

Catherine Stiglich
Assistant Vice President
Operations

The CIT Group/
Capital Equipment Financing, Inc
270 Park Avenue
New York, NY 10017
212 270-2694
Fax 212 270-6853



REGISTRATION NO. 17662 FILED 1425

JAN 13 1992 - 10 15 AM

INTERSTATE COMMERCE COMMISSION

2-013A005

January 7, 1992

Mrs. Mildred Lee
Interstate Commerce Commission
12th and Constitution Avenue, N.W.
Room 2303
Washington, DC 20423

**Re: Lease of Railroad Equipment
Between Santee Cooper and
The CIT Group/Equipment Financing, Inc.**

Dear Mrs. Lee:

Enclosed please find two originally executed and notarized Lease of Railroad Equipment. I request that you record the enclosed lease. I have enclosed a check in the amount of \$16.00 to cover the filing fee.

Please return one of the stamped recorded leases to the address noted above. Should you require any additional information, please call me at (212) 270-2694.

Very truly yours,

A handwritten signature in black ink, appearing to read "Catherine Stiglich". The signature is fluid and cursive, written over a white background.

CS:tp
Enclosures

MOTOR OPERATING UNIT

JAN 13 10 30 AM '92

Interstate Commerce Commission
Washington, D.C. 20423

1/21/92

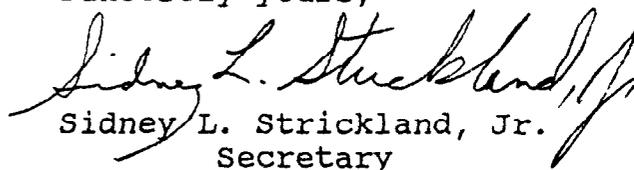
OFFICE OF THE SECRETARY

Catherine Stiglich
Assist. Vice President
The CIT Group
Capital Equipment Financing Inc
270 Park Avenue
New York, N.Y. 10017

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 1/13/92 at 10:45am, and assigned recordation number(s). 17662

Sincerely yours,


Sidney L. Strickland, Jr.
Secretary

17662
RECEIVED NO _____ FEB 1992

JAN 13 1992 - 10 45 AM
INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

BETWEEN

THE CIT GROUP/EQUIPMENT FINANCING, INC.

AND

SANTEE COOPER

LEASE OF RAILROAD EQUIPMENT

LEASE OF RAILROAD EQUIPMENT, dated as of December 19th, 1991, between THE CIT GROUP/EQUIPMENT FINANCING, INC., a New York corporation, (hereinafter called the "Lessor") and the SANTEE COOPER, a South Carolina corporation, (hereinafter called the "Lessee").

WHEREAS, the Lessor hereby represents that it has the right to lease the one hundred (100) open top hopper cars more fully described in Annex A hereto (hereinafter called the "Units");

WHEREAS, the Lessee desires to lease from the Lessor all the Units at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

1. Delivery and Acceptance of Units. Lessor will deliver the Units to Lessee (at no expense to Lessee) at a mutually agreeable CSX Transportation interchange point (hereinafter called "Delivery Point") and Lessee agrees to accept such delivery.

The Lessor agrees to furnish the Units in compliance with the FRA and AAR rules of interchange in effect at the time of delivery. The Lessee, at its expense, shall have the right to inspect and reject the Units subject to this Lease prior to the Lessor's transporting the Units from their present location to the Delivery Point. Acceptance of the Units by the Lessee shall be evidenced by a "Certificate of Acceptance" in the form set forth in Annex B attached hereto, the execution of which shall constitute conclusive evidence of delivery and acceptance of the Units herein identified. The Lessee agrees to be responsible for any transportation cost associated with moving the Units from the Delivery Point.

In the event any Unit delivered to Lessee is not in FRA and AAR interchange condition, then upon written notice of the same by the Lessee to Lessor, the Lessor, at its option shall either promptly cause said Unit(s) to be repaired or replaced (at no expense to Lessee) or exclude such Unit(s) from this Lease.

2. Rentals. Lessee shall pay to Lessor as rental for the Units an amount of Four Hundred Dollars (\$400.00) per Unit per month ("Lease Charges"). Rent shall become effective, with regard to each of the Units, upon the date of the delivery and acceptance of each as provided in Paragraph 1 hereof, and shall continue in effect, with regard to each of the Units, until returned to Lessor at the end of the term of this Lease, as hereafter provided in

Paragraph 10. Payment of Lease Charges shall be made to Lessor at the address specified in Paragraph 16 on the first day of each month in advance, with the Interim and first months' Fixed Term payment due on the first day of the month following the Effective Date, all as hereafter defined in Paragraph 3. Rent for any Unit for any partial month shall be pro-rated on a daily basis and shall be paid on the first day of the month following the month on which the last Unit is delivered and accepted as provided in Paragraph 1. Lessee shall pay to Lessor an additional Mileage Lease Charge of 2.0 cents per mile per Unit for each mile a Unit travels in excess of six thousand two hundred fifty (6,250) miles on a monthly basis, mileage to be based on CSX Transportation's Monthly Private Mileage Summary Reports. Any costs incurred by Lessor in collecting Lease Charges wrongfully withheld by Lessee, including reasonable attorney's fees, will be paid by Lessee.

In the event the Lessee shall be in default in the payment of any sum of money to be paid under this Lease, whether rental or otherwise, the Lessee shall pay the Lessor, as additional rental, to the extent permitted by applicable law, interest on such unpaid sum from its due date to date of payment by the Lessee at a rate equal to 18.0% per annum.

This Lease includes maintenance, however, except as expressly provided herein, the Lessee shall not be entitled to any abatement of rent, reduction thereof or set-off against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due to, or by reason of, any past, present or future claims of the Lessee against the Lessor under this Lease or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use of or destruction of all or any of the Units from whatsoever cause, the prohibition of or other restriction against Lessee's use of all or any of the Units, the interference with such use by any private person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, or for any other cause whether similar or dissimilar to the foregoing, and present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other payments payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any Units except in accordance with the express terms hereof.

3. Term of Lease. The interim term of this Lease with respect to each Unit ("**Interim Term**") shall commence on the date of

delivery and acceptance of each Unit as provided in Paragraph 1 hereof and shall continue until the first day of the month following the delivery of the last Unit ("**the Effective Date**") provided that the Effective Date shall be no later than January 1, 1992 at which time the fixed term ("**Fixed Term**") of this Lease with respect to each Unit shall automatically commence and shall continue in full force and effect for a period of three (3) months thereafter through March 31, 1992 (the Interim Term and the Fixed Term herein collectively the "**Term of this Lease**".)

The Lease may be extended for an additional term of nine (9) months, commencing April 1, 1992 and ending December 31, 1992, at the Lessee's option. The Lessee must inform the Lessor of its intent to extend the Term of this Lease in writing to Lessor at the address specified in Paragraph 16 prior to February 29, 1992. The Lease Charges for the Units during the nine (9) month extended Term of this Lease shall be Four Hundred Dollars (\$400.00) per Unit per month.

The obligations of the Lessee hereunder (including, but not limited to, the obligations of the Lessee under Paragraphs 5, 8, and 10 hereof) shall survive the expiration or sooner termination of this Lease.

4. Identification Marks. The Lessor shall deliver each Unit numbered with the identifying number as set forth in Annex A hereto and, as part of its routine maintenance, Lessee will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of such Unit in letters not less than one inch in height, the words "The CIT Group/Equipment Financing, Inc., Owner" or other appropriate words with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the owner and the rights of the Lessor under this Lease. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such names and word or words shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not permit the identifying number of any Unit to be changed except in accordance with a statement of new identifying numbers to be substituted therefor, which statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease will have been filed, recorded and deposited.

Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Units as a designation that might be interpreted as a claim of ownership.

5. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or

other charges and will be free of expense to the Lessor with respect to the amount of any local, state or federal taxes (other than the federal income tax payable by the Lessor in consequence of the receipt of payments provided herein and other than state or city income taxes or franchise taxes measured by gross or net income based on such receipts or based on capital employed by Lessor, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments or licenses (and any interest charges, fines or penalties in connection with such taxes or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof), all of which taxes, interest assessments, licenses, charges, fines and penalties the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all taxes, interest assessments or licenses (and any interest charges, fines or penalties in connection therewith) which may be imposed upon any Unit or for the use or operation thereof or upon the Lessee's earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all taxes and assessments which might in any way affect the title of the Lessor or result in a lien upon any such Unit.

6. Loss, Damage or Destruction.

(a) Risk of Loss, Damage or Destruction. As between Lessee and Lessor and any Assignee of Lessor, Lessee hereby assumes all risk of loss, damage, theft, taking, destruction, confiscation, requisition or commandeering, partial or complete, of or to each Unit, however caused or occasioned (provided that Lessor shall be responsible for any and all damage and liabilities caused by Lessor), such risk to be borne by Lessee with respect to each Unit from its Acceptance Date, and continuing until such Unit has been returned to Lessor in accordance with the provisions of Paragraph 10 hereof. Lessee agrees that, except as otherwise provided herein, no occurrence specified in the preceding sentence shall impair, in whole or in part, any obligation of Lessee under this Lease, including, without limitation, the obligation to pay rent.

(b) Casualty Occurrence. In the event that any Unit shall be or become lost, stolen, destroyed or irreparably damaged from any cause whatsoever, except if such cause is attributable to the Lessor, or any Unit shall be condemned, confiscated, or seized, or the title to or use of any Unit shall be requisitioned for a period of ninety (90) continuous days (such occurrences being hereinafter called "**Casualty Occurrences**") during the term of this Lease, the Lessee shall on the next succeeding rental payment date after it shall have determined that such Unit has suffered a Casualty Occurrence, fully inform the Lessor in

regard thereto. On such date the Lessee shall pay to the Lessor an amount equal to the accrued rental for such Unit to the date of such payment. A settlement value payment pursuant to Rule 107 of the AAR Car Service and Car Hire Agreement Code will also be made as of that date. Upon the making of such payment by the Lessee in respect of a Unit, the rental for such Unit shall cease to accrue as of the date of such payment, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit. Lessor has the right, in its sole discretion, to replace any and all Units subject to a Casualty Occurrence and such replacement Units will be subject to this Lease as if originally a part thereof.

7. Report and Inspection. On or before April 1st in each year, commencing with the calendar year 1992, the Lessee will furnish to the Lessor an accurate statement setting forth the amount, description and numbers of all Units then leased hereunder, and the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the Lease Term. The Lessor, or its agent at its sole cost and expense, shall have the right, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

8. Compliance with Laws and Rules; Insurance and Indemnification. Lessor warrants that Lessor has the right to lease the Units. Otherwise, except for the aforesaid, LESSOR MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND RESPECTING THE UNITS WHETHER STATUTORY, WRITTEN, ORAL OR IMPLIED AND LESSOR HAS NOT MADE AND DOES NOT HEREBY MAKE, NOR SHALL IT BE DEEMED BY VIRTUE OF HAVING LEASED THE UNITS PURSUANT TO THIS AGREEMENT TO HAVE MADE, ANY REPRESENTATION OR WARRANTY AS TO THE MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF WORKMANSHIP IN THE UNITS ALL OF WHICH ARE EXPRESSLY DISCLAIMED AND LESSOR SHALL NOT BE LIABLE, IN CONTRACT, TORT OR OTHERWISE, ON ACCOUNT OF ANY MANUFACTURER'S DEFECT, WHETHER HIDDEN, LATENT OR OTHERWISE DISCOVERABLE OR NONDISCOVERABLE RESPECTING ANY UNITS.

The Lessee agrees, for the benefit of the Lessor, to comply in all respects with all laws of the jurisdictions in which operations involving any Unit subject to this Lease may extend, with the interchange rules of the Association of American Railroads and with all rules of the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over any such Unit, to the extent such laws and rules affect the operations or use of such Unit ("Interchange Rules"). In the event the U.S. Department of Transportation, or any other governmental agency or nongovernmental organization having jurisdiction over the operation, safety or use of railroad equipment, requires that Lessor add, modify or in any

manner adjust the Units subject to this Agreement in order to qualify them for operation in railroad interchange, Lessee agrees to pay an additional monthly charge of \$1.75 dollars per Unit for each one hundred dollars expended by Lessor on such Unit, or such other monthly charge in lieu thereof as may be provided for modifications, in any rider hereto, in any case, effective as of the date the Unit is released from the shop after application of such additions, modifications or adjustments (hereinafter the "Modifications"). No rental credits will be issued on Units entering the shop for any Modifications for the first thirty (30) days. In the event Lessor, in its sole discretion, determines prior to making any Modifications, that the cost thereof is not economical to expend in view of the estimated remaining useful life of such Unit, and Lessor elects to permanently remove such Unit from Lessee's service rather than have such Unit taken to a car shop for such Modifications, the rental with respect to such Units shall terminate upon the date specified in writing by Lessor, provided that such date must be prior to the date the Modifications are so required to be made.

During the term of this Agreement, commencing with the Effective Date with respect to each Unit, Lessor shall perform or cause to be performed maintenance and repair work necessary to maintain the Units in Good Operating Condition ("Maintenance Services") in conformity with all applicable laws and regulations including the AAR Code of Interchange Rules and FRA Railroad Freight Unit Safety Standards, 49 CFR Part 215, as amended, except for the following:

(1) repairs required as a result of damage caused by the Lessee, its agents, representatives, customers or independent contractors or any third party; or

(2) repairs required because of damage caused to the Units by any corrosive or abrasive substance except coal, coke, iron ore or aggregates loaded therein or used in connection therewith; or

(3) repairs required because of excessive, unusual or avoidable damage caused to the Units by open flames, vibrators, sledges or other similar devices during loading or unloading operations; or

(4) repairs required because of damage of safety appliances.

If Units in possession of Lessee are in need of repairs for which Lessee is responsible hereunder, Lessee shall contact Lessor and advise, at Lessee's sole option, whether Lessee desires to perform such repairs or have such repairs performed at its expense. If Lessee decides not to repair such Units, Lessor will either repair the Units or subcontract for the repairs. Lessee

shall be responsible only for the invoice price, if repairs are subcontracted, or for actual costs (but not to exceed AAR costs) if performed by Lessor.

Lessee will make the Units available to Lessor or its contractor at any reasonable repair shop specified by Lessor at any reasonable time for the purpose of repairs. Lessee shall as promptly as practical deliver Units requiring repairs which Lessor is required to make to the repair shop specified by Lessor. Lessee shall make Units available for inspection or maintenance in accordance with its operating convenience and at its own expense.

Lessee shall be entitled to abate rent for any Unit requiring maintenance services that are the Lessor's responsibility fifteen (15) days after receipt of such Unit at the shop authorized by Lessor provided that Lessee has notified Lessor prior to the time Unit is routed to shop. In the event Lessee fails to so notify Lessor, rent shall abate fifteen (15) days after receipt by Lessor of notification of the arrival of the Unit at a shop authorized by Lessor. In all cases, after a Unit has been repaired, rent will resume on the date the Unit is available for forwarding to Lessee. It is understood that rent will not be abated for Units in a shop for repairs which are Lessee's responsibility.

If there is any dispute as to who is responsible for repairs to any Unit, the completion of such repairs by a party shall not constitute an admission of responsibility, but instead such party may still assert its claims that the other party was responsible.

Lessee will review any suggestions made by Lessor regarding operating conditions that might be causing undue and avoidable wear or damage to the Units and to implement those suggested changes that are reasonable under the circumstances.

Neither party to this Lease will alter materially the physical structure or allow any third party to alter materially the physical structure of any of the Units without the other party's written consent.

Any and all additions to any Unit and any replacements thereto and of parts thereof made by the Lessee shall constitute accessions to such Unit and, without cost or expense to the Lessor, there shall be immediately vested in the Lessor the same interest therein as the interests of the Lessor in such Unit.

Lessee shall, at all times while this Lease is in effect at its own expense, cause to be carried and maintained a policy or policies of insurance with an insurance company or companies satisfactory to Lessor, insuring Lessee as follows: (1) bodily injury legal liability: \$10,000,000 per occurrence; (2) property

damage legal liability: limit of \$10,000,000 per occurrence; and (3) casualty insurance against loss of or damage to the Units with such limits, deductibles and retentions as are reasonably satisfactory to Lessor.

Promptly after execution of this Lease, and within thirty (30) days of receipt of a written request from Lessor, and at intervals of not more than twelve (12) calendar months from execution hereof, the Lessee will furnish the Lessor with certificates of insurance evidencing the aforesaid insurance coverages. Certificates of insurance shall provide that Lessor shall be notified not less than thirty (30) days prior to any intended cancellation of such coverage or any part thereof. Certificates of insurance for said property insurance shall further provide that loss, if any, to Units shall be payable to Lessee and Lessor as their interests may appear. Lessee shall, at its option, be permitted to self insure on any specified interest, by giving notice to Lessor in writing, provided, however, the Lessee hereby warrants to place the Lessor in the same position as if the relating insurance has been affected. With respect to the Lessor, Lessee's insurance policies shall be primary to any other valid and available insurance ("Other Insurance") effected by or for the Lessor. Lessee shall require its insurer specifically to waive subrogation, or any claim to any recovery with respect to any Other Insurance. Any and all deductibles in the described policies shall be paid by the Lessee.

In the event the Lessee shall not elect to self insure, and any of the Units shall not be adequately covered by such insurance at any time during the Term of this Lease, or should Lessor be given notice of an intended cancellation of such insurance, Lessor shall have the right, at its option (1) to cover the Units with the above described types of insurance and to recover from the Lessee at the time the next monthly rental payment is due, the premiums expended by Lessor for such insurance, or (2) Lessor may proceed as provided in Paragraph 11 of this Lease. Lessee shall fully cooperate with Lessor to prepare and file proofs of loss, endorse any check draft or other order for the payment of money issuance issued by an insurance company with respect to any other coverage as described in this section.

The Lessee agrees to indemnify, save harmless and defend the Lessor against any charges or claims made against the Lessor, and against any expense, loss or liability (including but not limited to counsel fees and expenses, penalties and interest) which the Lessor may incur in any manner (unless resulting, in whole or in part, from Lessor's negligence or willful misconduct, in which event Lessor and Lessee shall be responsible for its proportionate share of liability damages and expenses) by reason of entering into or the performance of this Lease, or which may arise in any manner out of or as a result of the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of, any

Unit until such Unit is returned to the Lessor in accordance with the terms of the Lease, and to indemnify and save harmless the Lessor against any charge, claim, expense, loss or liability on the account of any accident (unless resulting in whole or in part, from the Lessor's negligence or willful misconduct, in which event Lessor and Lessee shall be responsible for its proportionate share of liability damages and expenses) in connection with the operation, use, condition, possession or storage of such Unit resulting in damage to property or injury or death to any person. The indemnities contained in this paragraph shall survive payment or performance of all other obligations under this Lease or the termination of this Lease.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all mandatory reports of which the Lessee has actual knowledge, except income tax reports, to be filed by the Lessor, with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of the Units or the leasing of the Units to the Lessee. The Lessor shall notify the Lessee of any such reports of which the Lessor has actual knowledge.

