



**Consumers
Power
Company**

General Offices: 212 West Michigan Avenue, Jackson, Michigan 49201 • (517) 788-0550

RECORDATION NO. 12222 A
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INTERSTATE COMMERCE COMMISSION

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September 8, 1980

Date SEP 24 1980

Fee \$ 60.00

ICC Washington, D. C.

RECORDATION NO. 12222
FILED 1425

SEP 24 1980 -2 00 PM

INTERSTATE COMMERCE COMMISSION

Interstate Commerce Commission
Washington, D. C.

Gentlemen:

Enclosed for recordation under the provisions of 49 USC 11303(a) are the original and 5 counterparts each of Equipment Lease dated as of January 30, 1979, and Lease Supplement No. 10 dated as of August 27, 1980.

A general description of the railroad equipment covered by the enclosed document is set forth in Schedule A attached to this letter and made a part hereof.

The names and addresses of the parties are:

Lessor: Wells Fargo Equipment Leasing Corporation
425 California Street
San Francisco, CA 94104

Lessee: Consumers Power Company
212 West Michigan Avenue
Jackson, Michigan 49201

The undersigned is the Lessee mentioned in the enclosed document and has knowledge of the matters set forth herein.

Please return the original and 3 copies of the Lease Supplement to Walter S. Szpara, Law Department, Consumers Power Company, 212 West Michigan Avenue, Jackson, Michigan 49201.

Also enclosed is a check in the amount of \$60 covering the required recording fee.

Very truly yours,

CONSUMERS POWER COMPANY

By Walter Scott Szpara
Walter Scott Szpara
Its Attorney and Counsel

Enclosures

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Walter Scott Szpara

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INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE

Dated as of January 30, 1979

Between

WELLS FARGO EQUIPMENT LEASING CORPORATION
Lessor

and

CONSUMERS POWER COMPANY
Lessee

TO THE EXTENT THAT THIS LEASE CONSTITUTES CHATTEL PAPER UNDER THE UNIFORM COMMERCIAL CODE, NO SECURITY INTEREST IN THIS LEASE MAY BE CREATED THROUGH THE TRANSFER AND POSSESSION OF ANY COUNTERPART OF THIS LEASE BUT ONLY THROUGH THE TRANSFER AND POSSESSION OF THAT COUNTERPART OF ANY LEASE SUPPLEMENT MARKED "COUNTERPART NO. 1" AND THE SECURITY INTEREST, IF ANY, CREATED THEREBY SHALL ONLY PERTAIN TO SUCH LEASE SUPPLEMENT AND THE UNIT OR UNITS DESCRIBED THEREIN AND NO OTHER LEASE SUPPLEMENT OR UNITS.

(Consumers Power No. 79-3)

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ATTACHMENTS TO EQUIPMENT LEASE

Exhibit A - Lease Supplement

Exhibit B - Certificate of Acceptance

EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of January 30, 1979 (the "Lease") between WELLS FARGO EQUIPMENT LEASING CORPORATION, a California corporation (the "Lessor"), and CONSUMERS POWER COMPANY, a Michigan corporation (the "Lessee").

W I T N E S S E T H:

SECTION 1. DEFINITIONS.

The following terms shall have the following meanings for all purposes of this Lease:

"Affiliate" shall mean any Person which, directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with, the Lessee. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Assignee" shall mean any Person or Persons to whom a Lease Supplement or Lease Supplements and the rights of the Lessor under the Lease in respect of the Unit or Units therein described have from time to time been assigned, whether any such Person has accepted such assignment directly in its capacity as an Institutional Investor or in trust for the benefit of any Institutional Investor or Investors and any Person who or which is claiming by, through or under any such trust. Any reference in this Lease to the successors and assigns of the Lessor shall be deemed to include each and every Assignee.

"Business Day" shall mean any calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York are authorized or obligated to remain closed.

"Casualty Occurrence" with respect to any Unit shall mean any of the following events: (a) the Unit shall be destroyed, (b) the Unit shall be irreparably damaged so as to be unfit for its intended purpose, provided that the determination of such damage or irreparability shall have been made in good faith by the President, any Vice President, the Secretary or any Assistant Secretary of the Lessee within 90 days after the damage occurs, (c) the Unit shall become lost or stolen, or (d) the Unit shall be requisitioned or taken over by any governmental authority, by the power of eminent domain or otherwise for a period which exceeds the then remaining term of this Lease for such Unit.

"Casualty Value" of a Unit as of any Rent Payment Date shall mean the amount determined in accordance with the Lease Supplement covering such Unit.

"Certificate of Acceptance" shall mean any Certificate of Acceptance substantially in the form of Exhibit B hereto, entered into between the Lessor and the Lessee pursuant to Section 2 hereof. Each reference herein to "this Lease," "this Agreement," "herein," "hereunder" or other like words shall include this Lease and each Certificate of Acceptance.

"Code" shall mean the Internal Revenue Code of 1954, as amended.

"Default" shall mean any event which would constitute an Event of Default if any requirement in connection therewith for the giving of notice, or the lapse of time, or the happening of any further condition, event or act, had been satisfied.

"Equipment" or "Units" shall mean the units of machinery and equipment, together with any and all accessories, appliances, equipment, parts and appurtenances, whether now owned or hereafter acquired, from time to time incorporated or installed therein or thereon, which units of machinery and equipment are from time to time delivered to and accepted by the Lessee under and pursuant to the terms of this Lease and which by means of Lease Supplements and Certificates of Acceptance are declared to be and constitute a part of the Equipment leased hereunder. "Unit" or "Unit of Equipment" shall mean any such unit of machinery or equipment.

"Event of Default" shall mean any of the events referred to in Section 15 hereof.

"Fair Market Sales Value" is defined in Section 15.2 hereof.

"Fair Rental Value" of a Unit of Equipment shall mean Fair Rental Value determined in accordance with Section 18(a)(11) hereof.

"Fixed Rent" shall mean, for any one Unit of Equipment, the aggregate rent payable for such Unit pursuant to Section 4(a) hereof, and, for all Equipment, the aggregate of all such rents payable for such Equipment.

"General Indemnitee" is defined in Section 6(a) hereof.

"Imposition" is defined in Section 5(a) hereof.

"Institutional Investor" shall mean any one of the following Persons existing under the laws of the United States of America or any state thereof or of Canada or of any province thereof: (a) any bank, savings institution, trust company or national banking association, (b) any insurance company or fraternal benefit society, (c) any pension, retirement or profit sharing trust or fund for which any bank, trust company, national banking association or investment advisor registered under the Investment Advisors Act of 1940, as amended, is acting as trustee or agent,

(d) any finance company or leasing company, or (e) any Affiliate of any of the foregoing.

"Lease Supplement" shall mean any of the Lease Supplements, substantially in the form of Exhibit A hereto, entered into between the Lessor and the Lessee pursuant to Section 2 hereof. Each Lease Supplement shall contain a description of the applicable Equipment, shall contain the commitment of the Lessor to lease and the Lessee to let the same upon the terms and conditions therein set forth and shall set forth the maximum Lessor's Cost in respect of each of the Units therein described and the rental rate and Rent Payment Dates pertaining thereto. Each reference herein to "this Lease," "this Agreement," "herein," "hereunder" or other like words shall include this Lease and each Lease Supplement.

"Lessor's Cost" of a particular Unit of Equipment shall mean the sum of (a) the aggregate amount of the Manufacturer's invoices with respect to such Unit (complete, delivered and installed, as applicable) paid by the Lessor directly to the Manufacturer, (b) the aggregate amount of the Manufacturer's invoices with respect to such Unit (complete, delivered and installed, as applicable) paid by the Lessee to the Manufacturer, and reimbursed by the Lessor, (c) the aggregate amount of all engineering fees and installation costs incurred by the Lessee or by a third party up to an amount not to exceed 10% of the aggregate amount set forth in clauses (a) and (b) above (which engineering fees and installation costs shall be supported by invoices or other reasonable documentation setting forth the same) and paid or reimbursed by the Lessor, and (d) the aggregate amount of all sales and use taxes paid or reimbursed by the Lessor with respect to such Unit.

"Liabilities" is defined in Section 6 hereof.

"Manufacturer" shall mean each, and "Manufacturers" shall mean all, of the manufacturers, suppliers and vendors of the Units.

"Overdue Interest Rate" with respect to any Unit of Equipment, shall mean the rate per annum set forth in the Lease Supplement describing such Unit.

"Parts" is defined in Section 8(d) hereof.

"Permitted Contest" shall mean, so long as no Event of Default has occurred and is continuing, a contest in good faith by appropriate proceedings by the Lessee, in a manner which will not result in the imposition of any criminal penalty on, or materially and adversely affect the title, interest or rights of, the Lessor, its successors and assigns, of the legality, validity or applicability of any of the taxes, assessments, levies, fees or other governmental charges, or other claims, liens or impositions (collectively referred to in this paragraph as "charges") which, under the terms of this Lease, are required to be paid by the Lessee. No contest which would otherwise be a Permitted Contest shall be carried on or maintained by the Lessee after the date on which the payment of any

such charges is due unless the Lessee, at its option, (a) shall pay the amount involved under protest, or (b) shall procure and maintain a stay of all proceedings to enforce any collection of such charges, together with all penalties, interest, costs and expenses by a deposit of a sufficient sum of money or by a good and sufficient undertaking as may be required or permitted by law to accomplish such stay, or (c) shall deposit with the Lessor, as security for the performance by the Lessee of its obligations hereunder with respect to such charges, an amount equal to the principal of the contested charges, plus such further amounts as the Lessor may reasonably require from time to time to cover all penalties, interest, costs and expenses that may accrue during the period of the contest. In the event any such contest is made by the Lessee, the Lessee shall, after final determination thereof adversely to the Lessee, fully pay when due and discharge the amount involved in or affected by any such contest, together with all penalties, fines, interest, costs or expenses that may have accrued thereon or that may result from any such action by the Lessee, whereupon the Lessor shall return to the Lessee all amounts, if any, deposited by the Lessee in accordance with clause (c) of the second sentence of this paragraph. Nothing within this definition of Permitted Contest shall be deemed to prohibit or otherwise limit any contest by the Lessee against any Manufacturer involving any representation, warranty, patent, covenant, agreement or other undertaking of such Manufacturer in respect of any Unit or Units.

"Permitted Encumbrances" shall mean with respect to any Unit of Equipment, but only to the extent applicable to such Unit, (a) the leasehold interest of the Lessee hereunder and the lien which may attach thereto and to any Part title to which has vested in the Lessee in accordance with Section 8(a) hereof by reason of the existence of an after-acquired property clause in any indenture pursuant to which any indebtedness for borrowed money of the Lessee is issued; (b) any liens thereon for taxes, assessments, levies, fees and other governmental and similar charges not due and payable, or the amount or validity of which is being contested by a Permitted Contest; (c) any liens of mechanics, suppliers, materialmen and laborers for work or service performed or materials furnished in connection with such Unit which are not due and payable, or the amount or validity of which is being contested by a Permitted Contest; (d) rights reserved to or vested in any government or public authority to condemn or appropriate such Unit or control or regulate such Unit or the use of such Unit in any manner; and (e) the security interest or interests in any Unit of Equipment granted by the Lessor to any Assignee or Assignees.

"Person" shall mean an individual, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"Rent Payment Dates" in respect of a Unit of Equipment shall mean the rent payment dates specified in the Lease Supplement covering such Unit.

"Replacement Part" is defined in Section 8(d) hereof.

"Restoration" is defined in Section 7(e) hereof.

"Security" shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

"Subsidiary" shall mean, with respect to any corporation, any corporation, trust or association of which more than 50% (by number of votes) of the Voting Stock at the time outstanding shall be owned, directly or indirectly, by such corporation or by any other corporation, association or trust which is itself a Subsidiary within the meaning of this definition, or collectively by such corporation and any one or more such Subsidiaries.

"Supplemental Rent" shall mean all amounts, liabilities and obligations (other than Fixed Rent) which the Lessee is obligated to pay hereunder to the Lessor or others.

"Tax Indemnitee" is defined in Section 5(a) hereof.

"Voting Stock" shall mean Securities of any class or classes of a corporation, the holders of which are ordinarily, in the absence of contingencies, entitled to elect the corporate directors.

SECTION 2. LEASE AND DELIVERY OF EQUIPMENT.

The Lessor hereby agrees to lease to the Lessee each Unit of Equipment which is from time to time delivered to and accepted by the Lessee under and pursuant to the terms of this Lease and the Lease Supplement and Certificate of Acceptance applicable thereto and which by means of such Lease Supplement executed by the Lessor and the Lessee and Certificate of Acceptance executed by the Lessee is declared to be and constitute a part of the Equipment leased hereunder and the Lessee hereby agrees to lease each such Unit from the Lessor, all for the rental hereinafter stipulated and upon the terms and conditions hereinafter set forth.

SECTION 3. LEASE TERM.

The lease term for each Unit of Equipment shall commence on the date the Unit is delivered to and accepted by the Lessee and, subject to the provisions of Sections 13, 15 and 16 hereof, shall terminate on the date set forth in the Certificate of Acceptance covering such Unit which is executed and delivered by the Lessee pursuant to and in conformity with the Lease Supplement pertaining to such Unit.

SECTION 4. RENT PAYMENTS.

The Lessee agrees to pay the Lessor the following rents for the Equipment:

(a) Fixed Rent. The Lessee agrees that it will pay the Lessor Fixed Rent for each Unit of Equipment (over and above all other and additional sums to be paid by the Lessee as hereinafter set forth) in the amount and on the Rent Payment Dates set forth in the Lease Supplement and the Certificate of Acceptance covering such Unit.

(b) Supplemental Rent. The Lessee also agrees to pay to the Lessor, or to whomsoever shall be entitled thereto, any and all Supplemental Rent promptly as the same shall become due and owing, and in the event of any failure on the part of the Lessee to pay any Supplemental Rent, the Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise as in the case of nonpayment of Fixed Rent.

(c) Place and Time of Payment. All payments to be made under this Lease to the Lessor or its assigns shall be made to the Lessor or its assigns hereunder at such place as the Lessor or its assigns hereunder shall specify to the Lessee in writing. Payment of any additional amounts required by Section 5 or Section 6 hereof shall be made at said place only to the extent that such payments are not being made or have not been made by the Lessee directly and are instead being paid to the Lessor or its assigns by way of reimbursements or to provide the Lessor or its assigns with the funds necessary to make such payments. All payments to be made by the Lessee hereunder shall be paid by wire transfer of Federal or other funds current and immediately available by 11:00 A.M. Eastern Standard Time on the date of payment to the party to whom such payment is made.

If any Rent Payment Date or other date on which a Supplemental Rent payment becomes due and owing, is not a Business Day, the Rent payment otherwise payable on such Rent Payment Date shall be payable on the next following Business Day.

(d) Overdue Payments. The amount of any installment of Fixed Rent or the amount of any Supplemental Rent remaining unpaid shall, after the due date thereof, bear interest at the Overdue Interest Rate (or at the maximum lawful rate, whichever is less) from the first day after the due date of such installment and such interest shall be payable upon written demand from the party to whom the overdue installment of Fixed Rent or Supplemental Rent is payable.

(e) Net Lease; Non-Terminability. This Lease is a net lease and the Lessee's obligation to pay all rent payable

hereunder shall be absolute and unconditional under any and all circumstances and shall not be affected by any circumstances of any character, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which the Lessee may have against the Lessor, its successors or assigns, including any claim of the Lessee against any of the foregoing, (ii) any defect in the title, leasing, condition, design, operation or fitness for use of, or any damage to or loss or destruction of, any of the Units, or any interruption or cessation in the use or possession thereof by the Lessee for any reason whatsoever, or (iii) any insolvency, bankruptcy, liquidation, reorganization or similar proceedings by or against the Lessee. The Lessee hereby waives, to the extent permitted by applicable law, 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 this Lease, except termination in accordance with the express provisions hereof. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise, except as specifically provided herein, the Lessee nonetheless agrees to pay to the Lessor an amount equal to each rent payment at the time such payment would have become due in accordance with the terms hereof had this Lease not been terminated in whole or in part. Each rent payment made by the Lessee shall be final and the Lessee will not seek to recover all or any part of such payment from the Lessor for any reason whatsoever. Nothing herein contained shall prevent the Lessee from exercising such other legal rights and remedies as it may have against the Lessor, its successors and assigns for damages suffered by the Lessee as a result of its rights hereunder (absent an Event of Default hereunder).

SECTION 5. TAXES AND MAINTENANCE.

Notwithstanding the provisions of Section 6 hereof, in addition to the Fixed Rent payable by the Lessee under the provisions of Section 4(a) hereof:

(a) Taxes. The Lessee agrees to pay or cause to be paid punctually as and when the same shall become due and payable and to indemnify, protect, save and keep harmless the Lessor and its successors and assigns and their respective agents and servants (collectively referred to in this Section 5 as the "Tax Indemnitees") on an after-tax basis from and against any and all license and registration fees and any and all taxes (including without limitation income, franchise, sales, use, occupational and personal or real property taxes (including the Michigan Single Business Tax but upon the terms and conditions hereinafter set forth)), levies, imposts, duties, charges or withholdings of any nature, together with any penalties, fines or interest thereon (collectively, called "Impositions"), imposed upon any Tax Indemnitee or any Unit of Equipment

by any foreign, Federal, state or local government or taxing authority, payable on or relating to

(i) the manufacture, installation, purchase, and delivery of the Equipment,

(ii) the ownership, leasing, subleasing, possession, use and operation of the Equipment throughout the term hereof,

(iii) the dismantling, storage, shipping and return of the Equipment pursuant to Section 16 hereof,

(iv) the disposition of the Equipment pursuant to Section 13(e) hereof, or

(v) this Lease,

provided, however, that the Lessee shall have no obligations to pay the following Impositions:

(1) any Impositions included in the Lessor's Cost of any Unit;

(2) Federal taxes based on or measured by net income, except to the extent that tax indemnification is provided for in Section 19 of this Lease;

(3) Impositions imposed by the state, county or city in which the Lessor has its principal place of business based on or measured by net income except to the extent indemnification is provided in Section 19 of this Lease;

(4) franchise and other similar capital based taxes payable by any Tax Indemnitee;

(5) Impositions based on or measured by compensation received by any Assignee for its services as an assignee in respect of a Unit of Equipment; and

(6) Impositions otherwise subject to this Section 5 payable by reason of any transfer or reduction by a Tax Indemnitee of any interest in some or all of the Equipment including any Imposition arising in connection with any assignment pursuant to Section 14(a) hereof of all or substantially all of the Lessor's interest in and to this Lease, any Unit or Units of Equipment leased hereunder and any Lease Supplement or Lease Supplements pertaining thereto whether or not such assignment is absolute or for collateral purposes (other than the first assignment for collateral purposes of any Lease Supplement and the grant of a security interest by the Lessor in and to any Unit of Equipment covered by such Lease Supplement); provided, however, that if such transfer or reduction occurs as a result of a termination of this Lease based on an Event of Default or a termination which occurs by reason of an event

which requires payment of Casualty Value pursuant to Section 13 of this Lease, the Lessee shall pay such Imposition.

Notwithstanding the preceding sentence, the Lessee shall pay all such Impositions which are in lieu of, in substitution for or relieve the Lessee from the payment of Impositions which the Lessee would otherwise be obligated to pay as herein provided, but only to the extent of the amount which would otherwise be payable by the Lessee (it being understood and agreed that such Impositions which are in lieu of, in substitution for or relieve the Lessor from the payment of Impositions or Federal taxes which the Lessor would otherwise be obligated to pay as provided in this Section 5(a) or Section 19 hereof shall be and remain the obligation of the Lessor, but only to the extent of the amount which would otherwise be payable by the Lessor).

The Lessee's agreement to indemnify, protect, save and keep harmless each Tax Indemnitee from and against the Michigan Single Business Tax shall be limited to the amount of any such Tax which arises directly in respect of any Unit of Equipment leased hereunder and shall not apply or pertain to the amount of any such Tax arising in respect of any other property belonging to such Tax Indemnitee or arising out of any business activity of such Tax Indemnitee in the State of Michigan not directly related to this Lease. Each Tax Indemnitee shall promptly, using its best efforts, furnish the Lessee all such information as the Lessee may reasonably require to determine if any amount of the Michigan Single Business Tax for which such Tax Indemnitee is seeking indemnification hereunder does in fact directly relate to a Unit or Units of Equipment leased hereunder and further hereby authorizes the Lessee to act in the name and on behalf of such Tax Indemnitee with the Michigan taxing authorities in requesting and obtaining any information from such taxing authorities related to the determination of the applicability of the Michigan Single Business Tax to the Equipment leased hereunder. The failure of any Tax Indemnitee to furnish such information shall not reduce, eliminate or modify the obligation of the Lessee in respect of such Tax hereunder. Anything in this Section 5(a) contained to the contrary notwithstanding, the Lessee shall not be required to file Michigan Single Business Tax reports with respect to the Units or with respect to the interest of any Tax Indemnitee therein, which shall be and remain the obligation of such Tax Indemnitee. The Lessee shall be obligated to reimburse any Tax Indemnitee which has made a payment of such Tax for which the Lessee is obligated hereunder and such Tax Indemnitee shall treat such reimbursement and all other Fixed Rent payable and paid to such Tax Indemnitee as income to the extent the same is required to be included as income in such Tax Indemnitee's Michigan Single Business Tax returns.

The Lessee agrees to comply with all state and local laws requiring the filing of ad valorem tax returns on the Equipment if and to the extent failure to so comply would materially and adversely affect the title, interest or rights of the Lessor, its successors and assigns in and to any Unit of Equipment. Any statements for Impositions or for ad valorem taxes received by the Lessor shall be promptly forwarded to the Lessee by the Lessor.

In the event any reports with respect to Impositions are required to be made on the basis of individual Units of Equipment, the Lessee will either prepare and file such reports in such manner as to show as required the interests of each Tax Indemnitee in such Units of Equipment or, if it shall not be permitted to file the same, it will notify each Tax Indemnitee of such reporting requirements, prepare such reports in such manner as shall be satisfactory to each Tax Indemnitee and deliver the same to each Tax Indemnitee within a reasonable period prior to the date the same is to be filed.

If any Impositions shall have been charged or levied against any Tax Indemnitee directly and paid by such Tax Indemnitee, the Lessee shall reimburse such Tax Indemnitee on presentation of invoices therefor. Prior to making such payment, such Tax Indemnitee shall promptly notify the Lessee of the Impositions charged or levied, and the Lessee shall have the opportunity to contest the same by means of a Permitted Contest.

The Lessee shall not be responsible for any governmental fines or penalties which are imposed as a result of (1) the willful misconduct or gross negligence of a Tax Indemnitee, or (2) a knowing failure by such Tax Indemnitee to take reasonable action requested by the Lessee in writing which prevents the Lessee from diligently fulfilling its obligations under this Section. Nothing contained in this paragraph shall be deemed to otherwise relieve the Lessee of its obligations for indemnification under this Section 5(a).

The Lessee shall be under no obligation to pay any Imposition of any kind so long as the Lessee is contesting such Imposition in good faith in a Permitted Contest.

Except as provided in Section 19 of this Lease, if the Lessee has reimbursed a Tax Indemnitee for any Imposition pursuant to this Section (or if the Lessee has made a payment to the appropriate taxing authority for an Imposition which it is required to pay hereunder), the Lessee may, at its sole cost and expense, and with such counsel reasonably satisfactory to such Tax Indemnitee, take such steps (in the name of the Lessee or in the name of such Tax Indemnitee) as are reasonably necessary or appropriate to seek such a refund of such Imposition and such Tax Indemnitee shall cooperate with the Lessee in seeking such a refund. Notwithstanding the preceding sentence, the Lessee shall not take any action in the name of any Tax Indemnitee unless it shall have first agreed to indemnify such Tax Indemnitee in a manner reasonably satisfactory to such Tax Indemnitee for any liability or loss, including, without limitation, reasonable costs and attorneys' fees, which such Tax Indemnitee may incur as a result of the Lessee's action. In the event that a Tax Indemnitee receives a refund of any tax paid by it for which it has received a payment from the Lessee pursuant to this Section, such Tax Indemnitee shall first apply such refund (and any interest thereon paid by the United States Government or state or local taxing authority) to any amounts then due and owing to such Tax Indemnitee under the terms of this Lease and any excess shall be promptly paid to the Lessee.

(b) Maintenance and Servicing. The Lessee agrees to pay all costs, expenses, fees and charges incurred in connection with the use and operation of the Equipment during the term hereof, including but not limited to repairs, maintenance, storage and servicing as provided in Section 8 hereof. Neither the Lessor nor its successors or assigns shall have any obligation or duty with respect to any of such matters during the term of this Lease and any applicable storage period provided for herein. The Lessor agrees that, so long as no Event of Default has occurred and is continuing, the Lessee shall have the benefit of and shall be entitled to enforce, either in its own name or in the name of the Lessor for the use and benefit of the Lessee, any and all warranties (whether express or implied) and obligations of each Manufacturer in respect of the Equipment and the Lessor agrees to execute and deliver such further instruments as may be necessary to enable the Lessee to obtain service furnished for the Equipment by said Manufacturer.

(c) Duration. In the event that; during the continuance of this Lease, an event occurs which gives rise to a liability of the Lessee for any payment or reimbursement of any Imposition pursuant to this Section or for the payment by a Tax Indemnitee to the Lessee (including, without limitation, payments described in paragraph (a) of this Section), such liability shall continue, notwithstanding the expiration or termination of this Lease, until all such payments or reimbursements are made by the Lessee or the Tax Indemnitee, as the case may be.

SECTION 6. INDEMNITY APART FROM TAX INDEMNITY.

(a) General. Except as otherwise expressly stated herein, the Lessee hereby assumes liability for, and hereby agrees to indemnify, protect, defend, save and keep harmless the Lessor, its successors and assigns and their respective agents and servants (herein a "General Indemnitee") from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including, without limitation, reasonable legal fees and expenses, of whatsoever kind and nature (herein called "Liabilities") which may be incurred by or imposed at any time (whether during the term of this Lease or thereafter) on any General Indemnitee or a Unit of Equipment and in any way relating to or arising out of, (i) this Lease and any agreements or other instruments executed by the Lessor granting and conveying an interest in and to any Unit or Units to an Assignee and any other agreements relating thereto of which the Lessee is aware, or (ii) the manufacture, purchase, acquisition, ownership, acceptance, rejection, delivery, nondelivery, possession, use, operation leasing, subleasing, replacement, condition, maintenance, repair, sale, return or other application or disposition of the Equipment or any Unit thereof, including, without limitation, claims or penalties arising as the result of latent, patent or other defects, whether or not discoverable by any General Indemnitee, any claim for patent, trademark or copyright infringement, any tort claim (including strict liability in tort) or claim for damages; provided, however, that

the foregoing indemnity with respect to any General Indemnitee shall not extend to any Liabilities (A) to the extent of the amount of any Liabilities resulting from the willful misconduct or gross negligence of such General Indemnitee, (B) resulting from acts or events giving rise to such Liabilities with respect to the Equipment or any Unit thereof which occur after the expiration of any applicable storage period and possession thereof has been redelivered to the Lessor in accordance with the terms of Section 16 at a time when an Event of Default has not occurred and is continuing, (C) arising in the case of the Lessor from the breach of any express duty or express representation or warranty to the Lessee of the Lessor contained herein, (D) otherwise expressly stated herein to be borne by such General Indemnitee, (E) resulting from the transfer of any interest of a General Indemnitee in the Equipment and/or this Lease, unless such transfer was made at the request of the Lessee or occurred following an Event of Default, or (F) with respect to any expenses incurred by the Lessor or any Assignee in connection with the execution of this Lease and any Lease Supplement and with the financing of the Lessor's Cost of any Unit of Equipment. For all purposes of this Section 6, it is understood and agreed that except for the obligations of the Lessor expressly stated in this Lease, the Lessor and any Assignee have no duties or obligations of any character whatsoever with respect to the manufacture, fabrication, acceptance, rejection, ownership, possession, use, operation, condition or other disposition of any Unit of Equipment and no claim of willful misconduct or gross negligence may be predicated in any way upon any such alleged duty. In the event that the Lessee shall contend that its duty to indemnify hereunder is excused or otherwise affected by any alleged willful misconduct or gross negligence of the General Indemnitee seeking indemnification hereunder, the burden of coming forward with evidence and of persuasion with respect thereto shall be borne exclusively by the Lessee. If at any time any General Indemnitee has actual knowledge of a Liability or a potential Liability that would be indemnified against hereunder, such General Indemnitee shall use its best efforts to give prompt written notice thereof to the Lessee. Upon becoming actually aware of such Liability or potential Liability, the Lessee shall assume full responsibility for the defense against or settlement of any such Liability, and such General Indemnitee shall cooperate with the Lessee by providing, at the expense of the Lessee, such witnesses, documents and other assistance as the Lessee may reasonably request; provided, however, (y) such General Indemnitee shall be consulted as to the legal counsel to be employed in respect thereof and (z) if such General Indemnitee shall give to the Lessee notice that in its good faith judgment an important general interest of such General Indemnitee is involved in such Liability or potential Liability, such General Indemnitee shall have the right to control, in consultation with the Lessee, the defense against or settlement of such Liability and the Lessee shall pay such reasonable expenses as may be incurred in connection therewith. The failure of any General Indemnitee to furnish such notice or information shall not reduce, eliminate or modify the obligations of the Lessee under this Section 6(a).

(b) Duration. The obligations of the Lessee under this Section 6 shall survive the expiration or earlier termination of

this Lease as to any Unit or Units of Equipment and are expressly made for the benefit of, and shall be enforceable by, each General Indemnatee separately or together without necessity of declaring this Lease in default and any General Indemnatee seeking to enforce the indemnification may initially proceed directly against the Lessee under this Section 6 without first resorting to any other rights of indemnification it may have. All payments required to be paid pursuant to this Section 6 shall be made directly to, or as otherwise requested by, the General Indemnatee entitled thereto, upon written demand by such General Indemnatee. All such written demands shall specify the amounts payable and the facts upon which the right to indemnification is based.

(c) No Guarantee of Residual Value or Securities. The indemnities and assumptions of liabilities set forth in this Section 6 do not guarantee a residual value in any Unit or Units nor do they guarantee the payment of principal or interest on any Securities issued by the Lessor to finance any portion of the Lessor's Cost of any Unit or Units.

SECTION 7. INSURANCE.

(a) Required Casualty Insurance Coverage. The Lessee agrees that it will at all times during the term of this Lease and at its own cost and expense keep each Unit of Equipment insured against loss by fire, and perils covered under the extended coverage endorsement, and against such other risks of physical loss (excluding, however, business interruption) as are customarily insured against by companies owning property of a similar character and engaged in a business similar to that engaged in by the Lessee at not less than the actual cash value (actual replacement value less physical depreciation) thereof. Any such insurance need not cover the first portion of such loss as is usually retained by the Lessee in respect of similar equipment owned by the Lessee, with the result that the Lessee may be its own insurer to such extent, and insurance policies maintained by the Lessee pursuant to this Section 7(a) may have applicable thereto deductible provisions to no greater extent than in effect for insurance coverage for equipment owned by the Lessee similar to the Units and may be carried under blanket policies maintained by the Lessee so long as such policies otherwise comply with the provisions of this Section 7. All such insurance shall cover the interest of the Lessor and the Lessee in the Equipment and shall provide that losses, if any, in respect of the Equipment shall be payable to the Lessee and the Lessor as their respective interests may appear; provided, however, that upon receipt by the Lessee of notice of the assignment of this Lease and the rent payable hereunder to any Assignee, as provided in Section 14 hereof, the Lessee shall cause the insurance on the Equipment in respect of which the rentals have been so assigned to provide that losses, if any, shall be payable to the Lessee, the Lessor and such Assignee, as their interests may appear, under a lender's loss payable clause satisfactory to the Lessee, the Lessor and such Assignee.

(b) Required Liability Insurance Coverage. The Lessee agrees that it will at all times during the term of this Lease and at its own cost and expense maintain bodily injury (including death) and property damage liability insurance with respect to the Equipment, in such amounts as are customary for similar companies similarly situated, but in no event in amounts less than: (i) \$20,000,000 under single limit liability in respect of aircraft leased hereunder, and (ii) \$8,000,000 under single limit liability in respect of all other Units of Equipment leased hereunder. Any such insurance need not cover the first portion of such loss as is usually retained by the Lessee in respect of similar equipment owned by the Lessee, with the result that the Lessee may be its own insurer to such extent, and insurance policies maintained by the Lessee pursuant to this Section 7(b) may have applicable thereto deductible provisions to no greater extent than in effect for insurance coverage for equipment owned by the Lessee similar to the Equipment and may be carried under blanket policies maintained by the Lessee so long as such policies otherwise comply with the provisions of this Section 7; provided, however, that in no event shall such retention and/or deductible provisions exceed \$10,000,000 in the case of aircraft leased hereunder and \$5,000,000 in the case of all other Units of Equipment leased hereunder unless the Lessee shall have first obtained the prior written consent of the Lessor, which consent shall not unreasonably be withheld if the Lessee furnishes reasonable evidence that companies similar to the Lessee and similarly situated are carrying deductible provisions approximately the same as those which the Lessee is requesting that it be permitted to carry. All such insurance shall protect the Lessor, its successors and assigns and the Lessee in respect of risks arising out of the condition, maintenance, use, ownership or operation of the Equipment, and shall designate such parties as named insureds thereunder or, as the case may be, contain a provision to the effect that liability of the Lessee under any agreements with any Person whereby the Lessee has agreed to assume responsibility or liability for bodily injuries or damage to property notwithstanding that claims may be made or suits commenced against such other Person, is covered under such insurance.

(c) Nature of Coverage; Settlement. The loss, if any, under any policy covering the Equipment required by Section 7(a) shall be adjusted with the insurance companies by the Lessee and the adequacy of the amount payable in respect of any such loss may be contested by the Lessee in any reasonable manner which does not materially adversely affect the title of the Lessor to, or the lien of the subject Assignee in, the Unit or Units in respect of which such amount is payable. Any loss payable under any business interruption coverage with respect to the operation of any Unit of Equipment shall be separately adjusted and shall be paid directly to the Lessee without approval of the Lessor or the appropriate Assignee. If the amount under any deductible clause of any policy applies to both a property loss and a business interruption loss, the amount thereof shall, for the purposes of this paragraph (c), be allocated solely to the business interruption claim. Each policy

under this Section 7 shall provide (i) that the loss, if any, thereunder shall be adjusted and paid as provided in this Lease and (ii) that thirty days' prior written notice of cancellation or of any material alteration thereof shall be given to the Lessor and any Assignee of any Unit of Equipment affected thereby. Upon receipt of notification from the applicable insurer of any material alteration in any such policy, the Lessee will promptly notify the Lessor and such Assignee. Each such policy shall also, to the extent such provisions are obtainable without increase in expense, (y) include effective waivers by the insurers of all claims for insurance premiums against the Lessor and any Assignee, and (z) provide that any losses shall be payable notwithstanding (A) any act of negligence of the Lessee, the Lessor and any Assignee, (B) the occupation or use of any Unit of Equipment for purposes more hazardous than permitted by the terms of such policies, (C) any other breach or violation by the Lessor, the Lessee or any Assignee of any warranties, declarations or conditions contained in such policies, (D) any foreclosure or other proceedings or notice of sale relating to any Unit of Equipment or this Lease, (E) any change in the title to or ownership of any Unit of Equipment. The Lessee shall furnish the Lessor, its successors and assigns with certificates of the Lessee with respect to, or other satisfactory evidence of, maintenance of the insurance required hereunder.

(d) Approved Insurers. All insurance provided for in this Section 7 shall be effected with insurance companies of recognized standing among companies owning property of a character similar to the Equipment and engaged in a business similar to that engaged in by Lessee.

(e) Application of Insurance Proceeds. All insurance proceeds payable and paid to the Lessor, its successors and assigns or the Lessee on account of any damage to or destruction of any Unit of Equipment or any part thereof shall be applied or dealt with as follows:

(1) All such proceeds actually received on account of any such damage or destruction other than a Casualty Occurrence shall be paid over to the Lessee or as it may direct from time to time, as restoration, replacement, rebuilding, alterations and additions ("Restoration") progresses, to pay (or reimburse the Lessee for) the cost of Restoration, if the amount of such proceeds, together with such additional amounts, if any, theretofore expended by the Lessee out of its own funds for such Restoration are sufficient to pay the estimated cost of completing such Restoration. Prior to the application of such funds to the cost of Restoration of any Unit of Equipment, the Lessee shall furnish the Lessor and any Assignee of such Unit with a certificate signed by the President, any Vice President, the Treasurer or an Assistant Treasurer of the Lessee showing in reasonable detail the nature of such Restoration, the actual cash expenditures made to date for such Restoration, the estimated cost (which shall be verified by an accompanying certificate of an engineer or architect who may be an employee of the Lessee) to complete

Restoration and stating that no Default or Event of Default has occurred and is continuing under this Lease to the knowledge of the Lessee. Upon written request of the Lessee, accompanied by evidence satisfactory to the Lessor that Restoration has been completed and the costs thereof paid in full and that there are no mechanics' or similar liens for labor or materials supplied in connection therewith, the balance, if any, of such proceeds held by the Lessor or any of its successors and assigns shall be paid over or assigned to the Lessee. The Lessee covenants and agrees that any such Restoration shall be completed within 270 days from the receipt of such insurance proceeds by the Lessor or any Assignee, as the case may be, except that if no Event of Default shall have occurred and be continuing and the Lessee shall have informed in writing the Lessor and any such Assignee that the Unit which is the subject of such Restoration is being repaired and upon completion of such repairs the Lessee expects to request the release of such insurance proceeds upon the terms and conditions contemplated by this clause (e)(1) of Section 7 then the Lessee shall have such additional time as may be necessary to complete such Restoration. Nothing in this Section 7(e)(1) shall be deemed to modify or amend the obligations of the Lessee under Section 16 hereof. If at the expiration of such 270-day period an Event of Default shall have occurred and be continuing, such Unit shall be deemed to have suffered a Casualty Occurrence and the Lessor or such Assignee, as the case may be, shall pay and apply such insurance proceeds to the payment of the Casualty Value of such Unit.

(11) All such proceeds received or payable on account of a Casualty Occurrence shall be paid over or assigned to the Lessor or if there has been an assignment of an interest in such Unit, to the Assignee; provided that if the Lessee shall have paid to the Lessor or such Assignee, as the case may be, the Casualty Value of such Unit or Units and all other amounts then due and owing under this Lease, then the Lessee shall be entitled to receive and the Lessor or such Assignee, as the case may be, shall reimburse the Lessee from any such proceeds with respect to such Casualty Occurrence to the extent of such Casualty Value, together with any portion of such proceeds not attributable to such Unit or Units and the Lessor shall retain any such proceeds in excess thereof which are so attributable.

Notwithstanding the preceding provisions of this paragraph, if a Default or an Event of Default shall have occurred and be continuing at the time of the application of any such proceeds, such proceeds in respect of Units shall be applied to the payment of any unpaid Fixed Rent or Supplemental Rent, and the remainder, if any, shall be applied pursuant to clause (e)(11) above.

SECTION 8. RISK OF LOSS; MAINTENANCE; ALTERATIONS, MODIFICATIONS AND ADDITIONS; PARTS.

(a) Risk of Loss, Repairs, Damage and Destruction.

Throughout the term of this Lease and thereafter until the expiration of any applicable storage period and return thereof pursuant to Section 15 or 16, as the case may be, the Lessee shall bear the risk of damage, loss, theft or destruction, partial or complete, of the Equipment from whatsoever source arising (whether or not any insurance proceeds are payable in respect of, or are sufficient to cover, such damage, loss, theft or destruction).

(b) Maintenance. The Lessee, at its sole cost and expense, shall maintain, service and repair the Equipment to the same extent as the Lessee would maintain, service and repair similar property owned by the Lessee and in any event, to the extent required to maintain the Equipment in good repair, order and condition (and if a vehicle, in roadworthy condition), reasonable wear and tear excepted, and in so doing shall comply with the manufacturer's operating or repair standards and periodic maintenance inspections, including, without limitation, those required to enforce warranty claims in respect of any Unit of Equipment or those which are required by any governmental commission, board or other authority having jurisdiction over any Unit of Equipment if and to the extent the failure to so maintain, service, repair and comply with any thereof would materially and adversely affect the title, interest or rights of the Lessor, its successors and assigns in and to such Unit, including the commercial value thereof. In addition to and without limiting the foregoing requirements, the Lessee shall, with respect to:

(i) any locomotive or other railroad rolling stock, maintain such Unit in at least as good condition as required by all applicable safety and other mechanical requirements set by the Association of American Railroads and in accordance with applicable Federal Railroad Administration Freight Car Safety Standards,

(ii) any aircraft, inspect, maintain, service, repair, overhaul and test such Unit in accordance with Federal Aviation Administration ("F.A.A.") approved manufacturer's maintenance and preventive repair recommendations therefor so as to keep such Unit in as good operating condition as when delivered to the Lessee hereunder, ordinary wear and tear excepted, and in such condition as may be necessary to enable the airworthiness certification of such Unit to be maintained in good standing at all times under the Federal Aviation Act of 1958, as amended, and shall keep such Unit protected from the elements except during use in the normal manner; maintain all records, logs and other materials required by the F.A.A. to be maintained in respect of such Unit; and promptly furnish to the Lessor such information as may be required to enable the Lessor to file any reports required to be filed as a consequence of the Lessor's ownership of the Unit,

(iii) any unit of construction equipment, use genuine manufacturer's parts and supplies in maintaining, servicing and repairing such Unit,

if and to the extent the failure to do so would materially and adversely affect the title, interest or rights of the Lessor, its successors and assigns in and to such Unit of Equipment.

(c) Alterations, Modifications and Additions. The Lessee, at its sole cost and expense, shall with reasonable promptness make such alterations, modifications and additions to each Unit of Equipment as may be required from time to time to meet the requirements of applicable laws and regulations if and to the extent the failure to do so would materially and adversely affect the title, interest or rights of the Lessor, its successors and assigns in and to such Unit, including the commercial value thereof. In addition, at any time throughout the term of this Lease, the Lessee shall have the right to make any alterations, modifications or additions to any Unit of Equipment as the Lessee may deem desirable in the proper conduct of its business, provided that (1) no such alteration, modification or addition diminishes the value or utility of such Unit of Equipment below the value and utility thereof immediately prior to such alteration, modification or addition, assuming such Unit of Equipment was then in the condition required to be maintained by the terms of this Lease, and (ii) the improvements or additions comprising such modifications or alterations shall be readily removable from the affected Units of Equipment without materially damaging such Units of Equipment or diminishing the value and utility which such Unit would have had at such time had such alteration, modification or addition not occurred. Alterations, modifications and additions which are not required or permitted under the conditions of this subsection (c) may be made by the Lessee only with the prior written approval of the Lessor.

(d) Parts. Title to all components, parts, accessories and appliances (hereinafter collectively referred to as "Parts") installed in or attached to the Equipment shall vest and remain in the Lessor if (i) such Part is required pursuant to repairs or maintenance performed under subsection (b) above; or (ii) such Part cannot be readily removed from the Equipment without materially damaging the Equipment or diminishing or impairing the value or utility which the Equipment would have had at such time had such Part not been installed in or attached to the Equipment; or (iii) such Part is intended as, or has the effect of being a permanent replacement of or substitution for, and not an addition to, any Part originally incorporated or installed in or attached to the Equipment at the time of Lessee's acceptance thereof. In all other cases title to Parts installed in or attached to the Equipment shall vest in the Lessee. All Parts installed in or attached to the Equipment shall be free and clear of all liens and rights of others except Permitted Encumbrances and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof.

All Parts owned by the Lessor at any time removed from the Equipment shall remain the property of the Lessor, no matter where located, until such time as such Parts shall be replaced by Parts to which the Lessor is to have title in accordance with the terms and conditions of this Lease (such substituted Parts, title to which vests in the Lessor as hereinabove provided, are sometimes referred to herein as "Replacement Parts"). Immediately upon any Replacement Part becoming incorporated or installed in or attached to the Equipment as above provided, without further act: (i) title to the removed Part shall thereupon vest in such Person as shall be designated by the Lessee, free and clear of all rights of the Lessor; (ii) title to such Replacement Part shall thereupon vest in the Lessor; and (iii) such Replacement Part shall become subject to this Lease and be deemed part of the Equipment for all purposes hereof to the same extent as the Parts originally incorporated or installed in the Equipment.

SECTION 9. USE OF THE EQUIPMENT; ASSIGNMENT BY LESSEE.

(a) Use of the Equipment. The Lessee agrees that each Unit of Equipment will be used for the purpose and in the manner for which it was designed solely in the conduct of the business of the Lessee and in compliance with the manufacturer's suggested operating standards if and to the extent failure to so use and comply would materially and adversely affect the title, interest or rights of the Lessor, its successors and assigns in and to such Unit, including the commercial value thereof. The Lessee agrees that each Unit of Equipment will at all times be and remain in the possession and control of the Lessee or any of its Affiliates. The Lessee will notify the Lessor and any of its successors and assigns within 30 days of the date on which any Unit of Equipment (other than aircraft, railroad rolling stock or titled vehicles) is removed from the State of Michigan and provide the new location thereof. The Lessee warrants that each Unit of Equipment will at all times be used and operated: (i) under and in compliance with the laws of the jurisdiction in which the same is operated, and (ii) in compliance with all lawful acts, rules, regulations and orders of any commissions, boards or other legislative, executive or judicial bodies or officers having power to regulate or supervise the use of such property, if and to the extent failure to so comply as specified in clauses (i) and (ii) of this Section 9(a) would materially and adversely affect the title, interest or rights of the Lessor, its successors and assigns in and to any Unit of Equipment, including the commercial value thereof; provided, however, that the Lessee shall have the opportunity to contest the applicability of the same by means of a Permitted Contest.

(b) Assignment by Lessee. The Lessee agrees that it will not assign, transfer or sublease its rights under this Lease or in respect of any Lease Supplement and the Units therein described, or permit its rights or interest hereunder or in respect of any Unit of Equipment to be subject to any lien, charge or encumbrance other than Permitted Encumbrances without the prior written consent of the Lessor and the Assignee of any interest in any such Unit of Equipment; provided, however, that without the prior written consent

of the Lessor or any successor thereto or Assignee thereof, the Lessee may assign or sublease its rights under this Lease in respect of any Unit or Units of Equipment to any Subsidiary of the Lessee, provided that (i) at the time of any such assignment or sublease, no Default or Event of Default shall have occurred and be continuing; (ii) any such assignment or sublease shall by its terms be made subject and subordinate to the terms of this Lease and shall not extend beyond the term of this Lease applicable to the Unit or Units so assigned or subleased; and (iii) the Lessee shall not assign, sublease or permit the assignment, sublease or use of any Unit predominantly outside the United States of America within the meaning of Section 48(a) of the Code, nor shall the Lessee assign or sublease to, or permit the sublease or use of the Units by, any Person in whose hands such Units would not qualify as "new Section 38 property" within the meaning of said Code. No assignment or sublease shall relieve the Lessee of any of its obligations, liabilities or duties hereunder, which shall remain those of a principal and not a guarantor. The Lessee will preserve and keep in full force and effect its corporate existence, rights and franchises and all licenses and permits necessary to the performance of its obligations hereunder except as otherwise contemplated by this Section 9(b). Nothing in this Section 9(b) shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any solvent corporation (which shall have duly assumed in writing the obligations hereunder of the Lessee) into or with which the Lessee shall have become merged or consolidated or which shall have acquired all or substantially all of the assets of the Lessee, provided that, upon the effectiveness of such merger or consolidation or acquisition of properties, no Default or Event of Default shall have occurred and be continuing, such assignee, successor or transferee shall have assumed in writing the obligations of the Lessee hereunder and such merger or consolidation or acquisition of properties shall not have materially adversely affected the ability of the Lessee to perform its obligations hereunder.

SECTION 10. LIENS.

(a) Covenant of Lessee. The Lessee agrees that it will keep each Unit of Equipment free and clear of any and all liens, charges and encumbrances (including, without limitation, the lien of the Indenture dated as of September 1, 1945 between the Lessee and Citibank, N.A., as from time to time supplemented or amended) other than (i) Permitted Encumbrances, and (ii) liens, charges or encumbrances of any Persons claiming by, through or under the Lessor.

(b) Covenant of Lessor. The Lessor agrees that it will keep each Unit of Equipment free and clear of any and all liens, charges or encumbrances of any Persons claiming by, through or under the Lessor other than (i) Permitted Encumbrances and (ii) liens, charges or encumbrances (x) which are permitted by Section 14(a) hereof, (y) granted by the Lessor pursuant to a security agreement, mortgage or similar agreement, or (z) which do not materially and adversely affect the rights or interest of the Lessee hereunder.

SECTION 11. OWNERSHIP AND MARKING.

(a) Ownership. The Lessee acknowledges and agrees that it has not, and by the execution hereof it does not and will not have or obtain, any title to the Equipment, nor any property right or interest, legal or equitable, therein, except solely as the Lessee hereunder and subject to all the terms hereof.

(b) Marking. The Lessee covenants and warrants that prior to or concurrently with the delivery of a Unit of Equipment it will cause such Unit to be plainly, permanently and conspicuously marked with the following legend:

"Leased from Wells Fargo Equipment Leasing Corporation, as Owner-Lessor, and subject to a Security Interest"

The Lessee covenants and agrees to replace any such marking which may be removed or destroyed or become illegible.

(c) Personal Property. It is expressly understood that all of the Equipment shall be and remain personal property notwithstanding the manner in which any Unit of the Equipment may be attached or affixed to realty. The Lessee covenants and warrants that it will take no action which would cause any Unit of Equipment to become a fixture under applicable law. Upon termination of this Lease, the Lessee shall have the duty and the Lessor shall have the right to remove the Equipment from the premises whereon the same is located, whether or not affixed or attached to the realty or any building, at the sole cost and expense of the Lessee. The Lessor shall not be liable for any damage caused to realty or any building by the removal of the Equipment except for damage caused by the negligence of the Lessor, and the Lessee shall save harmless and indemnify the Lessor from any such liability except in the case of liability arising out of the negligence of the Lessor.

SECTION 12. DISCLAIMER OF WARRANTIES.

The Lessee acknowledges and agrees that (i) each Unit of Equipment will be of a size, design, capacity and manufacture selected by the Lessee, (ii) the Lessee will be satisfied that the same is suitable for its purpose, (iii) the Lessor is not a manufacturer nor a dealer in property of such kind, (iv) the Equipment is and will be leased hereunder subject to the rights of any parties in possession of any site on which any such Unit may be located and the state of the title to such site and the rights of ownership in such site at the time any Unit of the Equipment became subject to this Lease and to all applicable zoning regulations, restrictions, laws and ordinances, building restrictions and other laws and governmental regulations now in effect or hereafter adopted and in the state and condition of every part thereof when the same first became subject to this Lease, without representation or warranty of any

kind by the Lessor, and (v) THE LESSOR LEASES EACH UNIT OF THE EQUIPMENT, AS-IS, WITHOUT WARRANTY OR REPRESENTATION EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS OR MERCHANTABILITY OF THE EQUIPMENT, (B) THE LESSOR'S TITLE THERETO, (C) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF (EXCEPT THAT, SUBJECT TO THE LESSOR'S RIGHTS ARISING UNDER SECTION 15 HEREOF, THE LESSOR AGREES NOT TO WRONGFULLY INTERFERE WITH THE LESSEE'S QUIET ENJOYMENT OF THE UNITS), OR (D) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE.

SECTION 13. CASUALTY OCCURRENCES.

(a) Casualty Occurrence. In the event that any Unit of Equipment suffers a Casualty Occurrence, the Lessee shall promptly and fully inform the Lessor, its successors and assigns in regard thereto and the Lessee, on the Rent Payment Date next following the date of said Casualty Occurrence, shall pay to the Lessor an amount equal to the Casualty Value of such Unit of Equipment computed as of the Rent Payment Date immediately following said Casualty Occurrence. If for any reason the President, any Vice President, the Secretary or any Assistant Secretary of the Lessee has not become aware of such Casualty Occurrence prior to the Rent Payment Date on which such Casualty Value would otherwise be payable, then such Casualty Value shall become due and payable and shall be paid not later than ten Business Days after the date on which such officer of the Lessee has become aware of such Casualty Occurrence, together with interest at the rate contemplated by Section 4(d) hereof from and including the Rent Payment Date next following the date of such Casualty Occurrence to but not including the date such Casualty Value is actually paid. Upon receipt by the Lessor of such payment, together with any other sums then due and owing in respect of such Unit, this Lease shall terminate with respect to such Unit, subject to the requirements of Section 16 hereof regarding the disposition of such Unit of Equipment and subject to any Permitted Contest and rights of the Lessee arising in respect thereof.

(b) Unserviceable Unit. The Lessee may, upon not less than 90 days' prior written notice to the Lessor and the Assignee of any interest in a Unit, terminate this Lease with respect to such Unit if permitted by the terms of the Lease Supplement covering the same as of the Rent Payment Date specified in such Lease Supplement or as of any succeeding Rent Payment Date if such Unit, in the good faith judgment of the Lessee as determined by its President or any Executive Vice President, shall have become obsolete or economically unserviceable (other than as a result of physical damage to such Unit which constitutes a Casualty Occurrence) so as to be no longer useful in the conduct of the Lessee's business, upon payment to the Lessor of all Fixed Rent accrued to and including the Rent Payment Date on which such termination is to become effective plus an amount equal to the Casualty Value of such Unit as of such termination date and all other sums then due and owing in respect of such Unit. Such written notice shall designate the date on which termination is to become effective. Such notice

shall also be accompanied by an officer's certificate of the Lessee setting forth the determination by the President or any Executive Vice President of the Lessee of obsolescence or economic unserviceability of such Unit and a statement in reasonable detail of the basis for such determination.

(c) Rent Termination. Upon (but not until) payment of the Casualty Value and all other sums then due and owing in respect of any Unit of Equipment, rent shall cease to accrue in respect of such Unit but the Lessee shall continue to pay rent for all other Units.

(d) Certain Government Requisitions. In the event that during the term of this Lease the use of any Unit of the Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for a period which does not exceed the remaining term of this Lease for such Unit, the Lessee's duty to pay rent shall continue for the duration of such requisitioning or taking. Unless an Event of Default shall have occurred and be continuing, the Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession. If an Event of Default shall have occurred and be continuing, the Lessee shall be deemed to the extent of any such compensation so received to be the agent of the Lessor in collecting and receiving the same and shall segregate and hold in trust and promptly remit any such compensation so received to the Lessor for crediting against any sums then due and owing hereunder to the Lessor, its successors or assigns. A requisition or taking for an indefinite period of time shall not be deemed to exceed the remaining term of this Lease unless and until the period of such requisition or taking does in fact exceed the remaining term.

(e) Disposition Following Early Termination. The Lessee shall, as agent for the Lessor, dispose of any Unit of Equipment with respect to which a Casualty Occurrence has occurred or in respect of which the Lease has been terminated pursuant to Section 13(b) hereof, as promptly as possible for the best price obtainable. Any such disposition shall be on an "as-is," "where-is" basis specifically disclaiming any representation or warranty express or implied. The proceeds of such disposition shall be allocated and applied in the manner provided in Section 13(f) hereof. If this Lease has been terminated pursuant to Section 13(b) hereof with respect to any Unit, neither the Lessee nor any Affiliate of the Lessee shall be permitted to acquire such Unit by purchase, lease or otherwise for its own account or the account of any such Affiliate. During the period from the date of the Casualty Occurrence or the giving of notice of termination pursuant to Section 13(b) hereof with respect to any Unit until final disposition of such Unit, the Lessor and the Lessee shall each use their best efforts to obtain cash bids for the purchase of such Unit (it being understood that the Lessor shall not be obligated to solicit any such bids) and shall coordinate such efforts to the extent necessary to reasonably assure the best available bid for such Unit. The Lessee shall promptly certify to the Lessor in

writing the amount of each bid received by the Lessee and the name and address of the party submitting each such bid. The Lessor may bid and purchase any such Unit or obtain bids, but shall be under no duty to solicit bids, inquire into the efforts of the Lessee to obtain bids or otherwise take any action in connection with arranging such sale. The Lessee shall continue to remain obligated under this Lease in respect of each such Unit until the date of disposition thereof pursuant hereto. If for any reason any such Unit is not disposed of pursuant to the terms hereof on or prior to the applicable date of termination, the decision of the Lessee to terminate this Lease pursuant to Section 13(b) shall be deemed to be null and void and the Lessee shall continue to remain obligated hereunder with respect to such Unit.

(f) Application of Proceeds. The Lessor shall be entitled to receive any proceeds of any award or other recovery received on account of a Casualty Occurrence, including any proceeds from the disposition of any Unit and any proceeds from the disposition of any Unit in respect of which this Lease shall be terminated pursuant to Section 13(b) hereof; provided that unless an Event of Default shall have occurred and be continuing (i) the Lessee shall be entitled to credit for the amount of such proceeds so received by the Lessor against the Lessee's obligation to pay the Casualty Value in respect of such Unit, and (ii) following the payment of such Casualty Value, the Lessee shall be entitled to receive and the Lessor shall reimburse the Lessee from any such proceeds with respect to such Casualty Occurrence to the extent of such Casualty Value, together with any portion thereof not attributable to such Unit and the Lessor shall retain any such proceeds in excess thereof which are so attributable. Any insurance proceeds payable on account of a Casualty Occurrence shall be paid and applied in accordance with Section 7(e) of this Lease.

SECTION 14. ASSIGNMENTS BY LESSOR.

(a) Right to Assign; Limitation. The Lessor may assign this Lease and/or the Fixed Rent and the Supplemental Rent at any time due and to become due, or at any time owing or payable, by the Lessee to the Lessor under any of the provisions of this Lease to any Assignee or Assignees. Any such assignment shall be in respect of either (i) this Lease and/or the Fixed Rent and Supplemental Rent due and to become due in respect of all of the Equipment at any time or from time to time leased hereunder, or (ii) this Lease and/or the Fixed Rent and Supplemental Rent due and to become due in respect of all, but not less than all, of the Units of Equipment described in any one or more of the Lease Supplements and shall by its terms provide that any such Fixed Rent and other sums so assigned shall be payable to the Lessor or solely to an Assignee. Upon any such assignment, the Lessor shall give written notice to the Lessee stating the name and post office address of the Assignee and all rents and other sums payable by the Lessee which are the subject matter of such assignment shall be paid to such Assignee. In the event that separate assignments are executed

by the Lessor, the Lessor and the Lessee agree that so long as such separate assignments remain in force and effect, this Lease shall be deemed to be and shall be construed as a divisible and severable contract between the Lessor and the Lessee for the leasing of Equipment covered by each such separate assignment, and each Assignee shall be entitled to exercise all of the rights and remedies of the Lessor in respect of the Equipment covered by the separate assignment to such Assignee, all to the same extent and with the same force and effect as though a separate Lease had been entered into by the Lessee and the Lessor in respect of such Equipment. Except as provided in this Section 14, the Lessor may not assign any of its right, title or interest in this Lease and/or the Fixed Rent and Supplemental Rent due or payable hereunder without the prior written consent of the Lessee.

(b) Obligation and Right of Assignee. Any Assignee shall not be obligated to perform any duty, covenant or condition required to be performed by the Lessor under any of the terms hereof, but on the contrary, the Lessee and the Lessor by their respective executions hereof each acknowledge and agree that notwithstanding any such assignment each and all of such duties, covenants or conditions required to be performed by the Lessor shall survive any such assignment and shall be and remain the sole liability of the Lessor. Without limiting the foregoing, the Lessee acknowledges and agrees that, except as otherwise expressly provided in Section 13 hereof, the rights of any Assignee in and to the Fixed Rent and Supplemental Rent, in the case of the latter as and when any thereof becomes due and owing pursuant to the terms of this Lease shall not be subject to any abatement whatsoever, and shall not be subject to any defense, setoff, counterclaim or recoupment or reduction of any kind for any reason whatsoever whether by reason of failure of or defect in the Lessor's title or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof or any damage to or loss or destruction of the Equipment or any part thereof or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor or of any other Person to the Lessee or to any other Person, or for any cause whatsoever, it being the intent hereof that the Lessee shall be unconditionally and absolutely obligated to pay any Assignee all of the Fixed Rent and Supplemental Rent assigned thereto, in the case of the latter as and when the same becomes due and payable hereunder, subject only to the provisions of Section 4(c) hereof permitting payment of indemnities to be made directly to the Person claiming in respect of such indemnities.

(c) Subordination of Interest of Assignee. It is further understood and agreed that the right, title and interest of any Assignee shall by the express terms of any instrument or instruments granting and conveying any interest in any Unit or Units to such Assignee be subject to the rights and duties of the Lessee as provided hereunder in and to the Equipment.

SECTION 15. DEFAULTS.

15.1. The following events shall constitute "Events of Default":

(a) the Lessee shall default in the payment of any installment of Fixed Rent or of any Casualty Value payable pursuant to Section 13 hereof and such default shall continue for a period of five calendar days after the due date thereof; or

(b) the Lessee shall default in the observance or performance of any covenant required to be observed or performed by the Lessee under Section 7 and such default shall continue for a period of five Business Days; or

(c) the Lessee shall default in any respect in the observance or performance of any other covenant required to be observed or performed by the Lessee hereunder and such default shall continue for more than 30 days after written notice thereof from the Lessor to the Lessee; or

(d) any representation or warranty made by the Lessee herein or in any statement or certificate furnished to the Lessor or any Assignee in connection herewith proves untrue, inaccurate or incomplete in any material respect as of the date of issuance or making thereof; or

(e) an Event of Default shall have occurred and be continuing (i) under Section 15.1 of that certain Equipment Lease dated as of January 10, 1979 between Wells Fargo Transport Leasing Corporation, as lessor, and the Lessee, as lessee, or (ii) under Section 15.1 of that certain Equipment Lease dated as of January 20, 1979 between Wells Fargo Leasing Corporation, as lessor, and the Lessee, as lessee; or

(f) default or the happening of any event or condition shall occur (i) in respect of any indebtedness for borrowed money or any Capitalized Lease Liability of the Lessee which, individually or in the aggregate, exceeds \$1,000,000, or (ii) under any indenture, agreement, Capitalized Lease or similar instrument or instruments relating to or under which any such indebtedness for borrowed money or Capitalized Lease Liabilities aggregating more than \$5,000,000 of the Lessee may be issued, and on account of such default or event, or condition, any maturity of such indebtedness for borrowed money or Capitalized Lease Liabilities of the Lessee is accelerated or any Capitalized Lease under which such Capitalized Lease Liabilities are payable is terminated or appropriate proceedings to enforce the same are initiated; or

(g) the Lessee becomes insolvent or bankrupt or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors or applies

for or consents to the appointment of a trustee, or receiver for the Lessee or for any substantial part of its property, or the Lessee shall make any voluntary assignment or transfer of the Lessee's interest as Lessee hereunder in a manner or to a person not permitted by the terms hereof; or

(h) a trustee or receiver is appointed for the Lessee, or for the major part of its property, and is not discharged within 30 days after such appointment; or

(i) bankruptcy, reorganization, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors, are instituted by or against the Lessee, and if instituted against the Lessee are allowed against the Lessee or are consented to or are not dismissed within 90 days after such institution;

15.2. When any Event of Default has occurred and is continuing the Lessor may in its sole discretion elect, to the extent permitted by and subject to compliance with any mandatory requirements of applicable law then in effect:

(a) proceed by appropriate court action or actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants and terms of this Lease or to recover damages for the breach thereof, including net after-tax losses of Federal and state income tax benefits to which the Lessor would otherwise be entitled under this Lease;

(b) by notice in writing to the Lessee, terminate this Lease and/or the Lessee's rights of possession hereunder as to any one or more of the Units, whereupon all right, title and interest of the Lessee to or in the use of such Units shall terminate provided that the Lessee shall otherwise remain obligated under this Section 15, and the Lessor or the Assignee of an interest in a Unit of Equipment, as the case may be, may, directly or by its agent, enter upon the premises of the Lessee or other premises where such Unit of Equipment in respect of which such notice has been given may be located and take possession thereof (the Lessee hereby indemnifying and holding the Lessor or such Assignee, as the case may be, harmless from liability for any damages occasioned by such taking of possession, other than for damages arising as a result of the negligence of the Lessor or such Assignee, as the case may be) or may, at the Lessor's or such Assignee's election, require the Lessee at the Lessee's expense to return any Unit promptly to the Lessor or such Assignee in the manner and condition required by, and otherwise in accordance with all of the provisions of, Section 16 hereof as if such Unit were being returned at the end of the term of this Lease with respect to such Unit, except that the Lessee will provide free storage for such Unit for a period not exceeding 120 days after the Lessor

or such Assignee shall have so declared this Lease to be in default and shall bear the entire expense and risk of such storage (including, without limitation, the cost of any insurance), the disassembly and preparation of such Unit for shipment and the delivery of such Unit to the location contemplated by Section 16 hereof;

(c) in the event of any such termination with respect to any Unit or Units of Equipment, the Lessor or such Assignee shall have the right, but shall not be obligated, to sell such Unit or Units at public or private sale as the Lessor or such Assignee may determine or otherwise dispose of, hold, use, operate, lease to others or keep idle such Unit or Units, as the Lessor or such Assignee in its sole discretion may determine, all free and clear of any rights of the Lessee and without any duty to account to the Lessee with respect to such action or inaction or for any other proceeds with respect thereto, except to the extent required by paragraph (d) or (e) below and except that the Lessor or such Assignee will furnish the Lessee with such reasonable evidence of the amount of any proceeds in respect of such Unit or Units as the Lessee may request;

(d) in the event of any such termination with respect to any Unit or Units of Equipment and whether or not the Lessor shall have exercised or shall thereafter at any time exercise any of its rights under paragraph (c) above, (i) the Lessor or such Assignee shall be entitled to retain all rents and additional sums theretofore paid by the Lessee or received by the Lessor or such Assignee, including any such then in its possession which, had this Lease not been declared in default, would otherwise be payable to the Lessor or such Assignee hereunder, (ii) the Lessor or such Assignee may recover from the Lessee all rents and additional sums accrued and unpaid under any of the terms hereof as of the date of 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 (iii) the Lessor or such Assignee may recover forthwith from the Lessee as liquidated damages for the loss of a bargain, but not as a penalty, whichever of the following amounts the Lessor or such Assignee in its sole discretion shall elect: (x) an amount equal to the excess, if any, of the Casualty Value of the Unit or Units involved in such termination as of the Rent Payment Date next preceding the date of termination over the Fair Market Sales Value of such Unit or Units (computed as hereinafter in this Section provided) as of the date of termination, or (y) an amount equal to the excess, if any, of the then present value of all Fixed Rent which would otherwise have accrued hereunder on account of the Unit or Units involved in such termination from the date of termination to the end of the term of this Lease for each such Unit over the then

present value of the aggregate Fair Rental Value of such Unit or Units for the balance of such term, such present values to be computed in each case on the basis of a 5% per annum discount factor from the respective dates upon which such rents would have been payable hereunder had this Lease not been terminated;

(e) in the event the Lessor or such Assignee, pursuant to paragraph (c) above, shall have sold any Unit or Units of Equipment, then in lieu of exercising its rights under paragraph (d) above, (i) the Lessor or such Assignee shall be entitled to retain all rents and additional sums theretofore paid by the Lessee or received by the Lessor or such Assignee, including any such then in its possession which, had this Lease not been declared in default, would otherwise be payable to the Lessor or such Assignee hereunder, (ii) the Lessor or such Assignee may recover from the Lessee all rents and additional sums accrued and unpaid under any of the terms hereof on account of such Unit or Units as of the date of termination, and (iii) the Lessor or such Assignee may recover from the Lessee as liquidated damages for the loss of a bargain, but not as a penalty, an amount equal to the excess, if any, of the Casualty Value of the Equipment, computed as of such date of termination, over the net proceeds of such sale;

(f) in addition to the foregoing, the Lessor and such Assignee shall be entitled to recover from the Lessee any and all damages which the Lessor or such Assignee shall sustain by reason of the occurrence of any such Event of Default or other breach of this Lease, together with reasonable attorneys' fees and such reasonable expenses as shall be expended or incurred in the seizure, rental, storage or sale of the Equipment or in the enforcement of any right or privilege hereunder or in any consultation or action in connection therewith.

15.3. Except as otherwise expressly provided above, no remedy referred to in this Section is intended to be exclusive, but shall be cumulative and in addition to any other remedy referred to above or otherwise available to the Lessor and any Assignee or Assignees thereof at law or in equity; and the exercise or beginning of exercise or failure to exercise by the Lessor or any such Assignee of any one or more of such remedies shall not preclude the simultaneous or later exercise by the Lessor or any such Assignee of any or all of such other remedies. No express or implied waiver by the Lessor or any such Assignee of any Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default. To the extent permitted by applicable law, the Lessee hereby waives any rights now or hereafter conferred by statute or otherwise, which may require the Lessor or any such Assignee to sell, lease or otherwise use any Unit in mitigation of the Lessor's or any such Assignee's damages as set forth in this Section or which may otherwise limit or modify any of the Lessor's or any such Assignee's rights and remedies in this Section.

15.4. The term "Capitalized Lease" shall mean any lease which, in accordance with generally accepted accounting principles from time to time in effect, is required to be capitalized on the balance sheet of the Lessee.

The term "Capitalized Lease Liabilities" shall mean all fixed payments which the Lessee is required to make by the terms of any Capitalized Lease, but shall not include any amounts required to be paid in respect of maintenance, repairs, income taxes, property taxes, insurance, interest, assessments, amortization or other similar charges or additional rentals.

The term "Fair Market Sales Value" of any Unit shall be determined on the basis of, and shall be equal in amount to the value which would obtain in an arm's-length transaction between an informed and willing buyer and an informed and willing seller under no compulsion to sell and the cost of removal thereof shall not be a deduction from such Fair Market Sales Value. Such Fair Market Sales Value shall be determined by mutual written agreement of the Lessor and the Lessee or, upon notice to the Lessee by the Lessor, at any time prior to such mutual agreement, shall be determined by two independent appraisers, one chosen by the Lessor and one chosen by the Lessee. If such appraisers cannot agree on such value within 60 days after the date of appointment thereof, then such value shall be determined by an appraiser chosen by the American Arbitration Association, which appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The expenses and fees of any appraiser or appraisers shall be borne by the Lessee.

SECTION 16. DISPOSITION OF EQUIPMENT.

Unless this Lease shall have been previously terminated pursuant to Section 13 hereof, at the end of the term of this Lease in respect of a Unit of Equipment, the Lessee will, at its own cost and expense, surrender possession of such Unit to the Lessor at the location provided in the Lease Supplement pertaining to such Unit or at such other place as such Unit shall then be located pursuant to the consent of the Lessor and any Assignee of an interest therein and in accordance with any additional provisions for return of Units set forth in the applicable Lease Supplement. The Lessee agrees to deliver possession of such Unit to the Lessor crated or packed or otherwise suitable for shipment and upon 15 days' prior written notice by the Lessor to the Lessee, shall ship or transport such Unit to such location as the Lessor shall request, and the Lessee shall bear such cost of shipment up to an amount equal to the cost of shipment thereof between Jackson, Michigan, and New York City, New York. Without limiting the foregoing, the Lessee shall provide storage for such Unit at the place of location thereof, at the sole expense and risk of the Lessee, for a period not to exceed 90 days.

SECTION 17. FINANCIAL STATEMENTS AND REPORTS.

The Lessee agrees that it will furnish directly to the Lessor, its successors and assigns, the following:

(a) As soon as available and in any event within 60 days after the end of each quarterly period, except the last, of each fiscal year, a balance sheet of the Lessee as at the end of such period and a statement of income and retained earnings of the Lessee for the period beginning on the first day of such fiscal year and ending on the date of such balance sheet, the income statement setting forth the corresponding figures for the corresponding period of the preceding fiscal year, all in reasonable detail, provided that the Lessee may furnish copies of its Form 10-Q (or any successor form) in lieu of the information required by this Section 17(a);

(b) As soon as available and in any event within 120 days after the last day of each fiscal year, a copy of the Lessee's annual report to stockholders, including balance sheet, income statement and statement of retained earnings of the Lessee, which statements will have been certified by a firm of independent public accountants of recognized standing selected by the Lessee covering the operations of the Lessee;

(c) Within the period provided in subparagraph (b) above, a certificate, signed by any Vice President or the Treasurer of the Lessee, to the effect that the signer thereof has reviewed the terms and provisions of this Lease and that at the date of said certificate is not aware of any Default, or if the signer is aware of any such Default, he shall disclose in such certificate the nature thereof;

(d) As soon as available, copies of such financial statements, reports and proxy statements as the Lessee shall furnish to its stockholders; and

(e) Such additional information as the Lessor and any of the Lessor's successors or assigns may reasonably request concerning the Lessee, in order to enable such Person to determine whether the covenants, terms and provisions of this Lease have been complied with by the Lessee.

The Lessee agrees to permit the Lessor and any such successor or assign (or such Persons as the Lessor or such successor or assign may designate) to visit and inspect the Units of Equipment in which any such Person has an interest and to examine the records or books of account of the Lessee relating to such Unit or Units of Equipment, all at such reasonable times as the Lessor or such successor or assign may reasonably request.

SECTION 18. RENEWAL OPTIONS AND RIGHTS OF FIRST REFUSAL.

(a) Renewal Options. Provided that no Default or Event of Default has occurred and is continuing the Lessee shall have the following renewal options:

(i) The Lessee shall have the option to renew and extend this Lease as to all or any of the Units for such additional renewal terms as are set forth in the Lease Supplement pertaining thereto but upon and subject to the terms and conditions herein contained for the original term of this Lease; provided that the Fixed Rent payable for and during any such renewal term shall be an amount equal to the Fair Rental Value (as hereinafter defined) of such Units. Each renewal term shall commence immediately upon the expiration of the preceding term. The Lessee shall give the Lessor written notice of any such election 120 days prior to the commencement of any renewal term provided for in this Section 18(a); and

(ii) The Fair Rental Value of a Unit of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (except after an Event of Default shall have occurred and be continuing, other than the Lessee) and an informed and willing lessor under no compulsion to lease and the costs of removal thereof shall not be a deduction from such Fair Rental Value. If on or before 90 days prior to the date of commencement of the renewal term elected by the Lessee, the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value of the Unit of Equipment, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term "Appraiser" shall mean two independent appraisers, one chosen by the Lessor and one chosen by the Lessee, or, if such appraisers cannot agree on the amount of such value within 60 days prior to the date of commencement of the applicable renewal term, then the term "Appraiser" shall mean an appraiser chosen by the American Arbitration Association. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. Upon receipt of notice of such determination, the Lessor and the Lessee shall within ten days of receipt of notice to elect have the option to enter or not enter into such renewal; however, in the event they elect to enter into the renewal, the appraiser's determination of such Fair Rental Value shall be conclusively binding upon both Lessor and Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee.

The Lessor and the Lessee understand and agree that if and to the extent the Lessee elects to renew the Lease in respect of less than all of the Units having a common expiration date, bearing the same identifying letter and covered by the same Lease Supplement,

the Lessor shall have the option to choose the Units to be so leased from among the aggregate number of Units which are the subject of such renewal option.

(b) Right of First Refusal. Provided that this Lease has not been earlier terminated and no Event of Default has occurred and is continuing, and subject always to the rights of the Lessee under Section 18(a) hereof, in the event the Lessor elects to sell Units to third parties at the expiration of the original or extended term of this Lease in respect of such Units, the Lessee shall be given written notice of such intention prior to the expiration of such term. In the event that the Lessor shall receive, prior to return of such Units at the end of such term of the Lease (excluding any storage period), a bona fide offer in writing from a Person which is not an Affiliate of the Lessee to purchase such Units and the Lessor elects to sell the same pursuant to such offer at the expiration of such term of this Lease, the Lessor shall give written notice to the Lessee of such offer. Such notice shall include the price and the terms and conditions of payment offered by the other party in writing to the Lessor. The Lessee shall have the sole right and option to purchase such Units for cash at the price at which such Units are proposed to be sold or under the other terms and conditions of payment offered by the other party, as hereinafter provided. Within 10 Business Days of receipt of notice from the Lessor, the Lessee shall exercise such purchase rights by delivery to the Lessor of a written notice specifying a date of purchase, which date shall not be later than 15 days after the expiration date of the Lease in respect of such Unit. In the event that the Lessee shall have delivered a notice of its election to purchase such Units, this Lease (including the obligation to pay rent) in respect thereof shall be further extended upon the same terms and conditions set forth herein from the expiration date of the Lease in respect of such Unit to the date of purchase except that the rental rate shall be the daily equivalent of the Fixed Rent rate payable in respect thereof during the original term of this Lease. The Lessee shall pay any sales or use taxes arising in connection with the exercise of its right to purchase under this Section 18(b).

(c) Delivery of Equipment. Unless the Lessee has elected to purchase the Units of Equipment in respect of which this Lease is then expiring or to renew this Lease in respect of such Units of Equipment as provided in this Section 18, all of such Units of Equipment shall be returned to the Lessor at the end of the original term, or of the then current renewal term, as the case may be, in accordance with Section 16 hereof.

SECTION 19. FEDERAL INCOME TAX INDEMNIFICATION.

(a) Intended Federal Tax Benefits. In entering into this Lease and the transaction contemplated hereby, it is the intention of the Lessor and the Lessee that such transaction will result in making available to the Lessor the following tax benefits (the "Tax Benefits") for the purpose of determining its liability for Federal income tax:

(i) This Lease constitutes a true lease for Federal income tax purposes;

(ii) The Lessor is the lessor and the Lessee is the lessee under this Lease;

(iii) The Lessor is entitled to deduct the interest (the "Interest Deduction") paid by the Lessor or accrued in accordance with the Lessor's method of accounting for Federal income tax purposes in respect of the Securities issued by the Lessor to finance a portion of the Lessor's Cost of the Equipment;

(iv) The investment tax credit for new tangible personal property (the "Investment Credit") under Section 38 of the Code in respect of each Unit of Equipment in the amount shown in the Lease Supplement pertaining thereto;

(v) The Lessor is entitled to the maximum depreciation deductions with respect to the Lessor's Cost of each Unit of Equipment determined by application of the depreciation basis for such Unit shown in the Lease Supplement pertaining thereto (the "Depreciation Deduction"); and

(vi) All amounts includible in gross income by the Lessor with respect to this Lease will be treated as income derived from or allocable to sources within the United States.

