

Pinewood Site – Frequently Asked Questions

1. **What is the Pinewood Site?**

The Pinewood Site is a closed commercial hazardous waste landfill near Pinewood, South Carolina. The site's last owner, Safety-Kleen, Inc., declared bankruptcy in 2000. The site has been closed since 2000, and it has not received any waste since that time. The Site is now in post-closure care and must be maintained and monitored for at least the next ninety (90) years. As a result of Safety-Kleen's bankruptcy settlement in 2000, the Pinewood Site Custodial Trust Fund ("Pinewood Trust") was established to pay for closure and post-closure care at the Site.

(See Attachment 1 for map of Site and activities)

2. **What is DHEC's current concern regarding the Pinewood Site?**

There are no imminent threats to public health or the environment at the Pinewood Site. However, the funds set aside in bankruptcy are insufficient to ensure long-term post-closure care at the Site.

3. **Is there evidence of contamination to Lake Marion or outside the landfill area from the Pinewood Site?**

No. The Pinewood Site is controlled. Extensive monitoring of the Pinewood Site reveals no indication the Site's disposal waste has leaked outside the landfill area or into Lake Marion.

(See Attachment 2 for 2013 Third Quarter Monitoring results)

4. **Who manages the Pinewood Trust?**

In 2003, Kestrel Horizons, LLC ("Kestrel") of Greenville, South Carolina was appointed the trustee of the Pinewood Trust through the bankruptcy settlement. As the trustee, Kestrel manages the Pinewood Site to protect the environment and to ensure the responsible use of the Trust funds.

(See Attachment 3 for annual audits conducted by a third party certified public accountant per the terms of the Pinewood Trust)

5. **Who pays the ongoing costs of the Pinewood Site?**

The Safety-Kleen bankruptcy established two funds: 1) the Pinewood Trust, created to fund operation and maintenance costs for the Site; and 2) the New Environmental Impairment Trust Fund ("Impairment Fund"), created to fund cleanup and restoration costs at the Site that are not covered by the available funds in the Pinewood Trust. The Pinewood Trust receives payments from a 100-year annuity that currently funds approximately \$1M a year for the Site, but it will fluctuate over the remainder of its term (approximately 90 years). The Impairment Fund initially contained approximately \$36M, and it currently contains approximately \$7.25M. A third fund, the Permitted Site Fund, is restricted by state law¹ for response actions.

¹ S.C. Code Ann. § 44-56-160(B)(1)

Pinewood Site – Frequently Asked Questions

6. Do the funds have enough money to ensure protection of the environment?

No. Neither bankruptcy fund was sufficiently funded when it was established in 2003. The annual annuity payment has not and will not completely fund post-closure care at the Site. The Impairment Fund currently contains approximately \$7.25M, and it is projected to be depleted within the next three years.

7. Why is the Pinewood Trust running out of money?

The initial funding for the Site resulted from a bankruptcy settlement, which is, by definition, insufficient to fund the financial liability associated with long-term post-closure care at the Site. Management of the Site is complex due to the variety of hazardous substances disposed of at the Pinewood Site, and assumptions made by the previous owner at the time of closure have proven to be inaccurate. The Site has required a series of costly protective measures to ensure no hazardous waste leaks outside the landfill area or into Lake Marion.

(See Attachment 4 for environmental protection projects over the past decade)

8. Why is DHEC issuing a Request For Proposal (RFP) to assess all of the environmental needs of the Pinewood Site?

Although the Site is stable and has sufficient funding for the short-term, DHEC believes that a thorough review of Site conditions is necessary to determine funding requirements for long-term care of the Site and to ensure protection of human health and the environment. Once the assessment is complete, DHEC will share the information with the public and will present the findings to the General Assembly with recommendations to adequately fund long-term management of the Site.

9. Why assess the needs of the Pinewood Site now?

The construction of a necessary leachate treatment system and other major infrastructure improvements significantly diminished the Impairment Fund. In addition, the budget proposed by Kestrel for 2014 requests almost \$3M of the remaining \$7.25M available. Given the dwindling resources for the site, DHEC Director Templeton had extensive conversations with Kestrel and visited the Pinewood Site. The need projected by Kestrel in the 2014 budget, the amount remaining in the funds, and the complexity of the Pinewood Site require immediate attention from policy makers to ensure the long-term financial stability of the site.

10. What will happen during the evaluation period?

DHEC and Kestrel will work together to ensure the continued protection of the environment and that the remaining money in the funds is spent wisely. DHEC will also ask for guidance from the General Assembly regarding future funding options.

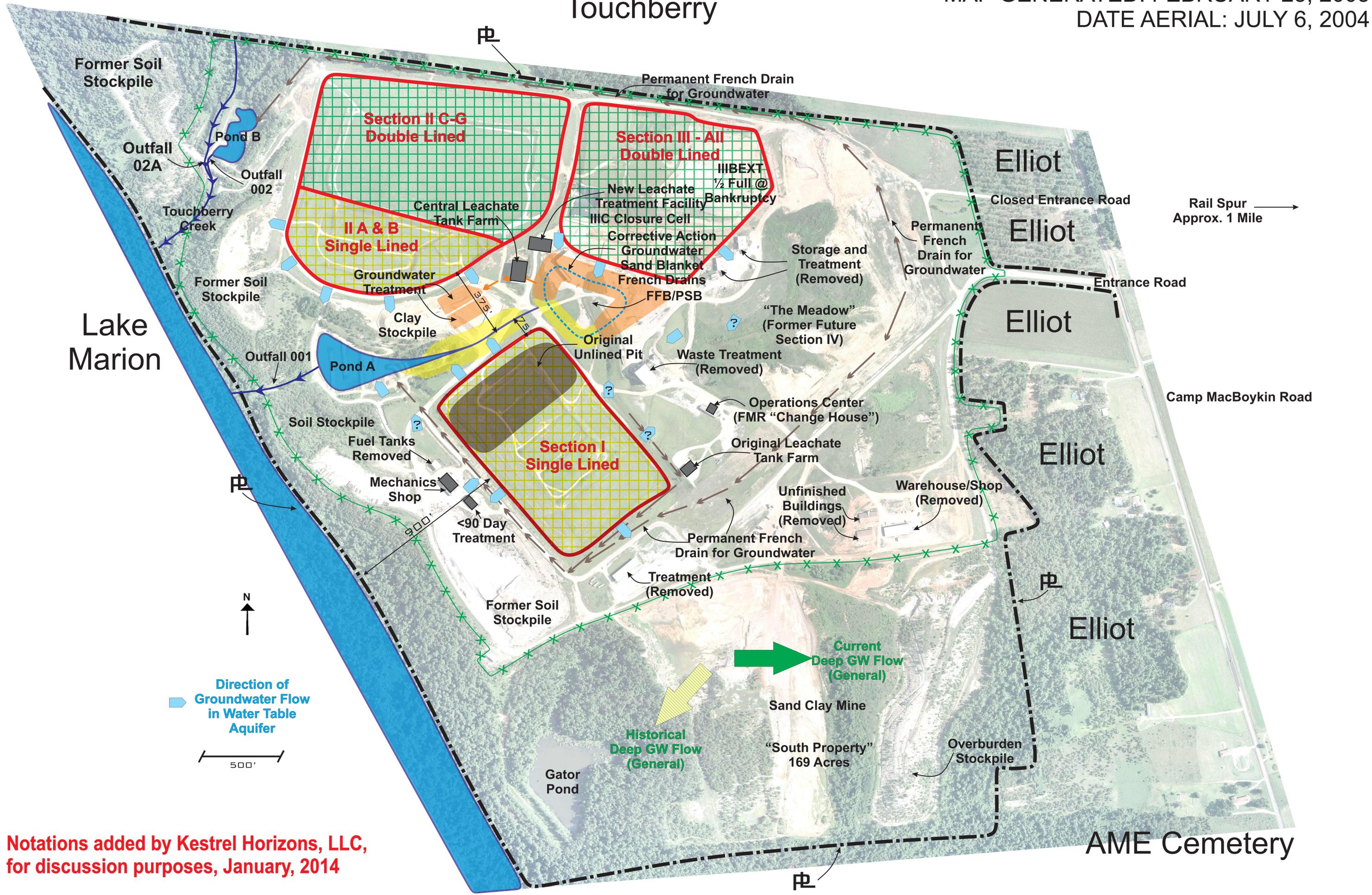
(See Attachment 5 for a letter to the Pinewood local stakeholders)

For more information regarding the Pinewood site, please visit the DHEC website at <http://www.scdhec.gov/environment/pinewood/index.asp>.

ATTACHMENT 1

Touchberry

MAP GENERATED: FEBRUARY 25, 2005
DATE AERIAL: JULY 6, 2004



Notations added by Kestrel Horizons, LLC, for discussion purposes, January, 2014

AME Cemetery

ATTACHMENT 2

DETECTION MONITORING PROGRAM REPORT

Monitoring, Analytical Results, and Statistical Analysis

2013 – Third Quarter

Prepared by Smith+Gardner, Inc.

5.0 THIRD-QUARTER EVENT

5.1 Monitoring

The third quarter 2013 sampling event was conducted on July 29-31 and August 1-3, 5-12, and 14-15. The third quarter 2013 monitoring event included 47 TLS wells and 29 UBC-A wells. Constituent concentrations reported above MDL values were compared with state MCLs per South Carolina Administrative Rule R.61-68. Analytes detected at concentrations below the parameter-specific PQLs but above or equal to the parameter-specific MDLs are reported by Shealy as estimated concentrations and flagged with a "J" qualifier to indicate the result is an estimated value.

5.2 Analytical Results

Laboratory analytical results indicate that no release from the landfill has occurred. All reported concentrations are below established MCLs and are consistent with previous sampling events. Laboratory reports of analysis, chain of custody documentation, and field data sheets are included in **Appendix II**. Third quarter analytical detections are summarized in **Table 6**. Historical analytical results for the TLS and PSDL zones are summarized on spreadsheets presented in **Appendix III** and are included for comparative purposes.

Field Parameters

Groundwater sampled from wells during the third quarter event had pH values between 5.7 and 7.98 SU. Conductivity values in groundwater ranged from 124 to 518 umhos/cm. Turbidity ranged from 1 to 35 NTUs, and temperature ranged from 20.3 to 29.4°C. Field parameter data indicate generally normal groundwater chemistry with ranges consistent with historically reported results.

Inorganic Constituent Detections

During the third quarter, three inorganic parameters (arsenic, barium, and zinc), and one groundwater chemistry parameter (chloride) were detected in groundwater samples. All four inorganic parameters were detected in multiple wells.

Arsenic was observed at a concentration equal to its MCL (0.01 mg/L) in the sample collected from monitoring well MW016TR and at a concentration below the MCL in the sample collected from monitoring well UBC004 (0.029 mg/L). Arsenic has one previous detection at MW016TR (0.002 mg/L) during the first quarter of 2007, but has been observed routinely at generally consistent concentrations in groundwater samples collected from UBC004 since 2001. Monitoring well MW016TR is sampled on a quarterly basis. Analytical results obtained during subsequent sampling events will be closely monitored to determine if there is an increasing trend in arsenic concentrations at the well or if the current detection at the MCL is simply an anomaly.

Barium is naturally occurring in groundwater at the Site, and the concentrations observed are consistent with historical results.

Zinc and chloride detections were consistent with historical results, both in the locations in which they were observed and the concentrations reported.

Analytes detected during the third quarter 2013 sampling event are presented in **Table 6**.

Organic Constituent Detections

As stated above, groundwater samples were analyzed for a select list of organic constituents in accordance with the Part B permit. No organic constituents were detected during the third quarter 2013 sampling event.

5.3 Statistical Analysis

Statistical analyses were performed using the analytical data obtained from wells screened in the TLS and UBC-A zones during the third quarter 2013 sampling event. All routinely monitored inorganic constituents were analyzed, with the exception of chloride. Organic constituents are not statistically evaluated, because they are detected infrequently at the Site.

Statistical analysis of the third quarter 2013 analytical data was performed using a two-step process in accordance with the facility RCRA Part B permit. First, inter-well (upgradient versus downgradient) analyses were performed on the data for the TLS and UBC-A zones. If the result of the inter-well analysis indicated a statistically significant increase, a second step consisting of an intra-well analysis (each well compared to its own history) was performed.

The analyses were performed using the DUMP-Stat analytical program. Upgradient versus downgradient comparisons are based on normal, lognormal, and nonparametric prediction limits following screening of all upgradient data for outliers. Intra-well comparisons are based on combined Shewart-CUSUM control charts, which produce prediction limits specific to an individual well's historical and current data. The Shewart-CUSUM control chart method is sensitive to both gradual and rapid releases and is also a useful method for detecting trends in data. The statistical output includes upgradient versus downgradient (inter-well) comparisons presented in both graphical and tabular format. Intra-well comparisons are presented in graphical format only.

The results of the two-step statistical evaluation for each hydrogeologic zone are summarized in **Table 7**. The results of the statistical analyses are included in **Appendices IV and V**.

Monitoring well UBC004, screened in the UBC-A zone, exceeded the intra-well prediction limit for arsenic during the third quarter 2013. However, since there have been no other detections of arsenic or any other constituents of concern in any

shallower wells in this area, this detection is not likely to be an indication of a release from the landfill. Additionally, arsenic has routinely been detected in UBC004 at relatively consistent concentrations. This suggests that arsenic is naturally occurring in groundwater in this area. In any case, confirmation sampling for arsenic in well UBC004 will be completed during the fourth quarter 2013.

ATTACHMENT 3

PINEWOOD SITE CUSTODIAL TRUST

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2004

PINEWOOD SITE CUSTODIAL TRUST

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Certified Public Accountants

Toni R. McKinley
Robert C. Cooper

Independent Auditor's Report

Kestrel Horizons, LLC
Trustee of the Pinewood Site Custodial Trust
Greenville, South Carolina

We have audited the accompanying balance sheet of Pinewood Site Custodial Trust as of December 31, 2004, and the related statements of revenue and expenses and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pinewood Site Custodial Trust as of December 31, 2004, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

McKinley, Cooper & Co., LLP

January 21, 2005

PINEWOOD SITE CUSTODIAL TRUST

BALANCE SHEET
DECEMBER 31, 2004

CURRENT ASSETS	
Cash and cash equivalents	\$ 2,870,045
Investments	1,727,898
Prepaid expenses	<u>149,479</u>
Total current assets	<u>4,747,422</u>
Total assets	<u>\$ 4,747,422</u>
CURRENT LIABILITIES	
Accounts payable	<u>\$ 186,624</u>
Total current liabilities	<u>186,624</u>
NET ASSETS	<u>4,560,798</u>
Total net assets	<u>4,560,798</u>
Total liabilities and net assets	<u>\$ 4,747,422</u>

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST
STATEMENT OF REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 2004

REVENUE	
Investment income	\$ 83,909
	<hr/>
Total revenue	83,909
	<hr/>
EXPENSES	
Facility closure	139,532
Cell closure	1,871,004
Remediation	603,996
Site operations	3,100,270
Management and general	943,183
Unrealized depreciation on investment	15,852
	<hr/>
Total expenses	6,673,837
	<hr/>
DECREASE IN NET ASSETS	(6,589,928)
	<hr/>
NET ASSETS, beginning of year	11,150,726
	<hr/>
NET ASSETS, end of year	\$ 4,560,798
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (6,589,928)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Changes in deferred and accrued amounts	
Decrease in prepaid expenses	32,800
Increase in accounts payable	<u>150,066</u>
Net cash provided by operating activities	<u>(6,407,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from disposal of investments	<u>9,212,950</u>
Net cash provided by investing activities	<u>9,212,950</u>
Net increase in cash	2,805,888
CASH AND CASH EQUIVALENTS, beginning of year	<u>64,157</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,870,045</u>

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Pinewood Site Custodial Trust was established by the bankruptcy court on December 24, 2003 to effect closure and post-closure of the Pinewood Site, a hazardous waste landfill and treatment facility located in Sumter County, South Carolina, and formerly owned and operated by Safety-Kleen (Pinewood, Inc.). This trust fund will be treated as Qualified Settlement Funds under Sec. 1.468B of the Income Tax Regulations. DHEC is the sole beneficiary of the fund. Kestrel Horizons, LLC has been appointed and approved by DHEC as the Trustee.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recorded when incurred.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions related to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may ultimately differ from those estimates.

Cash and Cash Equivalents

The Trustee considers all holdings of highly liquid investments with original maturities of three months or less and investments in money market funds to be cash equivalents.

Income Tax

The fund is a Qualified Settlement Fund under Sec. 1.468B of the Income Tax Regulations, and all income is excludible from gross income under Sec. 115(1) of the Internal Revenue Code.

Investments

Investments are composed of bonds with readily determinable fair values. All investments are valued at their fair values on the balance sheet. Unrealized gains and losses are included in the statement of revenue and expenses.

NOTE 2 – INVESTMENTS

Investments as of December 31, 2004, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Fixed income	<u>\$ 1,743,751</u>	<u>\$ 1,727,898</u>	<u>\$ 1,727,898</u>
	<u><u>\$ 1,743,751</u></u>	<u><u>\$ 1,727,898</u></u>	<u><u>\$ 1,727,898</u></u>

The following schedule summarizes the investment return and its classification in the statement of revenue and expenses for the year ended December 31, 2004:

Interest income	\$ 83,909
Unrealized losses	<u>(15,852)</u>
Total investment return	<u><u>\$ 68,057</u></u>

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Trust maintains cash balances at one financial institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At December 31, 2004, the Trust had no cash balances on deposit in excess of insured limits.



Kestrel Horizons, LLC
As Trustee for the
Pinewood Site Custodial Trust
20-B Creekview Ct.
Greenville, SC 29615
Phone: (864) 288-6353
Fax: (864) 288-6354

January 21, 2005

McKinley, Cooper & Co., LLP
555 North Pleasantburg Drive
Suite 225
Greenville, South Carolina 29607

We are providing this letter in connection with your audit of the balance sheet of Pinewood Site Custodial Trust as of December 31, 2004, and the related statements of revenues and expenses and cash flows for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of Pinewood Site Custodial Trust in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of January 21, 2005, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all assets and liabilities under the Trust's control.
2. We have made available to you all—
 - a. Financial records and related data.
 - b. Summaries of actions of the Trustee of the Pinewood Site Custodial Trust in the form of Trust budgets and narratives.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in

the accounting records underlying the financial statements.

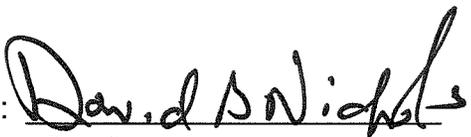
5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the Trust involving—
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Trust received in communications from employees, former employees, grantors, regulators, or others.
8. The Trust has no plans or intentions that may materially affect the carrying value of classification of assets, liabilities, or net asset balances.
9. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the Trust is contingently liable.
10. There are no estimates that may be subject to material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Trust vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.

12. Pinewood Site Custodial Trust is an exempt Trust under Section 115(1) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Trust's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up to date.
13. There are no –
 - a. Violations or possible violations of laws or regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies."
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
 - d. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.
14. The Trust has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.
15. We have complied with all restrictions on resources and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.

Signed: _____


William A. Stephens

Signed: _____


David G. Nichols

Title: Principal, Kestrel Horizons, LLC as Trustee
for the Pinewood Site Custodial Trust

Title: Principal, Kestrel Horizons, LLC as Trustee
for the Pinewood Site Custodial Trust

Date: _____

1/21/05

Date: _____

1/21/05

PINEWOOD SITE CUSTODIAL TRUST
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2005

PINEWOOD SITE CUSTODIAL TRUST

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Toni R. McKinley
Robert C. Cooper

Independent Auditor's Report

Kestrel Horizons, LLC
Trustee of the Pinewood Site Custodial Trust
Greenville, South Carolina

We have audited the accompanying balance sheet of Pinewood Site Custodial Trust as of December 31, 2005, and the related statements of revenue and expenses and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pinewood Site Custodial Trust as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

McKinley, Cooper & Co., LLP

January 12, 2006

PINEWOOD SITE CUSTODIAL TRUST

BALANCE SHEET
DECEMBER 31, 2005

CURRENT ASSETS	
Cash and cash equivalents	\$ 590,732
Prepaid expenses	<u>94,389</u>
Total current assets	<u>685,121</u>
Total assets	<u>\$ 685,121</u>
CURRENT LIABILITIES	
Accounts payable	\$ 423,017
Retainage payable	<u>187,557</u>
Total current liabilities	<u>610,574</u>
NET ASSETS	<u>74,547</u>
Total net assets	<u>74,547</u>
Total liabilities and net assets	<u>\$ 685,121</u>

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST
STATEMENT OF REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 2005

REVENUE	
AIG annuity	\$ 2,018,623
Transfer by DHEC from Environmental Impairment Trust Fund	1,750,000
Investment income	85,869
Gain on investment	<u>15,853</u>
Total revenue	<u>3,870,345</u>
 EXPENSES	
Facility closure	1,367,242
Cell closure	2,296,001
Remediation	952,174
Site operations	2,957,779
Management and general	<u>783,400</u>
Total expenses	<u>8,356,596</u>
 DECREASE IN NET ASSETS	 (4,486,251)
 NET ASSETS, beginning of year	 <u>4,560,798</u>
 NET ASSETS, end of year	 <u><u>\$ 74,547</u></u>

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES	\$ (4,486,251)
Decrease in net assets	
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Changes in deferred and accrued amounts	
Decrease in prepaid expenses	55,090
Increase in accounts payable	236,393
Increase in retainage payable	187,557
	<hr/>
Net cash provided by operating activities	(4,007,211)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from disposal of investments	1,727,898
	<hr/>
Net cash provided by investing activities	1,727,898
	<hr/>
Net decrease in cash	(2,279,313)
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CASH AND CASH EQUIVALENTS, beginning of year	2,870,045
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CASH AND CASH EQUIVALENTS, end of year	\$ 590,732
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Pinewood Site Custodial Trust was established by the bankruptcy court on December 24, 2003 to effect closure and post-closure of the Pinewood Site, a hazardous waste landfill and treatment facility located in Sumter County, South Carolina, and formerly owned and operated by Safety-Kleen (Pinewood, Inc.). This trust fund will be treated as Qualified Settlement Funds under Sec. 1.468B of the Income Tax Regulations. DHEC is the sole beneficiary of the fund. Kestrel Horizons, LLC has been appointed and approved by DHEC as the Trustee.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recorded when incurred.

Use of Estimates

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Cash and Cash Equivalents

The Trustee considers all holdings of highly liquid investments with original maturities of three months or less and investments in money market funds to be cash equivalents.

Income Tax

The fund is a Qualified Settlement Fund under Sec. 1.468B of the Income Tax Regulations, and all income is excludible from gross income under Sec. 115(1) of the Internal Revenue Code.

NOTE 2 – INVESTMENTS

The following schedule summarizes the investment return and its classification in the statement of revenue and expenses for the year ended December 31, 2005:

Interest income	\$	85,869
Gains		<u>15,853</u>
Total investment return	\$	<u><u>101,722</u></u>

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Trust maintains cash balances in one checking account at one financial institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At times during the year, balances may exceed insured amounts. At December 31, 2005, the Trust had no cash balances on deposit in excess of insured limits.



Kestrel Horizons, LLC
As Trustee for the
Pinewood Site Custodial Trust

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January 24, 2006

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Greenville, South Carolina 29607

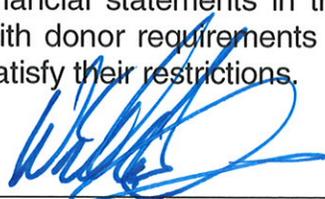
We are providing this letter in connection with your audit of the balance sheet of Pinewood Site Custodial Trust as of December 31, 2005, and the related statements of revenues and expenses and cash flows for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of Pinewood Site Custodial Trust in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of January 12, 2006, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all assets and liabilities under the Trust's control.
2. We have made available to you all—
 - a. Financial records and related data.
 - b. Summaries of actions of the Trustee of the Pinewood Site Custodial Trust in the form of Trust budgets and narratives.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

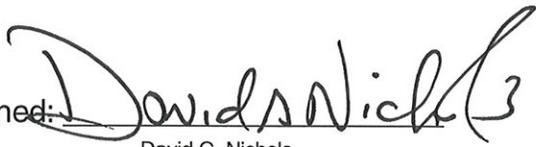
5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the Trust involving—
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Trust received in communications from employees, former employees, grantors, regulators, or others.
8. The Trust has no plans or intentions that may materially affect the carrying value of classification of assets, liabilities, or net asset balances.
9. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the Trust is contingently liable.
10. There are no estimates that may be subject to material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Trust vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.

12. Pinewood Site Custodial Trust is an exempt Trust under Section 115(1) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Trust's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up to date.
13. There are no –
 - a. Violations or possible violations of laws or regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies."
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
 - d. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.
14. The Trust has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.
15. We have complied with all restrictions on resources and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.

Signed: 
William A. Stephens

Title: Principal, Kestrel Horizons, LLC as Trustee
for the Pinewood Site Custodial Trust

Date: 1/24/06

Signed: 
David G. Nichols

Title: Principal, Kestrel Horizons, LLC as Trustee
for the Pinewood Site Custodial Trust

Date: 1/24/06

PINEWOOD SITE CUSTODIAL TRUST
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2006

PINEWOOD SITE CUSTODIAL TRUST

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Toni R. McKinley
Robert C. Cooper

Independent Auditor's Report

Kestrel Horizons, LLC
Trustee of the Pinewood Site Custodial Trust
Greenville, South Carolina

We have audited the accompanying balance sheet of Pinewood Site Custodial Trust as of December 31, 2006, and the related statements of revenue and expenses and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pinewood Site Custodial Trust as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

McKinley, Cooper & Co., LLP

January 12, 2007

PINEWOOD SITE CUSTODIAL TRUST

BALANCE SHEET
DECEMBER 31, 2006

CURRENT ASSETS

Cash and cash equivalents \$ 2,315,384

Total current assets 2,315,384

Total assets \$ 2,315,384

CURRENT LIABILITIES

Accounts payable \$ 591,947

Total current liabilities 591,947

NET ASSETS 1,723,437

Total net assets 1,723,437

Total liabilities and net assets \$ 2,315,384

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST
STATEMENT OF REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 2006

REVENUE	
AIG annuity	\$ 2,029,625
Transfer by DHEC from Environmental Impairment Trust Fund	3,222,986
Investment income	<u>96,531</u>
Total revenue	<u>5,349,142</u>
EXPENSES	
Facility closure	435,917
Cell closure	326,377
Remediation	87,952
Site operations	2,272,172
Management and general	<u>577,834</u>
Total expenses	<u>3,700,252</u>
INCREASE IN NET ASSETS	1,648,890
NET ASSETS, beginning of year	<u>74,547</u>
NET ASSETS, end of year	<u><u>\$ 1,723,437</u></u>

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 1,648,890
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Changes in deferred and accrued amounts	
Decrease in prepaid expenses	94,389
Increase in accounts payable	168,930
Decrease in retainage payable	<u>(187,557)</u>
Net cash provided by operating activities	<u>1,724,652</u>
Net increase in cash	1,724,652
CASH AND CASH EQUIVALENTS, beginning of year	<u>590,732</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,315,384</u>

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Pinewood Site Custodial Trust was established by the bankruptcy court on December 24, 2003 to effect closure and post-closure of the Pinewood Site, a hazardous waste landfill and treatment facility located in Sumter County, South Carolina, and formerly owned and operated by Safety-Kleen (Pinewood, Inc.). This trust fund will be treated as Qualified Settlement Funds under Sec. 1.468B of the Income Tax Regulations. DHEC is the sole beneficiary of the fund. Kestrel Horizons, LLC has been appointed and approved by DHEC as the Trustee.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recorded when incurred.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions related to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may ultimately differ from those estimates.

Cash and Cash Equivalents

The Trustee considers all holdings of highly liquid investments with original maturities of three months or less and investments in money market funds to be cash equivalents.

Income Tax

The fund is a Qualified Settlement Fund under Sec. 1.468B of the Income Tax Regulations, and all income is excludible from gross income under Sec. 115(1) of the Internal Revenue Code.

NOTE 2 – INVESTMENTS

The following schedule summarizes the investment return and its classification in the statement of revenue and expenses for the year ended December 31, 2006:

Interest income	\$ 96,531
Total investment return	<u>\$ 96,531</u>

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Trust maintains cash balances in one checking account at one financial institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At times during the year, balances may exceed insured amounts. At December 31, 2006, the Trust had no cash balances on deposit in excess of insured limits.

PINEWOOD SITE CUSTODIAL TRUST
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2007

PINEWOOD SITE CUSTODIAL TRUST

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Independent Auditor's Report

Kestrel Horizons, LLC
Trustee of Pinewood Site Custodial Trust
Greenville, South Carolina

We have audited the accompanying balance sheet of Pinewood Site Custodial Trust as of December 31, 2007, and the related statements of revenue and expenses and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pinewood Site Custodial Trust as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

January 11, 2008

PINEWOOD SITE CUSTODIAL TRUST

BALANCE SHEET
DECEMBER 31, 2007

CURRENT ASSETS

Cash and cash equivalents	\$ 902,039
Accounts receivable	18,920

Total current assets	<u>920,959</u>
-----------------------------	----------------

Total assets	<u><u>\$ 920,959</u></u>
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CURRENT LIABILITIES

Accounts payable	\$ 539,226
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Total current liabilities	<u>539,226</u>
----------------------------------	----------------

NET ASSETS

Total net assets	<u>381,733</u>
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Total liabilities and net assets	<u><u>\$ 920,959</u></u>
---	--------------------------

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST
STATEMENT OF REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 2007

REVENUE	
AIG Annuity	\$ 1,230,325
Investment income	<u>109,531</u>
Total revenue	<u>1,339,856</u>
 EXPENSES	
Post closure	203,402
Facility closure	12,561
Remediation	9,000
Site operations	1,894,908
Management and general	<u>561,689</u>
Total expenses	<u>2,681,560</u>
 DECREASE IN NET ASSETS	 (1,341,704)
 NET ASSETS, beginning of year	 <u>1,723,437</u>
 NET ASSETS, end of year	 <u><u>\$ 381,733</u></u>

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (1,341,704)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Changes in deferred and accrued amounts	
Increase in accounts receivable	(18,920)
Decrease in accounts payable	(52,721)
	<hr/>
Net cash provided by operating activities	(1,413,345)
	<hr/>
Net decrease in cash	(1,413,345)
CASH AND CASH EQUIVALENTS, beginning of year	2,315,384
	<hr/>
CASH AND CASH EQUIVALENTS, end of year	\$ 902,039
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Pinewood Site Custodial Trust was established by the bankruptcy court on December 24, 2003 to effect closure and post-closure of the Pinewood Site, a hazardous waste landfill and treatment facility located in Sumter County, South Carolina, and formerly owned and operated by Safety-Kleen (Pinewood, Inc.). This trust fund will be treated as Qualified Settlement Funds under Sec. 1.468B of the Income Tax Regulations. DHEC is the sole beneficiary of the fund. Kestrel Horizons, LLC has been appointed and approved by DHEC as the Trustee.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recorded when incurred.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions related to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may ultimately differ from those estimates.

Cash and Cash Equivalents

The Trustee considers all holdings of highly liquid investments with original maturities of three months or less and investments in money market funds to be cash equivalents.

Income Tax

The fund is a Qualified Settlement Fund under Sec. 1.468B of the Income Tax Regulations, and all income is excludible from gross income under Sec. 115(1) of the Internal Revenue Code.

NOTE 2 – INVESTMENTS

The following schedule summarizes the investment return and its classification in the statement of revenue and expenses for the year ended December 31, 2007:

Interest income	\$ 109,531
Total investment return	<u>\$ 109,531</u>

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Trust maintains cash balances in one checking account at one financial institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At times during the year, balances may exceed insured amounts. At December 31, 2007, the Trust had no cash balances on deposit in excess of insured limits.



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Toni R. McKinley
Robert C. Cooper

January 11, 2008

Kestrel Horizons, LLC
Trustee of Pinewood Site Custodial Trust
Greenville, South Carolina

Thank you for the cooperation given during our engagement with Pinewood Site Custodial Trust.

For the year ended December 31, 2007, we present the following observations and recommendations relating to the accounting operations of Pinewood Site Custodial Trust.

Review of Financial Statements

Our report for the 2007 audit expresses an **unqualified opinion** on the fair presentation of the financial statements, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Organizational Structure

In planning and performing our audit of the financial statements of Pinewood Site Custodial Trust in accordance with auditing standards generally accepted in the United States of America, we considered the Trust's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

No significant deficiencies were noted.

Kestrel Horizons, LLC
Trustee of Pinewood Site Custodial Trust
January 11, 2008
Page Two

Our comments are based upon conditions noted during our audit and are not intended to be all-inclusive. They are submitted to you as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any employee.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Trust and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to present these comments and recommendations for your consideration, and are prepared to discuss them further at your convenience and provide any implementation assistance for changes or improvements you may require.

Respectfully submitted,

PINEWOOD SITE CUSTODIAL TRUST
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2008

PINEWOOD SITE CUSTODIAL TRUST

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Independent Auditor's Report

Kestrel Horizons, LLC
Trustee of the Pinewood Site Custodial Trust
Greenville, South Carolina

We have audited the accompanying balance sheet of Pinewood Site Custodial Trust as of December 31, 2008, and the related statements of revenue and expenses and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pinewood Site Custodial Trust as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

McKinley, Cooper & Co., LLP

January 23, 2009

PINEWOOD SITE CUSTODIAL TRUST

**BALANCE SHEET
DECEMBER 31, 2008**

CURRENT ASSETS

Cash and cash equivalents	\$ 1,080,726
Prepaid insurance	83,701
	<hr/>
Total current assets	1,164,427
	<hr/>
Total assets	\$ 1,164,427

CURRENT LIABILITIES

Accounts payable	\$ 519,391
	<hr/>
Total current liabilities	519,391

NET ASSETS

	<hr/>
	645,036
	<hr/>
Total net assets	645,036
	<hr/>
Total liabilities and net assets	\$ 1,164,427

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST
STATEMENT OF REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 2008

REVENUE	
AIG Annuity	\$ 1,208,532
Transfer by DHEC from Environmental Impairment Trust Fund	1,537,051
Investment income	<u>26,169</u>
Total revenue	<u>2,771,752</u>
EXPENSES	
Post-closure	389,126
Facility closure	25,254
Remediation	13,249
Site operations	1,467,565
Management and general	<u>613,255</u>
Total expenses	<u>2,508,449</u>
INCREASE IN NET ASSETS	263,303
NET ASSETS, beginning of year	<u>381,733</u>
NET ASSETS, end of year	<u><u>\$ 645,036</u></u>

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 263,303
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Changes in deferred and accrued amounts	
Decrease in accounts receivable	18,920
Decrease in accounts payable	(19,835)
Increase in prepaid expenses	(83,701)
	<hr/>
Net cash provided by operating activities	178,687
	<hr/>
NET INCREASE IN CASH	178,687
CASH AND CASH EQUIVALENTS, beginning of year	902,039
	<hr/>
CASH AND CASH EQUIVALENTS, end of year	\$ 1,080,726
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Pinewood Site Custodial Trust was established by the bankruptcy court on December 24, 2003 to effect closure and post-closure of the Pinewood Site, a hazardous waste landfill and treatment facility located in Sumter County, South Carolina, and formerly owned and operated by Safety-Kleen (Pinewood, Inc.). This trust fund will be treated as Qualified Settlement Funds under Sec. 1.468B of the Income Tax Regulations. DHEC is the sole beneficiary of the fund. Kestrel Horizons, LLC has been appointed and approved by DHEC as the Trustee.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recorded when incurred.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions related to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may ultimately differ from those estimates.

Cash and Cash Equivalents

The Trustee considers all holdings of highly liquid investments with original maturities of three months or less and investments in money market funds to be cash equivalents.

Income Tax

The fund is a Qualified Settlement Fund under Sec. 1.468B of the Income Tax Regulations, and all income is excludible from gross income under Sec. 115(1) of the Internal Revenue Code.

NOTE 2 – INVESTMENTS

The following schedule summarizes the investment return and its classification in the statement of revenue and expenses for the year ended December 31, 2008:

Interest income	\$ 26,169
Total investment return	<u>\$ 26,169</u>

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Trust maintains cash balances in one checking account at one financial institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 until December 31, 2009. At times during the year, balances may exceed insured amounts. At December 31, 2008, the Trust had no cash balances on deposit in excess of insured limits.



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January 23, 2009

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Trustee of Pinewood Site Custodial Trust
Greenville, South Carolina

Thank you for the cooperation given during our engagement with Pinewood Site Custodial Trust.

For the year ended December 31, 2008, we present the following observations and recommendations relating to the accounting operations of Pinewood Site Custodial Trust.

Review of Financial Statements

Our report for the 2008 audit expresses an **unqualified opinion** on the fair presentation of the financial statements, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Yearend Cutoffs

Due to the timing constraints and deadlines for the audited financials, we recommend that management institute a policy for the cutoff of yearend payables to allow time for adequate audit procedures. With a January 31 deadline, we recommend a cutoff of January 15 as a reasonable date.

Organizational Structure

In planning and performing our audit of the financial statements of Pinewood Site Custodial Trust in accordance with auditing standards generally accepted in the United States of America, we considered the Trust's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process,

Kestrel Horizons, LLC
Trustee of Pinewood Site Custodial Trust
January 23, 2009
Page Two

or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

No significant deficiencies were noted.

Our comments are based upon conditions noted during our audit and are not intended to be all-inclusive. They are submitted to you as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any employee.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Trust and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to present these comments and recommendations for your consideration, and are prepared to discuss them further at your convenience and provide any implementation assistance for changes or improvements you may require.

Respectfully submitted,

McKinley, Cooper & Co., LLP

PINEWOOD SITE CUSTODIAL TRUST
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2009

PINEWOOD SITE CUSTODIAL TRUST

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Toni R. McKinley
Robert C. Cooper

Independent Auditor's Report

Kestrel Horizons, LLC
Trustee of the Pinewood Site Custodial Trust
Greenville, South Carolina

We have audited the accompanying balance sheet of Pinewood Site Custodial Trust as of December 31, 2009, and the related statements of revenue and expenses and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pinewood Site Custodial Trust as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

McKinley, Cooper & Co., LLP

January 25, 2010

PINEWOOD SITE CUSTODIAL TRUST

BALANCE SHEET
DECEMBER 31, 2009

CURRENT ASSETS

Cash and cash equivalents	\$ 772,543
Prepaid insurance	90,932

Total current assets	<u>863,475</u>
-----------------------------	----------------

Total assets	<u><u>\$ 863,475</u></u>
---------------------	--------------------------

CURRENT LIABILITIES

Accounts payable	\$ 940,879
------------------	------------

Total current liabilities	<u>940,879</u>
----------------------------------	----------------

NET ASSETS

	<u>(77,404)</u>
--	-----------------

Total net assets	<u>(77,404)</u>
-------------------------	-----------------

Total liabilities and net assets	<u><u>\$ 863,475</u></u>
---	--------------------------

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST
STATEMENT OF REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 2009

REVENUE	
AIG Annuity	\$ 1,156,238
Transfer by DHEC from Environmental Impairment Trust Fund	7,020,000
Investment income	<u>4,251</u>
Total revenue	<u>8,180,489</u>
EXPENSES	
Post-closure improvement project	5,291,426
Site operations	2,364,469
Management and general	<u>1,247,034</u>
Total expenses	<u>8,902,929</u>
DECREASE IN NET ASSETS	(722,440)
NET ASSETS, beginning of year	<u>645,036</u>
NET ASSETS, end of year	<u><u>\$ (77,404)</u></u>

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (722,440)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Changes in deferred and accrued amounts	
Increase in accounts payable	421,488
Increase in prepaid expenses	<u>(7,231)</u>
Net cash used by operating activities	<u>(308,183)</u>
NET DECREASE IN CASH	(308,183)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,080,726</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 772,543</u></u>

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Pinewood Site Custodial Trust was established by the bankruptcy court on December 24, 2003 to effect closure and post-closure of the Pinewood Site, a hazardous waste landfill and treatment facility located in Sumter County, South Carolina, and formerly owned and operated by Safety-Kleen (Pinewood, Inc.). This trust fund will be treated as Qualified Settlement Funds under Sec. 1.468B of the Income Tax Regulations. DHEC is the sole beneficiary of the fund. Kestrel Horizons, LLC has been appointed and approved by DHEC as the Trustee.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recorded when incurred.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions related to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may ultimately differ from those estimates.

Cash and Cash Equivalents

The Trustee considers all holdings of highly liquid investments with original maturities of three months or less and investments in money market funds to be cash equivalents.

Income Tax

The fund is a Qualified Settlement Fund under Sec. 1.468B of the Income Tax Regulations, and all income is excludable from gross income under Sec. 115(1) of the Internal Revenue Code.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and deposits approximate fair value because of the terms and relative short maturity of financial instruments. The carrying values, which are the fair value of investments, are based on values provided by an external investment manager or comparison to quoted market values.

NOTE 2 – INVESTMENTS

The following schedule summarizes the investment return and its classification in the statement of revenue and expenses for the year ended December 31, 2009:

Interest income	\$ 4,251
Total investment return	<u>\$ 4,251</u>

NOTE 3 – FAIR VALUE MEASUREMENTS

The accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – financial instruments with quoted prices in active markets for identical assets or liabilities.

Level 2 – financial instruments with valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by the investment manager.

The following tables summarize the valuation of the Trust's financial assets and liabilities measured at fair value as of December 31, 2009, based on the level of input utilized to measure fair value:

	Fair value at December 31, 2009	Fair value measurements at December 31, 2009 using		
		Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
<u>Assets measured at fair value</u>				
Money Market Funds	\$ 724,637	\$ 724,637	\$ -	\$ -
Total assets at fair value	<u>\$ 724,637</u>	<u>\$ 724,637</u>	<u>\$ -</u>	<u>\$ -</u>

Prices for money market funds, U.S. Treasury bonds and notes, equities, and preferred stock and bond funds are readily available in the active markets in which those securities are traded, and the resulting fair values are shown in the "Level 1 input" column.

NOTE 4 – CONCENTRATION OF CREDIT RISK

The Trust maintains cash balances in one checking account at one financial institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 until December 31, 2010. At times during the year, balances may exceed insured amounts. At December 31, 2009, the Trust had no cash balances on deposit in excess of insured limits.

NOTE 5 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 25, 2010, which is the date the financial statements were available to be issued.



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Toni R. McKinley
Robert C. Cooper

January 25, 2010

Kestrel Horizons, LLC
Trustee of Pinewood Site Custodial Trust
Greenville, South Carolina

Thank you for the cooperation given during our engagement with Pinewood Site Custodial Trust.

For the year ended December 31, 2009, we present the following observations and recommendations relating to the accounting operations of Pinewood Site Custodial Trust.

Review of Financial Statements

Our report for the 2009 audit expresses an **unqualified opinion** on the fair presentation of the financial statements, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Yearend Cutoffs

Due to the timing constraints and deadlines for the audited financials, we recommend that management institute a policy for the cutoff of yearend payables to allow time for adequate audit procedures. With a January 31 deadline, we recommend a cutoff of January 15 as a reasonable date.

Organizational Structure

In planning and performing our audit of the financial statements of Pinewood Site Custodial Trust in accordance with auditing standards generally accepted in the United States of America, we considered the Trust's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process,

Kestrel Horizons, LLC
Trustee of Pinewood Site Custodial Trust
January 25, 2010
Page Two

or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

No significant deficiencies were noted.

Our comments are based upon conditions noted during our audit and are not intended to be all-inclusive. They are submitted to you as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any employee.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Trust and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to present these comments and recommendations for your consideration, and are prepared to discuss them further at your convenience and provide any implementation assistance for changes or improvements you may require.

Respectfully submitted,

McKinley, Cooper & Co., LLC

PINEWOOD SITE CUSTODIAL TRUST
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2010

PINEWOOD SITE CUSTODIAL TRUST

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Independent Auditor's Report

Kestrel Horizons, LLC
Trustee of the Pinewood Site Custodial Trust
Greenville, South Carolina

We have audited the accompanying balance sheet of Pinewood Site Custodial Trust as of December 31, 2010, and the related statements of revenue and expenses and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pinewood Site Custodial Trust as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

McKinley, Cooper & Co., LLC

January 17, 2011

PINEWOOD SITE CUSTODIAL TRUST

**BALANCE SHEET
DECEMBER 31, 2010**

CURRENT ASSETS

Cash and cash equivalents
Prepaid insurance

\$ 1,007,215
72,364

Total current assets

1,079,579

Total assets

\$ 1,079,579

CURRENT LIABILITIES

Accounts payable

\$ 590,418

Total current liabilities

590,418

NET ASSETS

489,161

Total net assets

489,161

Total liabilities and net assets

\$ 1,079,579

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST
STATEMENT OF REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 2010

REVENUE	
AIG Annuity	\$ 1,125,403
Transfer by DHEC from Environmental Impairment Trust Fund	4,405,000
Investment income	<u>524</u>
Total revenue	<u>5,530,927</u>
EXPENSES	
Post-closure improvement project	1,376,454
Site operations	2,248,100
Management and general	<u>1,339,808</u>
Total expenses	<u>4,964,362</u>
INCREASE IN NET ASSETS	566,565
NET ASSETS, beginning of year	<u>(77,404)</u>
NET ASSETS, end of year	<u><u>\$ 489,161</u></u>

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES	\$ 566,565
Increase in net assets	
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Changes in deferred and accrued amounts	18,568
Decrease in prepaid expenses	(350,461)
Decrease in accounts payable	
	<u>234,672</u>
Net cash provided by operating activities	<u>234,672</u>
NET INCREASE IN CASH	<u>234,672</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>772,543</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,007,215</u></u>

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Pinewood Site Custodial Trust was established by the bankruptcy court on December 24, 2003 to effect closure and post-closure of the Pinewood Site, a hazardous waste landfill and treatment facility located in Sumter County, South Carolina, and formerly owned and operated by Safety-Kleen (Pinewood, Inc.). This trust fund will be treated as Qualified Settlement Funds under Sec. 1.468B of the Income Tax Regulations. DHEC is the sole beneficiary of the fund. Kestrel Horizons, LLC has been appointed and approved by DHEC as the Trustee.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recorded when incurred.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions related to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may ultimately differ from those estimates.

Cash and Cash Equivalents

The Trustee considers all holdings of highly liquid investments with original maturities of three months or less and investments in money market funds to be cash equivalents.

Income Tax

The fund is a Qualified Settlement Fund under Sec. 1.468B of the Income Tax Regulations, and all income is excludible from gross income under Sec. 115(1) of the Internal Revenue Code.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and deposits approximate fair value because of the terms and relative short maturity of financial instruments. The carrying values, which are the fair value of investments, are based on values provided by an external investment manager or comparison to quoted market values.

NOTE 2 – INVESTMENTS

The following schedule summarizes the investment return and its classification in the statement of revenue and expenses for the year ended December 31, 2010:

Interest income	\$ 524
Total investment return	<u>\$ 524</u>

NOTE 3 – FAIR VALUE MEASUREMENTS

The accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – financial instruments with quoted prices in active markets for identical assets or liabilities.

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Level 3 – financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by the investment manager.

The following tables summarize the valuation of the Trust's financial assets and liabilities measured at fair value as of December 31, 2010, based on the level of input utilized to measure fair value:

Assets measured at fair value	Fair value at December 31, 2010	Fair value measurements at December 31, 2010 using		
		Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Money Market Funds	\$ 999,212	\$ 999,212	\$ -	\$ -
Total assets at fair value	<u>\$ 999,212</u>	<u>\$ 999,212</u>	<u>\$ -</u>	<u>\$ -</u>

Prices for money market funds, U.S. Treasury bonds and notes, equities, and preferred stock and bond funds are readily available in the active markets in which those securities are traded, and the resulting fair values are shown in the "Level 1 input" column.

NOTE 4 – CONCENTRATION OF CREDIT RISK

The Trust maintains cash balances in one checking account at one financial institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 until December 31, 2011. At times during the year, balances may exceed insured amounts.

NOTE 5 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 27, 2011, which is the date the financial statements were available to be issued.

**REPORT TO KESTREL HORIZONS, LLC
TRUSTEE OF THE PINEWOOD SITE CUSTODIAL TRUST**

PINEWOOD SITE CUSTODIAL TRUST

DECEMBER 31, 2010

PINEWOOD SITE CUSTODIAL TRUST

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AUDITOR COMMUNICATIONS

Kestrel Horizons, LLC
Trustee of the Pinewood Site Custodial Trust
Greenville, South Carolina

We have audited the financial statements of Pinewood Site Custodial Trust for the year ended December 31, 2010, and have issued our report thereon dated January 17, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our previously issued engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Pinewood Site Custodial Trust are described in Note 1 to the financial statements.

We noted no transactions entered into by Pinewood Site Custodial Trust during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Kestrel Horizons, LLC
Trustee of the Pinewood Site Custodial Trust
January 17, 2011

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

We encountered no significant misstatements during the course of our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 17, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Pinewood Site Custodial Trust's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Pinewood Site Custodial Trust's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Kestrel Horizons, LLC, the Trustee of the Pinewood Site Custodial Trust, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

McKinley, Cooper & Co., LLC

January 17, 2011

PINEWOOD SITE CUSTODIAL TRUST
SUMMARY OF PROFESSIONAL SERVICES

- Annual audit of financial statements
- Annual report to management on observations and recommendations for improvements

PINEWOOD SITE CUSTODIAL TRUST

OVERVIEW OF AUDITOR'S REPORT

Our report for the 2010 audit expresses an **unqualified opinion** on the fair presentation of the financial statements in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Internal control related matters have been reported in the attached letter.

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COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS

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Kestrel Horizons, LLC
Trustee of the Pinewood Site Custodial Trust
Greenville, South Carolina

In planning and performing our audit of the financial statements of Pinewood Site Custodial Trust as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Pinewood Site Custodial Trust's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pinewood Site Custodial Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pinewood Site Custodial Trust's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

No significant deficiencies were noted.

This communication is intended solely for the information and use of Kestrel Horizons, LLC, the Trustee of the Pinewood Site Custodial Trust, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

McKinley, Cooper & Co., LLC

January 17, 2011

PINEWOOD SITE CUSTODIAL TRUST

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2011

PINEWOOD SITE CUSTODIAL TRUST

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Independent Auditor's Report

Kestrel Horizons, LLC
Trustee of the Pinewood Site Custodial Trust
Greenville, South Carolina

We have audited the accompanying balance sheet of Pinewood Site Custodial Trust as of December 31, 2011, and the related statements of revenue and expenses and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pinewood Site Custodial Trust as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

McKinley, Cooper & Co., LLC

January 23, 2012

PINEWOOD SITE CUSTODIAL TRUST

BALANCE SHEET
DECEMBER 31, 2011

CURRENT ASSETS

Cash and cash equivalents	\$ 9,588
Prepaid insurance	92,725

Total current assets 102,313

Total assets \$ 102,313

CURRENT LIABILITIES

Accounts payable	\$ 261,020
------------------	------------

Total current liabilities 261,020

NET ASSETS (158,707)

Total net assets (158,707)

Total liabilities and net assets \$ 102,313

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST
STATEMENT OF REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 2011

REVENUE	
AIG Annuity	\$ 1,151,045
Transfer by DHEC from Environmental Impairment Trust Fund	3,075,000
Investment income	97
Total revenue	4,226,142
 EXPENSES	
Post-closure improvement project	1,052,274
Site operations	2,640,570
Management and general	1,181,166
Total expenses	4,874,010
 DECREASE IN NET ASSETS	 (647,868)
NET ASSETS, beginning of year	489,161
NET ASSETS, end of year	\$ (158,707)

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (647,868)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Changes in deferred and accrued amounts	
Increase in prepaid expenses	(20,361)
Decrease in accounts payable	<u>(329,398)</u>
Net cash used by operating activities	<u>(997,627)</u>
NET DECREASE IN CASH	(997,627)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,007,215</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 9,588</u></u>

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Pinewood Site Custodial Trust was established by the bankruptcy court on December 24, 2003 to effect closure and post-closure of the Pinewood Site, a hazardous waste landfill and treatment facility located in Sumter County, South Carolina, and formerly owned and operated by Safety-Kleen (Pinewood, Inc.). This trust fund will be treated as Qualified Settlement Funds under Sec. 1.468B of the Income Tax Regulations. DHEC is the sole beneficiary of the fund. Kestrel Horizons, LLC has been appointed and approved by DHEC as the Trustee.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recorded when incurred.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions related to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may ultimately differ from those estimates.

