, the uses of the proceeds from the sale of the Bonds and the security therefor.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been authorized and executed by the County and are valid and binding general obligations of the County.
2. The County has power and is obligated to levy and collect annually an ad valorem tax, without limit as to rate or amount, on all taxable property in the County sufficient to pay the principal of and interest on the Bonds as they respectively mature and to create such sinking fund as may be necessary to provide for the prompt payment thereof.
3. 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; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The County has covenanted to comply with such requirements. 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 to be retroactive to the date of issuance of the Bonds.

4. Under the laws of the State of South Carolina, the Bonds and the interest thereon are presently exempt from all taxation in the State, except estate or other transfer taxes. It should be noted, however, that Section 12-11-20, Code of Laws of South Carolina 1976, as amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed on the entire net income of such bank which includes interest paid on the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

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,

McNAIR LAW FIRM, P.A.

APPENDIX C
CONTINUING DISCLOSURE UNDERTAKING

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of _____, 2012, is executed and delivered by Beaufort County, South Carolina (the “Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Representative” means the Finance Director, or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Failure to File Event” means the Issuer’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having 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) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Appendix A.

“Trustee” means the institution, if any, identified as such in the document under which the Bonds were issued.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is

accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than the next February 1 after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2011. Such date and each anniversary thereof is the Annual Filing Date. 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 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

“Principal and interest payment delinquencies;”

“Non-Payment related defaults, if material;”

“Unscheduled draws on debt service reserves reflecting financial difficulties;”

“Unscheduled draws on credit enhancements reflecting financial difficulties;”

“Substitution of credit or liquidity providers, or their failure to perform;”

“Adverse tax opinions, IRS notices or events affecting the tax status of the security;”

“Modifications to rights of securities holders, if material;”

“Bond calls, if material;”

“Defeasances;”

“Release, substitution, or sale of property securing repayment of the securities, if material;”

“Rating changes;”

“Tender offers;”

“Bankruptcy, insolvency, receivership or similar event of the obligated person;”

“Merger, consolidation, or acquisition of the obligated person, if material;” and

“Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. “amendment to continuing disclosure undertaking;”

2. “change in obligated person;”
3. “notice to investors pursuant to bond documents;”
4. “certain communications from the Internal Revenue Service;”
5. “secondary market purchases;”
6. “bid for auction rate or other securities;”
7. “capital or other financing plan;”
8. “litigation/enforcement action;”
9. “change of tender agent, remarketing agent, or other on-going party;”
10. “derivative or other similar transaction;” and
11. “other event-based disclosures;”

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”
2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”
4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”
7. “information provided to rating agency, credit/liquidity provider or other third party;”
8. “consultant reports;” and
9. “other financial/operating data.”

(viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent,

Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement as follows:

- (i) The financial statements of the Issuer for the preceding fiscal year prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board (or if not in conformity, to be accompanied by a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information). If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.
- (ii) Financial and operating data for the fiscal year then ended, to the extent such information is not included in the Issuer's audited financial statements filed pursuant to clause (1) above, which shall be generally consistent with the tabular information (or other information, as otherwise noted below) contained in the Official Statement under the following headings: "THE BONDS—Security;" "DEBT STRUCTURE—Outstanding Indebtedness;" and "CERTAIN FISCAL MATTERS—Assessed Value of Taxable Property in the County," "—Estimated True Value of All Taxable Property in the County," "—Tax Rates," "—Tax Collections for Last Five Years," and "—Ten Largest Taxpayers."

1. 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 Issuer, which have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

- i. Principal and interest payment delinquencies;
- ii. Non-payment related defaults, if material;
- iii. Unscheduled draws on debt service reserves reflecting financial difficulties;
- iv. Unscheduled draws on credit enhancements reflecting financial difficulties;
- v. Substitution of credit or liquidity providers, or their failure to perform;
- vi. Adverse tax opinions, 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 tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- vii. Modifications to rights of Bond holders, if material;
- viii. Bond calls, if material, and tender offers;
- ix. Defeasances;
- x. Release, substitution, or sale of property securing repayment of the Bonds, if material;
- xi. Rating changes;
- xii. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

- xiii. The consummation of a merger, consolidation, or acquisition involving an Obligated 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 actions, other than pursuant to its terms, if material; and
- xiv. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to

providing legal advice regarding such laws. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure

Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the Issuer have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as
Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

BEAUFORT COUNTY, SOUTH CAROLINA, as
Issuer

By: _____
Name: _____
Title: _____

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer _____
Obligated Person(s) _____
Name of Bond Issue: _____
Date of Issuance: _____
Date of Official Statement _____

CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
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CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer: _____

Obligated Person: _____

Name(s) of Bond Issue(s): _____

Date(s) of Issuance: _____

Date(s) of Disclosure Agreement: _____

CUSIP Number: _____

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure
Dissemination Agent, on behalf of the Issuer

cc:

**EXHIBIT C-1
EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages attached: _____

____ Description of Notice Events (Check One):

1. ____ "Principal and interest payment delinquencies;"
2. ____ "Non-Payment related defaults, if material;"
3. ____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. ____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. ____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. ____ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. ____ "Modifications to rights of securities holders, if material;"
8. ____ "Bond calls, if material;"
9. ____ "Defeasances;"
10. ____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. ____ "Rating changes;"
12. ____ "Tender offers;"
13. ____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. ____ "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. ____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of _____ between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

_____ Description of Voluntary Event Disclosure (Check One):

1. _____ "amendment to continuing disclosure undertaking;"
2. _____ "change in obligated person;"
3. _____ "notice to investors pursuant to bond documents;"
4. _____ "certain communications from the Internal Revenue Service;"
5. _____ "secondary market purchases;"
6. _____ "bid for auction rate or other securities;"
7. _____ "capital or other financing plan;"
8. _____ "litigation/enforcement action;"
9. _____ "change of tender agent, remarketing agent, or other on-going party;"
10. _____ "derivative or other similar transaction;" and
11. _____ "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

**EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of _____ between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: ____

____ Description of Voluntary Financial Disclosure (Check One):

1. ____ "quarterly/monthly financial information;"
2. ____ "change in fiscal year/timing of annual disclosure;"
3. ____ "change in accounting standard;"
4. ____ "interim/additional financial information/operating data;"
5. ____ "budget;"
6. ____ "investment/debt/financial policy;"
7. ____ "information provided to rating agency, credit/liquidity provider or other third party;"
8. ____ "consultant reports;" and
9. ____ "other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: