

30-413/414

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August 23, 2000

REPLY TO:

Columbia

◊ ALSO MEMBER VIRGINIA BAR
Δ ALSO MEMBER GEORGIA BAR
☆ ALSO MEMBER TEXAS BAR
† ALSO MEMBER FLORIDA BAR
†† CERTIFIED SPECIALIST IN BANKRUPTCY LAW
BY THE SUPREME COURT OF SC

Mr. Chandu Patel
USNRC
Washington, DC 20555

Mr. Robert Wood
USNRC
Washington, DC 20555

USNRC
ATTN: Document Control Desk
Washington, DC 20555

Re: Saluda River Electric Cooperative, Inc./Catawba Units One and Two
File No.: 3548-001

Dear Gentlemen:

This is to advise you that Saluda River Electric Cooperative, Inc. (the "Cooperative") has agreed, pursuant to that certain Collateral Assignment of Trust Proceeds (the "Assignment Document"), a copy of which is enclosed for your review, to pledge the Trust Collateral (as defined in the Assignment Document) to the United States of America (the "RUS") as security for the payment of all sums payable by the Cooperative to the RUS under the Loan Documents (as defined in the Assignment Document).

This letter is written to you pursuant to section 1(b) of the Assignment Document.

Please call the undersigned should you have any comments or questions with regard to the contents of this letter, the Assignment Document, or any other matter.

Very truly yours,

Steven W. Hamm
General Counsel for Saluda River
Electric Cooperative, Inc.

SCL/mjm
Enclosures

cc: Mr. Charles L. Compton

A001

COLLATERAL ASSIGNMENT OF TRUST PROCEEDS

THIS COLLATERAL ASSIGNMENT OF TRUST PROCEEDS (this "Assignment") is made to be effective as of the 30th day of April, 1999, by Saluda River Electric Cooperative, Inc., an electric cooperative organized and existing under the laws of the State of South Carolina (the "Assignor"), in favor of The United States of America (the "Assignee").

WHEREAS, Assignor has an 18.75% undivided ownership interest in Unit No. 1 and a 9.375% undivided ownership interest in certain support facilities as well as a 9.375% interest in the output of two (2) nuclear power reactor units at the Catawba Nuclear Station, a nuclear generating station located in York County, South Carolina (collectively, "Catawba"); and

WHEREAS, Assignor has entered into that certain Saluda River Electric Cooperative, Inc. Master Nuclear Decommissioning Trust Agreement (the "Trust Agreement") with The Palmetto Bank (the "Trustee"), dated as of June 28, 1990, a copy of which is attached hereto as Exhibit A and made a part hereof, wherein and whereby Assignor has established a decommissioning trust fund to help fund the Assignor's share of the Decommissioning Costs (as that term is defined in the Trust Agreement) as it relates to Assignor's ownership interest in and decommissioning cost responsibility for Catawba; and

WHEREAS, pursuant to Section 10.4 of the Trust Agreement, no amendment or termination of the Trust Agreement shall authorize any part, other than Excess Contributions or Excess Funds (as those terms are defined in the Trust Agreement), of any Fund (as that term is defined in the Trust Agreement) to be used for or diverted to purposes other than Decommissioning (as that term is defined in the Trust Agreement) prior to the substantial completion of Decommissioning; and

WHEREAS, in connection with that certain Fourth Amendment to Supplemental Mortgage and Security Agreement (the "Mortgage Amendment"), dated as of April 30, 1999, made by and between Assignor and Assignee, Assignor has pledged to Assignee as security for the payment of the principal of and interest on those certain Reimbursement Notes (as that term is defined in that certain Debt Restructuring Agreement, dated as of April 15, 1999, by and between Assignor and Assignee (the "Restructuring Agreement")), *inter alia*, the following:

Master Nuclear Decommissioning Trust Agreement between Saluda River Electric Cooperative, Inc. and The Palmetto Bank, dated June 28, 1999, as it may have been or may be amended or supplemented from time to time (the "Trust Agreement"), including, without limitation, any and all amounts held by the Mortgagor, the Trustee (as defined in the Trust Agreement) or any other person with respect to such Trust Agreement and any other funds distributable to the Mortgagor upon the termination of any "Fund" (as defined in the Trust Agreement) under the Trust Agreement, provided that the security interest created hereby with respect to the Trust Agreement and any funds held thereby shall be (i) in compliance with applicable regulations of the Nuclear Regulatory Commission (together with their successors or assigns, the

"NRC"), including, without limitation, 10 CFR Sections 50.75, 50.81 and 50.82, and subject to such NRC approval as may be required under such regulations, and (ii) expressly subject and subordinate to any right, claim or requirement of such regulations, including rights, claims and requirements of the NRC.

WHEREAS, the Mortgage Amendment, the Reimbursement Notes, the Restructuring Agreement and all other documents executed and delivered in connection therewith are hereinafter collectively referred to as the "Loan Documents".

WHEREAS, as security for the payment of all sums payable to Assignee under the Loan Documents, Assignor has agreed to collaterally assign all of its right, title and interest in, to and under any and all amounts held by the Assignor, the Trustee, or any other person with respect to the Trust Agreement and any other funds distributable to the Assignor upon the termination of any Fund (as that term is defined in the Trust Agreement) under the Trust Agreement, including, without limitation, Excess Contributions and/or Excess Funds (as those terms are defined in the Trust Agreement) due or to become due to Assignor pursuant to the terms of the Trust Agreement (collectively, the "Trust Collateral").

WITNESSETH:

THAT FOR AND INCONSIDERATION of the sum of Ten and no/100 (\$10.00) Dollars and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the indebtedness and other obligations of Assignor as set forth in the Loan Documents, Assignor does hereby, to the fullest extent permitted by law, collaterally assign to Assignee, its successors and assigns, all of Assignor's right, title and interest in, to and under the Trust Collateral pursuant to the terms of this Assignment, the Trust Agreement and the Loan Documents, as applicable, and, subject to Section 2 below, hereby authorizes the Trustee to pay to Assignee, its successors or assigns, the Trust Collateral, in accordance with the terms of this Assignment, the Trust Agreement and the Loan Documents, as applicable.

TO HAVE AND TO HOLD unto Assignee, its successors and assigns, forever, subject to and upon the terms and conditions set forth herein.

THIS ASSIGNMENT is made for the purpose of securing the full and prompt payment and performance of all obligations of Assignor to Assignee under the terms and conditions of the Loan Documents, together with any renewals, modifications, consolidations and extensions thereof.

1. **Representations, Warranties and Covenants of Assignor.** Assignor represents, warrants and covenants with Assignee as follows:

(a) A true and complete copy of the Trust Agreement has been delivered to Assignee;

(b) Assignor has provided written notification to the Trustee and to the Nuclear Regulatory Commission regarding this Assignment and the obligations of Assignor under this Assignment.

(c) Assignor's interest in the Trust Collateral is not subject to any claim, setoff or prior encumbrance, and Assignor has not assigned or in any way diminished its rights in the Trust Collateral which are now due or will become due in the future;

(d) Assignor has the right to assign the Trust Collateral and has obtained all appropriate corporate approval;

(e) Assignor has neither done any act nor omitted to do any act which might prevent Assignee from, or limit Assignee in, acting under any of the provisions of this Assignment;

(f) Neither the execution and delivery of this Assignment, the performance of each and every covenant of Assignor under this Assignment, nor the meeting of each and every condition contained in this Assignment, conflicts with, or constitutes a breach or default under any agreement, indenture or other instrument to which Assignor is a party, or any law, ordinance, administrative regulation or court decree which is applicable to Assignor;

(g) No action has been brought or, so far as is known to Assignor, is threatened, which would interfere in any way with the right of Assignor to execute this Assignment and perform all of Assignor's obligations contained in this Assignment;

(h) Assignor will, at Assignor's sole cost and expense, execute and deliver all documents that may be required by Assignee, its successors or assigns, to effectuate the purposes hereof.

(i) Assignor shall protect, indemnify and save harmless Assignee from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, attorneys' fees and expenses) imposed upon or incurred by Assignee by reason of this Assignment and any claim or demand whatsoever which may be asserted against Assignee by reason of any alleged obligation or undertaking to be performed or discharged by Assignee under this Assignment. In the event Assignee incurs any liability, loss or damage by reason of this Assignment, or in the defense of any claim or demand arising out of or in connection with this Assignment, the amount of such liability, loss or damage shall be added to the Indebtedness and shall be payable on demand.

2. Covenants of Assignee. Assignee hereby covenants and agrees with Assignor that Assignee will not exercise its rights under this Assignment to demand that the Trust Collateral be paid directly to Assignee unless and until there has been an Event of Default, as defined in Section 5 below, on the part of Assignor, nor until twenty (20) days after the Assignee shall have provided written notice to the Assignor, pursuant to Section 7 below, of Assignee's intention to exercise such right.

3. **Termination.** Upon satisfaction of the conditions set forth in Section IX of the Restructuring Agreement, this Assignment and the grant and conveyance contained herein shall be terminated and released of record by Assignee and shall thereupon be of no further force or effect, and the entire right, title and interest of Assignee under this Assignment will thereupon cease.

4. **No Assumption.** Neither this Assignment nor any action by Assignee shall constitute an assumption by Assignee of any obligation under the Trust Agreement and Assignor shall continue to be liable for all obligations of Assignor thereunder. Assignor hereby agrees to punctually perform and observe all of the terms, conditions and requirements of the Trust Agreement to be performed or observed by Assignor.

5. **Event of Default.** The term "Event of Default", wherever used in this Assignment, shall mean any one or more of the following events:

(a) The occurrence of any "default" or "event of default" under any of the Loan Documents;

(b) The failure by Assignor duly and fully to comply with any covenant, condition or agreement of this Assignment; or

(c) The breach of any warranty by Assignor contained in this Assignment.

6. **Severability.** The parties hereto intend all provisions of this Assignment to be enforced to the fullest extent permitted by law. Accordingly, should a court of competent jurisdiction determine that the scope of any provision is too broad to be enforced as written, the parties intend that the court should reform the provision to such narrower scope as it determines to be enforceable. If, however, any provision of this Assignment is held to be illegal, invalid, or unenforceable under present or future law, such provision shall be fully severable; this Assignment shall be construed and enforced as if such illegal, invalid, or unenforceable provision were never a part hereof; and the remaining provisions of this Assignment shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance, except to the extent such remaining provisions constitute obligations of another party to this Assignment corresponding to the unenforceable provision.

7. **Notices.** Any notice or other communication required or permitted hereunder shall be in writing and shall be sufficiently given if (a) delivered personally, (b) transmitted by facsimile, provided that any notice so given is also sent for delivery as provided in clause (a) or mailed as provided in clauses (c) or (d), (c) through private delivery services (e.g. Federal Express) or (d) sent by Registered or Certified U.S. Mail, postage prepaid, addressed to each applicable party at the address shown below (or to such other address or to the attention of such other person or officer as either party may designate in writing in accordance with this section):

If to Assignee:

Rural Utilities Service
Attn: Administrator
South Agriculture Building
1400 Independence Ave, SW
Washington, D.C. 20250
Facsimile: (202) 720-1725

with a copy to:

Winston & Strawn
1400 L Street, NW
Washington, D.C. 20005
Attn: Guy A. Morley
Facsimile: (202) 371-5950

If to Assignor:

Saluda River Electric Cooperative, Inc.
P.O. Box 929
Laurens, South Carolina 29360
Attn: Chairman, Board of Trustees
Facsimile: (864) 682-3162

with a copy to:

Steven W. Hamm, Esq.
Richardson, Plowden, Carpenter & Robinson, P.A.
P.O. Drawer 7788
Columbia, South Carolina 29202
Facsimile: (803) 799-7555

Each such notice or other communication shall be effective (i) if given by facsimile, when transmitted to the applicable number so specified in (or pursuant to) this Section and an appropriate written acknowledgment or confirmation is received by the sender, or (ii) if given by any other means, when actually received at such address.