Cash and Cash Equivalents

The Trustee considers all holdings of highly liquid investments with original maturities of three months or less and investments in money market funds to be cash equivalents.

Income Tax

The fund is a Qualified Settlement Fund under Sec. 1.468B of the Income Tax Regulations, and all income is excludible from gross income under Sec. 115(1) of the Internal Revenue Code.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and deposits approximate fair value because of the terms and relative short maturity of financial instruments. The carrying values, which are the fair value of investments, are based on values provided by an external investment manager or comparison to quoted market values.

NOTE 2 – INVESTMENTS

The following schedule summarizes the investment return and its classification in the statement of revenue and expenses for the year ended December 31, 2011:

Interest income	\$	97
Total investment return	\$	<u>97</u>

NOTE 3 – FAIR VALUE MEASUREMENTS

The accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – financial instruments with quoted prices in active markets for identical assets or liabilities.

Level 2 – financial instruments with valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by the investment manager.

The following tables summarize the valuation of the Trust's financial assets and liabilities measured at fair value as of December 31, 2011, based on the level of input utilized to measure fair value:

Assets measured at fair value	Fair value at December 31, 2011	Fair value measurements at December 31, 2011 using		
		Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Money Market Funds	\$ 6,208	\$ 6,208	\$ -	\$ -
Total assets at fair value	\$ 6,208	\$ 6,208	\$ -	\$ -

Prices for money market funds, U.S. Treasury bonds and notes, equities, and preferred stock and bond funds are readily available in the active markets in which those securities are traded, and the resulting fair values are shown in the "Level 1 input" column.

NOTE 4 – CONCENTRATION OF CREDIT RISK

The Trust maintains cash balances in one checking account at one financial institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 until December 31, 2012. At times during the year, balances may exceed insured amounts.

NOTE 5 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 25, 2012, which is the date the financial statements were available to be issued.

**REPORT TO KESTREL HORIZONS, LLC
TRUSTEE OF THE PINWOOD SITE CUSTODIAL TRUST**

PINWOOD SITE CUSTODIAL TRUST

DECEMBER 31, 2011

PINEWOOD SITE CUSTODIAL TRUST

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AUDITOR COMMUNICATIONS

Kestrel Horizons, LLC
Trustee of the Pinewood Site Custodial Trust
Greenville, South Carolina

We have audited the financial statements of Pinewood Site Custodial Trust for the year ended December 31, 2011, and have issued our report thereon dated January 23, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our previously issued engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Pinewood Site Custodial Trust are described in Note 1 to the financial statements.

We noted no transactions entered into by Pinewood Site Custodial Trust during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Kestrel Horizons, LLC
Trustee of the Pinewood Site Custodial Trust
January 23, 2012

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

We encountered no significant misstatements during the course of our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 23, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Pinewood Site Custodial Trust's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Pinewood Site Custodial Trust's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Kestrel Horizons, LLC, the Trustee of the Pinewood Site Custodial Trust, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

McKinley, Cooper & Co., LLC

January 23, 2012

PINEWOOD SITE CUSTODIAL TRUST
SUMMARY OF PROFESSIONAL SERVICES

- Annual audit of financial statements
- Annual report to management on observations and recommendations for improvements

PINEWOOD SITE CUSTODIAL TRUST
OVERVIEW OF AUDITOR'S REPORT

Our report for the 2011 audit expresses an **unqualified opinion** on the fair presentation of the financial statements in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Internal control related matters have been reported in the attached letter.

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**COMMUNICATION OF INTERNAL CONTROL
RELATED MATTERS**

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Kestrel Horizons, LLC
Trustee of the Pinewood Site Custodial Trust
Greenville, South Carolina

In planning and performing our audit of the financial statements of Pinewood Site Custodial Trust as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Pinewood Site Custodial Trust's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pinewood Site Custodial Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pinewood Site Custodial Trust's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

No significant deficiencies were noted.

This communication is intended solely for the information and use of Kestrel Horizons, LLC, the Trustee of the Pinewood Site Custodial Trust, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

McKinley, Cooper & Co., LLC

January 23, 2012

PINEWOOD SITE CUSTODIAL TRUST

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2012

PINEWOOD SITE CUSTODIAL TRUST

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Independent Auditor's Report

Kestrel Horizons, LLC
Trustee of the Pinewood Site Custodial Trust
Greenville, South Carolina

We have audited the accompanying balance sheet of Pinewood Site Custodial Trust as of December 31, 2012, and the related statements of revenue and expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Kestrel Horizons, LLC
Trustee of the Pinewood Site Custodial Trust
January 30, 2013

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pinewood Site Custodial Trust as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

McKinley, Cooper & Co., LLC

January 30, 2013

PINEWOOD SITE CUSTODIAL TRUST

BALANCE SHEET
DECEMBER 31, 2012

CURRENT ASSETS

Cash and cash equivalents	\$ 653,420
Prepaid expense	223,366

Total current assets	<u>876,786</u>
-----------------------------	----------------

Total assets	<u><u>\$ 876,786</u></u>
---------------------	--------------------------

CURRENT LIABILITIES

Accounts payable	\$ 773,424
------------------	------------

Total current liabilities	<u>773,424</u>
----------------------------------	----------------

NET ASSETS

	<u>103,362</u>
--	----------------

Total net assets	<u>103,362</u>
-------------------------	----------------

Total liabilities and net assets	<u><u>\$ 876,786</u></u>
---	--------------------------

The accompanying notes are an integral part of these financial statements.

PINWOOD SITE CUSTODIAL TRUST
 STATEMENT OF REVENUE AND EXPENSES
 YEAR ENDED DECEMBER 31, 2012

REVENUE	
AIG Annuity	\$ 1,085,540
Transfer by DHEC from Environmental Impairment Trust Fund	9,000,000
Investment income	360
Total revenue	10,085,900
 EXPENSES	
Post-closure improvement project	5,856,653
Site operations	2,743,704
Management and general	1,223,474
Total expenses	9,823,831
INCREASE IN NET ASSETS	262,069
NET ASSETS, beginning of year	(158,707)
NET ASSETS, end of year	\$ 103,362

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 262,069
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Changes in deferred and accrued amounts	
Increase in prepaid expenses	(130,641)
Increase in accounts payable	512,404
	<hr/>
Net cash provided by operating activities	643,832
	<hr/>
NET INCREASE IN CASH	643,832
CASH AND CASH EQUIVALENTS , beginning of year	<hr/> 9,588
CASH AND CASH EQUIVALENTS , end of year	<hr/> \$ 653,420 <hr/>

The accompanying notes are an integral part of these financial statements.

PINEWOOD SITE CUSTODIAL TRUST

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Pinewood Site Custodial Trust was established by the bankruptcy court on December 24, 2003, to effect closure and post-closure of the Pinewood Site, a hazardous waste landfill and treatment facility located in Sumter County, South Carolina, and formerly owned and operated by Safety-Kleen (Pinewood, Inc.). This trust fund will be treated as Qualified Settlement Funds under Sec. 1.468B of the Income Tax Regulations. DHEC is the sole beneficiary of the fund. Kestrel Horizons, LLC has been appointed and approved by DHEC as the Trustee.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recorded when incurred.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions related to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may ultimately differ from those estimates.

Cash and Cash Equivalents

The Trustee considers all holdings of highly liquid investments with original maturities of three months or less and investments in money market funds to be cash equivalents.

Income Tax

The fund is a Qualified Settlement Fund under Sec. 1.468B of the Income Tax Regulations, and all income is excludible from gross income under Sec. 115(1) of the Internal Revenue Code.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and deposits approximate fair value because of the terms and relative short maturity of financial instruments. The carrying values, which are the fair value of investments, are based on values provided by an external investment manager or comparison to quoted market values.

NOTE 2 – INVESTMENTS

The following schedule summarizes the investment return and its classification in the statement of revenue and expenses for the year ended December 31, 2012:

Interest income	\$	360
Total investment return	\$	<u>360</u>

NOTE 3 – FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, establishes a consistent framework for measuring fair value in accordance with GAAP, and expands disclosure requirements about fair value measurements. The pronouncement defines fair value and establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The hierarchy is broken down into three levels based on inputs that market participants would use in valuing the asset or liability based on market data obtained from sources independent of the Trust as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors.

