



THE HONORABLE CURTIS M. LOFTIS, JR.
State Treasurer

January 20, 2011

VIA HAND DELIVERY

The Honorable Alan Wilson
Attorney General of South Carolina
Rembert Dennis Building
1000 Assembly Street, Room 519
Columbia, SC 29201

RE: Claims against the Bank of New York (now known as The Bank of New York Mellon) for violations of the March 24, 2000 Securities Lending Agreement with the State Treasurer and all statutory and common law claims connected therewith.

Dear Alan:

An issue to which I have given immediate attention since taking office on January 12, 2011 concerns the breach of contract and other claims that the State has against Bank of New York now known as Bank of New York Mellon. These claims relate to the bank's mismanagement of the securities lending relationship that it has had with the State of South Carolina for many years. In evaluating this claim I have met with my staff and special counsel, Mitchell Willoughby, and have been fully apprised of the issues related to these claims. My staff and I understand and appreciate the diligence and competence displayed by Mr. Willoughby and his firm in identifying, investigating and advising us regarding the key aspects of this important matter to date.

Mr. Willoughby has asked that he be permitted to associate Michael H. Montgomery as additional special counsel representing the State in this important litigation. Mr. Montgomery is well known to Mr. Willoughby and to me and has an outstanding reputation for providing superb legal services in complex litigation matters. While I am confident that Mr. Willoughby and his firm have carefully and capably investigated this matter and are prepared to litigate effectively the claims on behalf of the State, I also believe, as does Mr. Willoughby, that Mr. Montgomery will bring valuable experience to the legal team representing the State.

Therefore, based upon Mr. Willoughby's recommendation and based upon my own knowledge of Mr. Montgomery, I hereby recommend that you approve the enclosed addendum to the Litigation Retention Agreement that your office and mine have with Mr. Willoughby and his firm. The amount of the fees that the State will owe from the addition of Mr. Montgomery to the legal team remains unchanged as Mr. Willoughby and Mr. Montgomery have separately

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negotiated a fee division between them that will not have any impact on the total fees to be paid by the State.

I am hopeful that you will find my request for approval to retain additional Special Counsel acceptable. If so, please approve same promptly so that we may proceed with this important matter for South Carolina and its people. Should you have any questions, please do not hesitate to contact me directly.



Signature Redacted

Curtis M. Lott, Jr.
State Treasurer

cc: John W. McIntosh, Esquire
Chief Deputy Attorney General
Michael H. Montgomery, Esquire
Mitchell Willoughby, Esquire