



PETER M. BROWN
CHAIRMAN

HARRY A. HUNTLEY, CPA
EXECUTIVE DIRECTOR

May 22, 2008

Chad Waldorf, Chairman
South Carolina Venture Capital Authority
1201 Main St., Suite 1600
Columbia, SC 29201

Dear Chad:

Enclosed is the 2007 Annual Report by InvestSC, Inc. to the South Carolina Venture Capital Authority. Made a part of the report is the annual audit prepared by Elliott Davis. Included in the Annual Report is certain information as required by the Venture Capital Investment Act. The InvestSC Board of Directors met today and approved forwarding the Report to the Authority.

InvestSC commenced operations on June 22, 2007 with the execution of the Securities Purchase Agreement with DBAH Capital, LLC (Deutsche Bank). During the following months, agreements were executed and initial investments made with the four funds selected by the Venture Capital Authority. The Report as well as the information below shows the progress of the implementation of the investment plan.

As of December 31, 2007, only the Azalea SC Fund had made investments in South Carolina based companies. These are further explained in the Annual Report. In the first few months of 2008, Nexus made investments in two South Carolina companies, Sabal Medical and Myconostica, both located in Charleston. Nexus invested \$2 million in each company while the total investments along with their partners were \$9 million and \$7.7 million respectively. All of the funds are actively pursuing investments in South Carolina based companies and are encouraged by the amount of deal flow in the state.

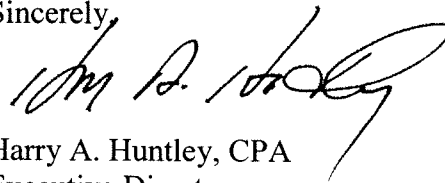
The only draw on the notes was for the initial \$15 million at closing. According to the Securities Purchase Agreement, the next draw of \$10 million from DBAH will be made by June 22, 2008. There were no tax credits used during 2007 and none are anticipated to be used during 2008. A discussion of the expenses of the program is included in the Report. The Note Issuance Costs are to be amortized over the fifteen year term of the notes, while the general administrative costs should become a smaller percentage of the fair value of assets as the program grows. There have been no returns of capital to date and none are expected for the first few years of the program.

The fair value of the investments reflects the investments in each of the funds. According to the International Private Equity and Venture Capital Valuation Guidelines, "In situations where fair value cannot be reliably measured, the valuer may reasonably conclude that the fair value at the previous reporting date remains the best estimate of fair value, unless there is evidence that the investment has since then been impaired. In such a case the carrying value should be reduced to reflect the estimated extent of impairment." There have been no events or changes in circumstances to indicate that an impairment may have occurred or that an increase in value should be recognized.

To my knowledge there are no material interests or conflicts by the Authority or InvestSC with respect to any investments or assets held by InvestSC.

Please let me know if you need any additional information to assist you in your report to the legislature.

Sincerely,

A handwritten signature in black ink, appearing to read "Harry A. Huntley". The signature is fluid and cursive, with a large loop at the end.

Harry A. Huntley, CPA
Executive Director