The following table summarizes the valuation of the Trust's financial assets and liabilities measured at fair value as of December 31, 2012, based on level of input used to measure fair value:

	Level 1	Total
Money Market funds	<u>\$ 644,422</u>	<u>\$ 644,422</u>

Prices for money market funds, U.S. Treasury bonds and notes, equities, and preferred stock and bond funds are readily available in the active markets in which those securities are traded, and the resulting fair values are shown in the “Level 1 input” column.

NOTE 4 – CONCENTRATION OF CREDIT RISK

The Trust maintains cash balances in one checking account at one financial institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, balances may exceed insured amounts.

NOTE 5 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 30, 2013, which is the date the financial statements were available to be issued.

**REPORT TO KESTREL HORIZONS, LLC
TRUSTEE OF THE PINWOOD SITE CUSTODIAL TRUST**

PINWOOD SITE CUSTODIAL TRUST

DECEMBER 31, 2012

PINEWOOD SITE CUSTODIAL TRUST

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AUDITOR COMMUNICATIONS

Kestrel Horizons, LLC
Trustee of the Pinewood Site Custodial Trust
Greenville, South Carolina

We have audited the financial statements of Pinewood Site Custodial Trust for the year ended December 31, 2012, and have issued our report thereon dated January 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our previously issued engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Pinewood Site Custodial Trust are described in Note 1 to the financial statements.

We noted no transactions entered into by Pinewood Site Custodial Trust during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Kestrel Horizons, LLC
Trustee of the Pinewood Site Custodial Trust
January 30, 2013

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

We encountered no significant misstatements during the course of our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 30, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Pinewood Site Custodial Trust's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Pinewood Site Custodial Trust's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Kestrel Horizons, LLC, the Trustee of the Pinewood Site Custodial Trust, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

McKinley, Cooper & Co., LLC

January 30, 2013

PINEWOOD SITE CUSTODIAL TRUST
SUMMARY OF PROFESSIONAL SERVICES

- Annual audit of financial statements
- Annual report to management on observations and recommendations for improvements

PINEWOOD SITE CUSTODIAL TRUST
OVERVIEW OF AUDITOR'S REPORT

Our report for the 2012 audit expresses an **unqualified opinion** on the fair presentation of the financial statements in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Internal control related matters have been reported in the attached letter.

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**COMMUNICATION OF INTERNAL
CONTROL RELATED MATTERS**



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Kestrel Horizons, LLC
Trustee of the Pinewood Site Custodial Trust
Greenville, South Carolina

In planning and performing our audit of the financial statements of Pinewood Site Custodial Trust as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Pinewood Site Custodial Trust's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pinewood Site Custodial Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pinewood Site Custodial Trust's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

No significant deficiencies were noted.

This communication is intended solely for the information and use of Kestrel Horizons, LLC, the Trustee of the Pinewood Site Custodial Trust, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

McKinley, Cooper & Co., LLC

January 30, 2013

ATTACHMENT 4

PINWOOD EXPENSES / ENVIRONMENTAL PROTECTION PROJECTS

2004:

Environmental Protection Projects	Expenses
<ul style="list-style-type: none"> • Storage/Treatment Facility Closure • 5.25 acre Multi-layer Landfill Liner in Closure Cell • Treatment of 15,000 yd³ Contaminated Soils • Stormwater Management Upgrades and Roadway Improvements • Primary Settlement Pond Expansion and Additional Settling Basin Construction for Stormwater Quality Improvements 	\$2,614,532
Site Management and Operations	\$4,043,453
TOTAL	\$6,673,837

2005:

Environmental Protection Projects	Expenses
<ul style="list-style-type: none"> • Excavation of >100,000 yd³ Contaminated Soils • Filling Closure Cell and Adjacent Cell with 750,000 yd³ On-site Soils • Installation of 18.3 acre Multi-layer Cover System for Closure Cell and Adjacent Cell 	\$4,615,417
Site Management and Operations	\$3,741,179
TOTAL	\$8,356,596

2006:

Environmental Protection Projects	Expenses
<ul style="list-style-type: none"> • Leachate Management System Improvements 	\$850,246
Site Management and Operations	\$2,850,006
TOTAL	\$3,700,252

2007:

Environmental Protection Projects	Expenses
<ul style="list-style-type: none">• Stormwater Improvements• Leachate Collection System Improvements	\$224,963
Site Management and Operations	\$2,456,597
TOTAL	\$2,681,560

2008:

Environmental Protection Projects	Expenses
<ul style="list-style-type: none">• Power Distribution System Upgrade Analysis and Design• Leachate Treatability Study	\$427,629
Site Management and Operations	\$2,080,820
TOTAL	\$2,508,449

2009:

Environmental Protection Projects	Expenses
<ul style="list-style-type: none">• Stormwater Management Improvements• Power Distribution System Upgrade• Leachate Collection System Upgrades• Leachate Treatability Studies• Site Security Upgrades	\$5,291,426
Site Management and Operations	\$3,611,503
TOTAL	\$8,902,929

2010:

Environmental Protection Projects	Expenses
<ul style="list-style-type: none">• Leachate Tank Farm Upgrades• Leachate Collection System Upgrades• Leachate Treatability Studies	\$1,376,454
Site Management and Operations	\$3,587,908
TOTAL	\$4,964,362

2011:

Environmental Protection Projects	Expenses
<ul style="list-style-type: none">• Leachate Collection System Upgrades• Leachate Treatment System Planning and Design	\$1,052,274
Site Management and Operations	\$3,821,736
TOTAL	\$4,874,010

2012:

Environmental Protection Projects	Expenses
<ul style="list-style-type: none">• Leachate Treatment System Planning, Design, Construction	\$5,856,653
Site Management and Operations	\$3,967,178
TOTAL	\$9,823,831

ATTACHMENT 5



Catherine B. Templeton, Director

Promoting and protecting the health of the public and the environment

January 7, 2014

Pinewood Update to Interested Parties

I'm writing to update you on the actions DHEC is taking to ensure the Pinewood Site is stable and properly managed for the next 90 years. There are no imminent threats to public health or the environment, but it has become clear that the funds set aside in bankruptcy will not be enough for long-term management of the Site.

We're encouraged that extensive monitoring of the Pinewood Site shows no signs that the Site's disposed waste has leaked outside the landfill area or into Lake Marion, and it is critical that we make sure it remains that way for future generations.

As you may know, the bankruptcy settlement with former site owner Safety Kleen established two trust funds: the Pinewood Trust and the Impairment Fund. The Pinewood Trust funds operation and maintenance costs for the Site, and the Impairment Fund pays for cleanup and restoration costs at the Site that aren't covered by the Pinewood Trust. Neither bankruptcy fund was sufficiently funded when it was established in 2003. The annual annuity payment to the Pinewood Trust has not and will not completely fund post-closure care at the Site. The Impairment Fund currently contains approximately \$7.2M, which is projected to be depleted within the next three years. The 2014 budget proposed by Kestrel Horizons, the trustee responsible for management of the Site, requests almost \$3M of the remaining \$7.25M available.

When made aware of the dwindling resources available to manage the site, DHEC Director Catherine Templeton immediately began looking for solutions. Director Templeton reviewed the 2014 budget, had extensive conversations with the trustee, and visited the Pinewood Site. Given the need projected by the trustee, the amount remaining in the funds, and the complexity of the Pinewood Site – Director Templeton is asking policy makers to give their immediate attention to the long-term financial needs of the site.

Director Templeton met with legislative and local leaders, conservationists, and stakeholders this week to voice her concerns about the financial viability of the trusts. Director Templeton is also taking action to comprehensively determine the future needs at the site. DHEC also requested bids from leading environmental experts throughout the nation to complete a comprehensive and complete environmental assessment of the Pinewood Site. The most qualified company will be hired to thoroughly establish the true needs and costs for guaranteed safety and maintenance of the site over the long term. As soon as the assessment is complete, DHEC will notify you and post a copy of the report to the DHEC website. It is anticipated that the review will require at least nine months for completion.

Pinewood Update to Interested Parties
January 7, 2014
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The Pinewood Site is currently environmentally stable, but it requires our care and attention to ensure we can continue to enjoy the drinking water, recreation, wildlife, and other benefits offered by Lake Marion and the surrounding area. Thank you for your ongoing attention to this important issue and for your commitment to the safety of our health and environment. I hope you'll lend your support to this critical effort to establish the true long-term needs of the Pinewood Site and ensure the trusts are adequately funded for future generations.

For more information about the work performed over the last ten years and the expenditure of funds, please visit <http://www.scdhec.gov/environment/pinewood>. If you have additional questions, I will be glad to help you. My direct line is (803) 898-0290.

Sincerely,

A handwritten signature in black ink, appearing to read "D. M. Scaturo", with a long horizontal flourish extending to the right.

David M. Scaturo, P.E., P.G.
Director, Division of Waste Management