8. **Successors and Assigns.** The terms, covenants and conditions contained herein shall be binding upon and shall inure to the benefit of the successors and permitted assigns of the parties hereto.

9. **Waiver.** Any waiver by any party of any breach of any provision of this Assignment shall not be construed as a waiver of any subsequent breach of the same or of any other provision of this Assignment. Failure by any party to enforce any of the terms, covenants or conditions of this Assignment for any length of time or from time to time shall not be deemed to waive or decrease the rights of such party to insist thereafter upon strict performance by the other party.

10. **Captions.** The captions used herein are for convenience only, are not a part of this Assignment and do not in any way limit or amplify the terms and provisions hereof.

11. **Governing Law.** This Agreement and its interpretation shall be governed by the laws of the State of South Carolina (without regard to its conflict of laws rules).

12. **Construction.** The language in all parts of this Assignment shall be, in all cases, construed according to its fair meaning and not strictly for or against either of the parties.

13. **Third Party Beneficiaries.** Nothing in this Assignment, express or implied, is intended or shall be construed to confer upon any person, firm or corporation other than the parties hereto and their respective successors or assigns, any remedy or claim under or by reason of this Assignment and any term, covenant or condition hereof, as third party beneficiaries or otherwise, and all of the terms, covenants and conditions hereof shall be for the sole and exclusive benefit of the parties hereto and their successors and assigns.

14. **Counterparts.** This Assignment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15. **Jurisdiction.** The parties agree that any claim or dispute hereunder shall be made or brought in the state or federal courts of the State of South Carolina.

16. **Modifications.** This Assignment can only be modified by a written agreement duly signed by authorized representatives of Assignor and Assignee, and variances from or addition to the terms and conditions of this Assignment in any order or other writing will be of no effect. Moreover, in order to avoid uncertainty, ambiguity and misunderstandings in their relationships Assignor and Assignee covenant and agree not to enter into any oral agreement or understanding inconsistent or in conflict with this Assignment; and Assignor and Assignee further covenant and agree that any oral communication allegedly or purportedly constituting such an agreement or understanding shall be absolutely null, void and without effect.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Assignor has executed this Assignment under seal as of the day and year first above written.

WITNESSES:

ASSIGNOR:

**SALUDA RIVER ELECTRIC
COOPERATIVE, INC.**

By: _____ (SEAL)

Its: _____ and
authorized signatory

ASSIGNEE:

UNITED STATES OF AMERICA, acting
through the Administrator of the Rural
Utilities Service

By: _____ (SEAL)

Its: _____ and
authorized signatory

STATE OF SOUTH CAROLINA)
)
COUNTY OF LAURENS)

PROBATE

PERSONALLY APPEARED BEFORE ME the undersigned witness, who being duly sworn, deposes and says that s/he saw the within-named Saluda River Electric Cooperative, Inc, an electric cooperative organized and existing under the laws of the State of South Carolina, by _____, its _____, sign, seal and as its act and deed deliver the within-written instrument for the uses and purposes therein mentioned, and that s/he with the other witness subscribing above, witnessed the execution thereof.

(witness)

SWORN TO BEFORE ME THIS _____
day of _____, 2000

(L.S.)
Notary Public for South Carolina
My Commission Expires: _____

DISTRICT OF COLUMBIA

§

PROBATE

PERSONALLY APPEARED BEFORE ME the undersigned witness, who being duly sworn, deposes and says that s/he saw the within-named Wally Beyer, Administrator of the Rural Utilities Service of the United States Department of Agriculture, and authorized signatory, sign, seal and as its act and deed deliver the within-written instrument for the uses and purposes therein mentioned, and that s/he with the other witness subscribing above, witnessed the execution thereof.

(witness)

SWORN TO BEFORE ME THIS ____
day of _____, 2000

(L.S.)
Notary Public for the District of Columbia
My Commission Expires: _____