9. Liens. Lessee will not directly or indirectly create, incur, assume or suffer to exist any lien on or with respect to the Units, any Unit or any part thereof, Lessor's title thereto, or any interest therein, except (i) any lien resulting from an independent act of or claim against Lessor which does not result from, arise out of, or relate to the manufacture, acquisition, ownership or leasing of the Units or this lease or any Event of Default, (ii) liens for taxes either not yet delinquent or being contested by Lessee in good faith by appropriate proceedings and where, in Lessor's (and in any assignee of Lessor's) opinion, there is no danger of the sale, forfeiture or loss of the Units or any part or item thereof, and (iii) materialmen's, mechanics', workmen's, repairmen's, employees' storage or other like liens arising in the ordinary course of business, which are not delinquent or are being contested by Lessee in good faith by appropriate proceedings and where, in Lessor's (and in any assignee of Lessor's) opinion, there is no danger of the sale, forfeiture or loss of the Units, or any part thereof. Lessee, at its own expense, will promptly pay, satisfy and otherwise take such actions as may be necessary to keep the Units free and clear of, and to duly discharge or eliminate or bond in a manner satisfactory to Lessor and any assignee of Lessor, any such lien not excepted above if the same shall arise at any time. Lessee will notify Lessor and any assignee of Lessor in writing promptly upon becoming aware of any tax or other lien (other than any lien excepted above) that shall attach to the Units or any Unit, and of the full particulars thereof.

10. Return of the Units Upon Expiration of Term. As soon as practicable on or after the expiration of the Term of this Lease with respect to any Unit, the Lessee will, at its own cost, expense, and risk, at the request of the Lessor, transport and deliver possession of such Unit(s) to any reasonable CSX Transportation interchange point as reasonably directed by Lessor ("Return Point"). The condition of the Units upon such return shall be as required pursuant to Paragraph 8 hereof.

The assembling, delivery and transporting of the Units as provided in this Paragraph 10 are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver and transport the Units. If the Lessor shall elect to abandon any Unit which has suffered a Casualty Occurrence or which after the expiration of this Lease the Lessor shall have deemed to have suffered a Casualty Occurrence prior to the expiration of the term of this Lease, it may deliver written notice to such effect to the Lessee and Lessee shall thereupon assume, and hold the Lessor harmless from all liability arising in respect of any responsibility of ownership thereof from and after receipt of such notice and if requested by Lessee, Lessor shall transfer title to such Unit to Lessee free and clear of any liens and encumbrances whatsoever.

11. Default. If, during the continuance of this Lease, one or more of the following events (hereinafter sometimes called "Events of Default") shall occur:

(a) default shall be made in the payment of any part of the rental provided in Paragraph 2 hereof except as excused or abated as set out herein or as may be otherwise mutually agreed to, and such default shall continue for ten (10) days;

(b) the Lessee shall make or permit any assignment or transfer of this Lease or of possession of the Units, or any thereof, except as provided in Paragraph 13 hereof and such is not cured or agreement reached as to the action necessary to cure within ten (10) days after written notice is sent from Lessor to Lessee;

(c) default shall be made in the material failure to observe or perform any other of the material covenants, conditions and agreements on the part of the Lessee contained herein and such default shall continue for thirty (30) days after written notice from the Lessor to the Lessee specifying the default and demanding the same to be remedied;

(d) any proceedings shall be commenced by or against the Lessee for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extension (other than a law which does not permit any readjustment of the obligations of the Lessee hereunder), and all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decreed, by a trustee or trustees appointed for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that the status of such shall be the same as expense of trustees, within thirty (30) days after such appointment, if any, or sixty (60) days after such proceedings shall have been commenced, whichever shall be earlier;

(e) any material representation made by the Lessee herein or in any certificate or other instrument delivered under or pursuant to any provision hereof shall prove to have been false or incorrect in any material respect on the date as of which made;

then, in any such case, the Lessor, at its option may:

(i) proceed by appropriate court action or actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(ii) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and determine as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon, the Lessor may in a reasonable manner and without damage to the property of the Lessee or injury to any person by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any

number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (a) as representing actual loss incurred by the Lessor, damages for loss of the bargain and not as a penalty, a sum, with respect to each Unit which represents the then present value of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit, such present value to be computed in each case on a basis of a 8% per annum discount, compounded annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, and (b) any damages and expenses, including reasonable attorneys' fees, in addition thereto if a court determines that Lessor shall have sustained same by reason of the breach of any covenant or covenants of this Lease other than for the payment of rental, including, reasonable expenses of resale or re-leasing (including incidental transportation costs incurred by Lessor). In connection with the damages set out in (a) and (b), Lessor shall have an affirmative duty reasonably to mitigate its damages and Lessee shall be entitled to a reduction or set off in the amount of the damages set out in (a) and (b) as a result of any resale, re-lease or other activities performed to sustain its duty to mitigate, provided that Lessor shall have a reasonable period of time (not less than sixty (60) days) to effectuate a sale or re-lease after recovery of possession of any or all Units.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

