

# South Carolina Transportation Infrastructure Bank

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April 18, 2011

## VIA FACSIMILE & E-MAIL

Chairman Teddie E. Pryor, Sr.  
Charleston County City Council  
2700 Crestline Drive  
North Charleston, SC 29405

Re: Intergovernmental Agreement with Charleston County

Dear Chairman Pryor:

The South Carolina Transportation Infrastructure Bank Board (the "SIB") has followed, in part, the recent media reports regarding Charleston County Council's subcommittee's conduct as it relates to the *Intergovernmental Agreement for Charleston County* dated as of June 8, 2007, between Charleston County, the South Carolina Department of Transportation, and the South Carolina Transportation Infrastructure Bank (the "Contract"). In response to numerous requests for clarification, the SIB offers the below guidance.

As you recall, the Contract resulted from Charleston County's preparation and submission of a substantial application to the SIB requesting financial assistance for the completion of the Mark Clark Expressway, and included, among others, engineering reports, certain consents, several meetings, a tour, *etc.* As a result of Charleston County's successful efforts, the SIB subsequently approved Charleston County's funding application, and the parties then mutually entered into the Contract (along with the SCDOT). Since then, Charleston County has requested, in writing, and the SIB has expended in excess of \$11.6 million in furtherance of the Contract (\$6.7 million in right of way and the balance in engineering and environmental studies).

In preface to the below discussion, the SIB has participated in numerous transactions which have greatly expedited the construction of transportation infrastructure in South Carolina including: Charleston County's Ravenel Bridge and Mt. Pleasant's I-526/Highway 17 interchange; Horry County's Conway Bypass and Carolina Bays Parkway; Beaufort County's SC 170; Aiken County's I-520; Greenville County's Upstate Grid project; Lexington County's Lake Murray Dam – Highway 6 project; the S.C. Interstate Cable Barriers project; York County's roads project; Florence County's roads project, and others. Indeed, as you may know, the SIB has helped fund more infrastructure projects than all other state infrastructure banks combined.

Importantly, the SIB has been able to participate in and fund these transportation projects through the issuance of bonds. And, in that vein, as to the Contract and specifically to avoid any current misperceptions (and any potentially subsequent ill will), Charleston County should be aware that the SIB's bonding compels the SIB to protect the SIB's and bondholders' interests in the event of any default in SIB transactions. Indeed, the SIB's ability to provide financing on projects is conditioned upon the bond underwriters having confidence that the SIB will invoke its protective rights. Consequently, the SIB's fortitude in protecting the bondholders is a regular topic of discussion with bond underwriters in the due diligence efforts prior to each bond issuance.

One such protective mechanism is the withholding of a defaulting applicant's "State Aid to Subdivisions" which is codified at S.C. Code Ann. Section 11-43-210 (a/k/a the intercept). Such mechanism is also incorporated into the Contract at, among other sections, Sections 7 and 8.4.

Accordingly because of the SIB's obligations to protect the bondholders and to continue to fulfill its statutory mission in funding projects,<sup>1</sup> for purposes of analysis, Charleston County would be prudent to presume that – should Charleston County default under the Contract – the SIB would seek prompt reimbursement for the funds expended. And, if Charleston County failed to reimburse the SIB then the County would be prudent to further presume, to protect the SIB's interests and the bondholders' interests, that the SIB would pursue all remedies available to the SIB – including, if needed, the intercept of State Aid to Subdivisions. Certainly, in the context of Charleston County expending its promised \$117 million under the Contract for its matching roads, then repaying the SIB the \$11.6 million (or roughly 10% of the County's obligations) should result in very little impact on the County.

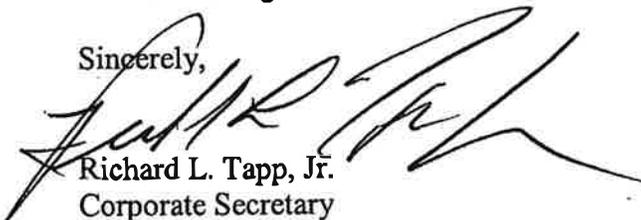
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<sup>1</sup> Moreover, I presume that Charleston County seeks to collect sums owed to the County in furtherance of its fiduciary obligations in protecting Charleston County taxpayers and the County fisc. Obviously, the SIB has similar obligations towards its own operations.

Chairman Teddie Pryor  
Charleston County Council  
April 19, 2011  
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Should Charleston County desire to discuss this matter further, please feel free to contact the SIB. On behalf of the SIB, we continue to reserve all rights.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard L. Tapp, Jr.", written in a cursive style.

Richard L. Tapp, Jr.  
Corporate Secretary