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Hart, Brenda <bhart@budget.sc.gov>
Date: 6/12/2014 11:36:09 AM
Subject: SC State-Ontario Leasing
Attachments: SC State University 06-11-14.xls

I would like to give you an update on a current situation involving SC State. I apologize in advance for the length of this email.

As you may know, Ontario has the state contract to serve as the vendor to provide the vehicle for state government to lease certain IT equipment (computers, printers, copiers etc.). SC State is one of the many state agencies that utilize this contract to lease IT equipment. Ontario has expressed concern over the past several months regarding SC State's failure to make required lease payments (for copiers and printers). Ontario is currently owed \$264,151.41, with additional payments of \$142,969.22 coming due July 1, 2014 (see attached spreadsheet).

Ontario sent the below email to Rick Harmon, which was then forwarded to Board staff. As you can see, one of Ontario's major lenders, MB Financial Bank, has frozen their lines of credit used to fund lease transactions for the State of South Carolina and its agencies. Ontario indicates that they feel their other lenders will eventually freeze the other lines of credit Ontario uses to conduct transactions for agencies. (Delbert has been informed by Ontario that they utilize 5-6 other lending institutions).

From: Jim Marsallo [<mailto:JMarsallo@ontinv.com>]
Sent: Tuesday, June 10, 2014 12:45 PM
To: Harmon, Rick
Subject: South Carolina State University

Rick –

In follow up to our conversation yesterday, please be advised that our major lender MB Financial Bank has frozen our lines of credit to fund lease transactions for the State of South Carolina and its underlying agencies. This is a result of the default in lease payments by South Carolina State University during the past six months. We feel that this is a very serious issue that needs to be addressed immediately as our other lenders will eventually freeze our other lines of credit for the State of South Carolina as well.

Please advise.

Jim

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Following receipt of this email, Board staff contacted Jim Openshaw of SC State and discussed how they intended to address the past due payments to Ontario and whether they would pay these out of current funds or loan funds. Openshaw later left a voicemail with Brenda Hart indicating that President Elzey required that the Board justify to him in writing why SC State should make payment to Ontario for past due invoices. If the Board did so, President Elzey would then consider making the payment. This voicemail was followed up by the below email.

Brenda,

I left a voicemail for you a few hours ago outlining what President Elzey has requested from SCB&CB regarding the SCSU payment of \$289,808 to Ontario out of our desired vendor payment order. In short, he has requested that the SCB&CB send us in writing the specifics regarding your request. For example, what is driving the request, how much of the Ontario bill must be paid, when does it need to be paid, how should this be handle (i.e., be a part of the loan or paid out of our cash and then the loan pick-up what we will be short for payroll/debt service). Please let us know as soon as possible.

Respectfully Submitted,
Jim Openshaw
VP of Fiscal Affairs
South Carolina State University

Delbert has been in discussions with Ontario regarding the implications of the frozen line of credit to the rest of government. Ontario has reiterated to Delbert that they are concerned that their other lines will be frozen. At this point, it is unclear whether this is a realistic possibility. Delbert is also discussing with Ontario whether the other lines of credit are sufficient to support the needs and usage of the rest of government. Or whether MB Financial was the major line of credit available for state transactions. Thus, the true impact of SC State's failure to pay this vendor on the rest of government operations is not known at this point.

Additionally, Delbert has asked Ontario what they are doing to mitigate their exposure to future losses and whether Ontario has established a timeframe to retrieve the equipment from SC State. Ontario has responded that they are working with their attorneys on this issue and will get back with Delbert when they have an answer.

In summary, there may be a need to compel SC State to pay Ontario if their failure to do so will significantly impact the availability of lease transactions for the remainder of government. To date, SC State has not indicated that they intend to use loan proceed to pay Ontario. SC State has only indicated that they will pay Sodexo and Unico. More information is needed from Ontario and we are awaiting that information. I will keep you informed of their response.

Thanks,
Paul