12. Return of Units Upon Default. If this Lease shall terminate pursuant to Paragraph 11 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor in the condition required by Paragraph 10 hereof. The Lessee shall transport such Units, at Lessee's expense and risk, to the Return Point.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Paragraph 12, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Unit. In connection therewith Lessee will supply Lessor with such documents as Lessor may reasonably request.

13. Assignment; Possession and Use. Conditioned upon the Lessee performing all of the terms, covenants, and conditions of this Lease, the Lessor, its successors and assigns will not disturb the Lessee's peaceable and quiet possession and use of the Units during the term of this Lease, provided, that no Event of Default has occurred and is continuing.

This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including but not limited to the rights under Paragraphs 5, 8 and 11) shall inure to the benefit of the Lessor's assigns. Whenever the term Lessor is used in this Lease it shall apply and refer to each assignee of the Lessor. In conjunction with any assignment of this Lease by Lessor, Lessee hereby agrees to provide any reasonable documentation requested by Lessor.

So long as the Lessee shall not be in default under this Lease, the Lessee may without any prior consent of the Lessor sublease any one or more of the Units or assign this Lease to any one or more of the Lessee's affiliates, or with the prior written consent of the Lessor sublease the Units to third parties; provided, that (i) such sublease or assignment shall provide that the subject Units shall be operated and maintained in accordance with the terms hereof; (ii) the Lessee shall provide the Lessor with ten (10) days advance notice of any such sublease or assignment and a copy of such sublease or assignment; (iii) such sublease shall be subject and subordinate to the terms and provisions of this lease and the interests of the Lessor; and (iv) no such sublease or assignment shall relieve Lessee of its obligations hereunder, which shall remain those of a principal and not a surety.

Nothing in this Paragraph 13 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation (which shall have duly assumed the obligations hereunder of the Lessee) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety; provided, however, (i) that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition be in default under any provision of this Lease, (ii) such assignee or transferee shall be of a character so that after giving effect to such merger, consolidation or acquisition, the ability of the assignee or transferee to perform the obligations of the Lessee hereunder shall not, in the sole discretion of the Lessor, be adversely affected; and (iii) such assignee or transferee shall execute an assumption agreement expressly assuming all of the obligations of the Lessee hereunder (including, but not limited to, Paragraph 15 hereof).

In connection with any sublease or assignment by Lessee under this Paragraph 13, whether or not Lessee is required to obtain the consent of the Lessor to any such transaction, Lessee agrees, at its expense, to cause any such assignment or sublease to be duly filed and recorded with the Interstate Commerce Commission in accordance with the 49 U.S.C. 11303 in order to protect the interest of the Lessor in and to the Units under this Lease.

The Lessee agrees that during the term of this Lease, the Lessee will not assign any Unit to service involving the operation and maintenance thereof outside the United States of America except that during such term of any Unit outside the United States of America will be limited to incidental and temporary use in Canada.

14. Opinions of Counsel. When requested by Lessor's lender, after the execution and delivery of this lease, the Lessee will deliver to the Lessor and the lender the written opinion of counsel for the Lessee, in scope and substance reasonably satisfactory to the Lessor and its counsel, to the effect that:

(a) the Lessee is a corporation legally incorporated and validly existing, in good standing, under the laws of its jurisdiction of incorporation, with adequate corporate power to enter into this Lease;

(b) this Lease has been duly authorized, executed and delivered by the Lessee and constitutes a valid, legal and binding agreement, enforceable in accordance with its terms;

(c) the execution and performance of this lease will not contravene or breach or create a material

default under any legal, organizational or contractual obligation binding upon the Lessee;

At the same time as delivery of the foregoing opinion of counsel for the Lessee, the Lessor will deliver to the Lessee the written opinion of counsel for the Lessor, in scope and substance reasonably satisfactory to the Lessee and its counsel, substantially to the effect set forth in subparagraphs (a) through (c) above with respect to the Lessor.

