



THE HONORABLE CURTIS M. LOFTIS, JR.  
State Treasurer

August 8, 2011

Secretary Robert J. St. Onge, Jr.  
South Carolina Department of Transportation  
955 Park Street  
Columbia, South Carolina 29201

Dear Secretary St. Onge:

Thank you for the telephone update earlier today, as well as the briefing you gave me last week. As we discussed, as State Treasurer I have received numerous calls, notes, messages and other correspondence describing delinquencies of the Department of Transportation in meeting its contractual obligations, including more recently those owed to the State Transportation Infrastructure Bank. I appreciate the assurance you have given me that these deficiencies are in the process of being promptly addressed and rectified.

Notwithstanding, given the uncertainty that is developing with regard to sufficiency over the short term of the Department's cash flow necessary to meet all of its obligations in a timely manner, I seek your further assurance that the plans you are developing include first among your priorities and considerations the debt service that will become due on the State's general obligation highway bonds, which are secured solely by highway tax revenues. While the Department met its debt service obligation of \$9.3 million on August 1, we note that more than \$46 million in additional debt service payments will be due in this fiscal year, the most significant of which will occur in December, 2011 at \$6.4 million, and in February, April and June, 2012 at \$2.1 million, \$17.5 million and \$18.9 million, respectively.

Whenever your plans are finalized, I would greatly appreciate receiving from you cash flow forecasts incorporating for the remainder of this fiscal year projections of the Department's debt service, loan obligations, contractual payments and other expenses, integrated with anticipated revenue collections. These forecasts and assumptions will assist me in addressing questions that may arise from bond raters, investors and other parties with vested interests in the resolution of the financial challenges presently confronting the Department of Transportation.

As committed previously, we remain at your service in the event our assistance would be helpful.

Very truly yours,

A handwritten signature in blue ink, reading "Curtis M. Loftis, Jr.", is written over the typed name and title.

Curtis M. Loftis, Jr.  
State Treasurer