

August 16, 2019

To Prospective Participants in the Santee Cooper Process

Re: Invitation to Participate in the Santee Cooper Process

Pursuant to the Joint Resolution (Act No. 95 of 2019) adopted by the General Assembly of the State of South Carolina on May 21, 2019 and signed by the Governor on May 22, 2019 (the "Joint Resolution"), on behalf of the South Carolina Department of Administration (the "Department") we invite you to participate in the process for sale or management proposals for some or all of the South Carolina Public Service Authority ("Santee Cooper").

Attached to this letter are (1) a form of confidentiality agreement to be signed by each party that wishes to participate in the process (the "Confidentiality Agreement") and (2) an introductory informational sheet that provides a brief description of Santee Cooper and its business. The Department expects to enter into a confidentiality agreement with Santee Cooper that is substantially similar to the Confidentiality Agreement, taking into account that the Joint Resolution requires Santee Cooper to participate in the process by making information about its business available to other process participants and by submitting to the Department a proposal for reform, restructuring and changes in its operations.

We intend over the next several weeks to provide participants who have signed the Confidentiality Agreement with access to an online data room and additional confidential information regarding Santee Cooper. A letter that outlines the process, including the opportunity for participants and their advisors to meet with Santee Cooper management, also will be provided.

As contemplated by the Joint Resolution, participants may submit proposals for a sale transaction, a management arrangement, or both. In accordance with the requirements and deadlines contained in the Joint Resolution, the Department will be presenting the General Assembly with its outside professional advisors' recommendation of one sale proposal and one management proposal. The Department's presentation to the General Assembly will include its evaluation of the recommended proposals, along with the Department's evaluation of Santee Cooper's proposal for reform, restructuring and changes in its operations, all as required by the Joint Resolution.

Requirements of the Joint Resolution

The Joint Resolution specifies certain required aspects of and criteria for both sale and management proposals that the Department is required to evaluate. This will require that proponents address these matters in their proposals. Specifically, we direct your attention to Sections 2 (regarding sale proposals) and 3 (regarding management proposals) of the Joint Resolution. (Section 4 of the Joint Resolution applies to the proposal that Santee Cooper is



required to submit to the Department.) For convenience, we have attached to this letter a copy of the Joint Resolution.

To ensure compliance with the process requirements specified in the Joint Resolution, we request that each party interested in participating in the process with respect to a sale or management proposal return to us, along with its executed Confidentiality Agreement, a written response to this letter confirming that:

- (1) it is aware of the matters specified in Sections 2 and 3 of the Joint Resolution, and
- (2) in its proposal, whether in transaction agreements and related documents and instruments or through the submission to the Department of supplemental information and/or materials, it will address the matters applicable to its proposal (*i.e.*, Section 2 in the case of a sale proposal and Section 3 in the case of a management proposal).

In addition to the foregoing, in your written response to this letter please confirm that as required by Sections 9(A)(1) and (2) of the Joint Resolution, if you submit a sale or management proposal, you will be prepared to enter into a contract with the Department (1) obligating you to make an earnest money deposit if the Department’s outside professional advisors recommend your sale or management proposal to the General Assembly, and (2) establishing penalties for your failure to proceed with finalizing (or your failure to finalize) your sale or management proposal, as applicable, if you are selected by the General Assembly. The Department, pursuant to its authority under the Joint Resolution, has determined that the amount of the required earnest money deposit will be \$25 million, to apply both to sale proposals and management proposals.

Other Matters

Except in accordance with the process established by the Department pursuant to the Joint Resolution, under no circumstances should any prospective proponent or its associates, advisors or agents communicate directly or indirectly with the management or employees of Santee Cooper, with Central Electric Power Cooperative or its members (or any of their respective officers, directors or representatives) or with members of the General Assembly, the Governor or their respective staff in relation to the process or any contemplated transaction. Any questions regarding the process should be directed only to any of the individuals at Moelis & Company listed below.

Moelis & Company Contacts

John Colella* Tel: (212) 883-4215 John.Colella@moelis.com	Roger Wood Tel: (212) 883-4565 Roger.Wood@moelis.com	Scott DeGhetto Tel: (713) 343-6424 Scott.DeGhetto@moelis.com
Nathan Barnes* Tel: (212) 883-3542 Nathan.Barnes@moelis.com		Glenn Muscosky Tel: (212) 883-3584 Glenn.Muscosky@moelis.com

* Primary day-to-day contacts

The Department reserves the right, in its sole discretion at any time, to impose additional conditions on the receipt of information by you in this process and to consider any and all factors (whether or not mentioned in this letter) in evaluating proposals, subject in all cases to the terms of the Joint Resolution. Each prospective proponent will be responsible for all of its own costs and expenses incurred with respect to the process, including with respect to its investigation and evaluation of Santee Cooper, including, without limitation, fees and expenses of its legal counsel and financial and other advisors.

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Thank you for interest in this process. Please do not hesitate to contact any of the individuals at Moelis & Company listed above if you require any clarification with respect to this letter.

Sincerely,



Marcia S. Adams

Attachments