15. Recording. Prior to the delivery and acceptance of the Units, and in connection with any sublease or assignment permitted by Paragraph 13 hereof, the Lessor will cause this Lease and any such sublease or assignment to be filed and recorded with the Interstate Commerce Commission in accordance with 49 U.S.C. 11303. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister, rerecord or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Lessor for the purpose of proper protection to the satisfaction of the Lessor of its title to the Units or for the purpose of carrying out the intention of this Lease.

16. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first-class postage prepaid, addressed as follows:

If to the Lessor: The CIT Group/Equipment
 Financing, Inc.
 270 Park Avenue
 29th Floor
 New York, NY 10017
 ATTN: Catherine Stiglich

If to the Lessee: Santee Cooper
 One Riverwood Drive
 Moncks Corner, SC 29461
 ATTN: Director, Fuel Planning
 & Supply

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

17. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition of unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

18. Effect and Modification of Lease. This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

19. Successors and Assigns. This Lease will bind and inure to the benefit of the respective successors and permitted assigns of the parties hereto.

20. Execution. This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original, and in each case such counterparts together shall constitute but one and the same instrument.

21. Law Governing. This Lease shall be construed, and all questions concerning its performance and the rights and remedies of the parties hereunder shall be determined, in accordance with the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. 11303.

22. Paragraph Headings. The headings appearing at the commencement of certain paragraphs or subparagraphs herein are for convenience only, and the content or body of the paragraph(s) or subparagraph(s) thereunder shall control. The numbering system is also included for convenience only.

23. Confidentiality. The parties shall keep confidential the terms and conditions of this Lease. Neither party shall disclose the terms and conditions of this Lease to a third party, excluding any parent, affiliate, subsidiary company, potential buyers of the cars, or Lessor's lender, without the written permission of the other party or unless readily ascertainable from public information or public sources requested by regulatory commissions, subpoenaed by court or governmental agencies, or otherwise required by law to be disclosed, including such disclosures as may be required to obtain authorization for the execution of this Lease and the requirements of disclosure under the applicable laws of the State of South Carolina. The existence of this Lease may be disclosed without such consent.

IN WITNESS WHEREOF, the Lessor and the Lessee, each pursuant to due authority, have caused these presents to be signed in their respective names as of the date first above written.

THE CIT GROUP\EQUIPMENT FINANCING INC.

By Catherine Stiglich
Title Asst. Vice President

SANTEE COOPER

By [Signature]
Title Executive Vice President

STATE OF NEW YORK)
) S
COUNTY OF NEW YORK)

On this 30 day of DECEMBER, 1991, before me personally appeared CATHERINE ENGLICH, to me personally known, who, being by me duly sworn, says that she is AN AVP of THE CIT GROUP/EQUIPMENT FINANCING INC., that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and she acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Catherine E Hopmann
Notary Public

My Commission Expires: 11/30/92

CATHERINE E. HOPPMANN
Notary Public, State of New York
[Notarial No. 997483]
Qualified in Bronx County
Cert. Filed in New York County
Commission Expires ~~March 30, 1992~~

STATE OF SOUTH CAROLINA)
) S
COUNTY OF)

On this 19th day of December, 1991, before me personally appears T. Graham Edwards, to me personally known, who being by me duly sworn says that he is a Executive Vice President of S.C. Public Service Authority, that said instrument was signed and sealed on behalf of said corporation by authority of its President and Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Linda M. Barrman
Notary Public

My Commission Expires: My Commission Expires July 5, 2000

[Notarial Seal]

ANNEX A

to

Lease of Railroad Equipment

Dated as of December 18, 1991

Equipment Description

4,000 cubic foot, 100-ton capacity, three-pocket, roller bearing, rotary coupled, open top coal hopper railcars. Built by Bethlehem Car in 1975.

Equipment Numbers

HLMX 9000 - 9099