(b) Federal Income Tax Indemnification. The Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time during the original term of this Lease or any extended term thereof take any action or fail to take any action or file any returns, certificates or other documents inconsistent with the foregoing contemplated Tax Benefits except that the Lessee may take such action as may be deemed by the Lessee to be necessary in consequence of, and file returns in connection with, the de minimis use of the Equipment outside the United States and that each of such corporations will file such returns, take such action and execute such documents, and keep and make available for inspection and copying by the Lessor such records (other than the Lessee's corporate income tax returns) regarding the Equipment, as may be reasonable and necessary to facilitate accomplishment of the intent hereof. The Lessee understands and agrees that any material non-performance by the Lessee of its obligations under the first paragraph of this Section 19(b) shall constitute grounds for the declaration of an Event of Default under Section 15.1(c) of this Lease.

The Lessee represents and warrants that (i) no portion of the Equipment constitutes property, the construction, reconstruction or erection of which was begun before April 1, 1971; (ii) at the time the Lessor becomes the owner of the Equipment, the entire Lessor's Cost of the Equipment (after deducting any portion thereof which the Lessor has treated as a current expense for tax purposes) will

qualify as "new Section 38 property" in the hands of the Lessor within the meaning of Section 48(b) of the Code; (iii) at the time the Lessor becomes the owner of the Equipment, the Equipment will not have been used by any Person so as to preclude "the original use of such property" within the meaning of Sections 48(b) and 167(c)(2) of the Code from commencing with the Lessor and the Equipment shall not have been "placed in service" within the meaning of Treasury Regulation Section 1.167a-11 prior to the time the Lessor becomes the owner of the Equipment; (iv) at the time the Lessor becomes the owner of the Equipment, no investment credit, depreciation or other tax benefits will have been claimed by the Lessee with respect thereto; (v) at all times during the term of this Lease, the Equipment will constitute "Section 38 property" within the meaning of Section 48(a) of the Code as in effect on the date hereof; and (vi) the Lessee will not claim that it is the owner of any Unit of Equipment at any time prior to the date on which the Lessee purchases such Unit of Equipment pursuant to Section 18(b) hereof.

If the Lessor shall lose, or shall not have, or shall lose the right to claim or shall suffer a disallowance of or shall be required to recapture, all or any portion of the Tax Benefits (other than the Tax Benefit described in (vi) of Section 19(a) (which is covered by paragraph 4 of this Section 19(b)) with respect to all or part of any Unit due to (A) the sale or other disposition of any Unit or the interest of the Lessor therein after the occurrence of any Event of Default under this Lease, (B) an amendment to the tax law which is adopted subsequent to December 31, 1978, if the effective date thereof shall be on or prior to the commencement of the date on which Fixed Rent begins to accrue under this Lease in respect of the Unit or Units in question, (C) the incorrectness or inaccuracy of any representation or warranty made by the Lessee in clauses (i) through (vi) of the preceding paragraph of this Section 19(b), or the breach by the Lessee or any of its Affiliates of any of its covenants or agreements under this Section 19, then in any such case the Lessee shall pay to the Lessor (i) on the first date provided in this Lease for the payment of installments of Fixed Rent hereunder after the date on which the liability of the Lessee hereunder shall become fixed as hereinafter provided in the tenth and eleventh paragraphs of this Section 19(b), an amount which (after deduction of all taxes required to be paid by the Lessor on the receipt thereof under the laws of the United States or any political subdivision thereof) will be equal to the sum of the tax paid by the Lessor plus all interest and penalties (including additions to tax because of underpayment of estimated tax due solely to the loss of Tax Benefits herein contemplated) paid by the Lessor with respect to the tax payment (the "Lump Sum Payment") and (ii) on each of the dates provided in this Lease for payment of the installments of Fixed Rent hereunder commencing with the first such date following the date on which the liability of the Lessee hereunder shall become fixed as hereinafter provided in the tenth and eleventh paragraphs of this Section 19(b), such sums which (after deduction of all taxes required to be paid by the Lessor on the receipt of such sums under the laws of the United States or any political subdivision thereof), when taken together

with the portion of the Fixed Rent installments due on such dates under this Lease which are to be distributed to the Lessor, will, in the reasonable opinion of the Lessor, maintain the Lessor's net after-tax yield and sum of the annual net cash flows (computed on the same assumptions as utilized by the Lessor in originally evaluating this transaction) ("Lessor's Net Return") in respect of such Unit hereunder and under this Lease at the same level that would have been available if the Lessor had been entitled to utilization of all of such Tax Benefits. In the event that this Lease is terminated with respect to any Unit prior to the time the Lessee is obligated to make payments with respect to such Unit to the Lessor as set forth in the preceding sentence (either because no such payment obligation had become fixed under such sentence prior to such termination or because the due date of such payment or payments shall occur following such termination), then the Lessee's obligation under this third paragraph of Section 19(b) shall continue and in consequence thereof the Lessee shall pay to the Lessor, in lieu of such payment or payments, on or before 30 days after the liability of the Lessee in respect of such termination hereunder shall become fixed as hereinafter provided, such lump sum (calculated in the same manner as set forth in the preceding sentence) as shall be necessary in the reasonable opinion of the Lessor to maintain the Lessor's Net Return in respect of such Unit hereunder and under this Lease at the same level that would have been available if the Lessor had been entitled to utilization of all such Tax Benefits.

If any income or deduction with respect to any Unit of Equipment shall not be treated as derived from, or allocated to, sources within the United States in the Lessor's Federal income tax return for a given year, then the Lessee shall pay to the Lessor on the first day provided for in this Lease for the payment of installments of Fixed Rent hereunder after the date on which the liability of the Lessee hereunder shall become fixed as hereinafter provided in the tenth and eleventh paragraphs of this Section 19(b), an amount which (after deduction of all taxes required to be paid by the Lessor on the receipt thereof under the laws of the United States or any political subdivision thereof) will be equal to the foreign tax credits which the Lessor would have been entitled to claim with respect to such taxable year if the income or deduction with respect to such Unit had been treated as derived from, or allocated to, sources within the United States, provided that such payment shall be limited to the proportionate share of such credits which is directly attributable to the Lessee's use of such Unit of Equipment outside of the United States. The Lessee will maintain sufficient records to verify its use of the Equipment outside of the United States, which use shall be de minimis, and the Lessee shall furnish such records to the Lessor for Federal income tax audit purposes upon receipt of 30 days' written notice.

The Lessee acknowledges that the Schedules of Casualty Value attached to the Lease Supplements covering the Equipment have been computed on the assumption that the Lessor shall be entitled to all of the Tax Benefits specified in Section 19(a). Accordingly,

in the event the Lessee becomes obligated under the provisions of this Lease to pay additional sums to the Lessor pursuant to this Section 19(b), the said Schedules of Casualty Value shall be revised as may be necessary in the reasonable opinion of the Lessor so that the amount payable by the Lessee in connection with any Casualty Occurrence or termination pursuant to Section 13(b) hereof shall be sufficient to maintain the Lessor's Net Return; provided, that if the Casualty Values under this Lease are to be reduced, the prior written consent shall be required of any Assignee of an interest in this Lease with respect to Units the Casualty Values of which are to be reduced. The revised Schedules of Casualty Value shall be applied to any payment of Casualty Value paid after the liability of the Lessee hereunder shall become fixed as hereinafter provided regardless of the date of the Casualty Occurrence or termination pursuant to Section 13(b) of this Lease. Furthermore, with respect to any previous payment of Casualty Value under this Lease by the Lessee after a Casualty Occurrence or termination pursuant to Section 13(b) of this Lease but prior to the aforementioned revision of the Casualty Value with respect to such Unit, the Lessee shall pay to the Lessor, in a lump sum, the additional amount, in excess of the Casualty Value actually paid, that the Lessee would have been required to pay had the liability of the Lessee under this Section 19(b) become fixed prior to the date of the original payment, and the Schedules of Casualty Value had, accordingly, been revised as above provided.

Anything in the third and fourth paragraph of this Section 19(b) to the contrary notwithstanding, the Lessee shall not be required to make any payment to the Lessor provided for herein if the Lessor shall have lost, or shall not have, or shall have lost the right to claim, or shall have suffered a disallowance of, or shall have been required to recapture, all or any portion of any Tax Benefits with respect to all or part of any Unit to which it would otherwise have been entitled if the loss of such Tax Benefits results from one or more of the following events having occurred (hereinafter called "Excluded Events"):

(1) a Casualty Occurrence with respect to such Unit, if the Lessee shall have paid to the Lessor the amounts stipulated under Section 13 of this Lease, as the same may be revised pursuant to the preceding paragraph;

(11) a voluntary transfer or other voluntary disposition by the Lessor of any interest in such Unit or the voluntary reduction by the Lessor of its interest in the rentals from such Unit under this Lease (except to the initial Assignee for security purposes (including any interim lender) pursuant to Section 14 hereof) or any transfer or disposition by the Lessor resulting from bankruptcy or other proceedings for the relief of debtors in which the Lessor is the debtor (whether voluntary or involuntary) of any interest in such Unit or in the rentals therefor under this Lease unless, in each case, an Event

of Default under this Lease shall then have occurred and be continuing;

(iii) the failure of the Lessor to timely claim the Investment Credit, the Depreciation Deduction or the Interest Deduction, as applicable, in its Federal income tax return for the appropriate year or the failure of the Lessor to follow proper procedure in claiming the Tax Benefits; or

(iv) the failure of the Lessor to have sufficient liability for tax against which to credit the Investment Credit or sufficient income to benefit from the Depreciation Deduction or the Interest Deduction, as applicable.

In the event and to the extent that the cost of any improvement and/or addition (the "Alterations") to a Unit made by the Lessee, under and pursuant to the terms of this Lease or otherwise is required to be included in the gross income of the Lessor for Federal income tax purposes, then the Lessee shall pay to the Lessor on each of the dates provided in this Lease for payment of the installments of Fixed Rent in respect of such Unit hereunder commencing with the first such date following the date on which the liability of the Lessor shall become fixed as hereinafter provided in paragraphs ten and eleven of this Section 19(b), such sums which shall (after deduction of all taxes required to be paid by the Lessor on receipt thereof under the laws of the United States or any political subdivision thereof) maintain the Lessor's Net Return in respect of such Unit. The Lessor shall give prompt written notice to the Lessee of any claim by the Internal Revenue Service that the cost of any Alteration to any Unit is to be so included.

For purposes of this Section 19(b), the cost of Alterations made by the Lessee shall be deemed to be "required to be included in the gross income of the Lessor for Federal income tax purposes" if such inclusion is required by (i) any provision of the Code or the applicable regulations thereunder, (ii) any published Revenue Ruling or other pronouncement of the Internal Revenue Service which has not been held invalid by a court having ultimate appellate jurisdiction over the Federal income tax liability of the Lessor, (iii) the assertion by the Internal Revenue Service that such inclusion in gross income is required, and under either (i), (ii) or (iii) of this paragraph the Lessee does not request the Lessor to contest such inclusion in gross income, or (iv) a Final Determination, as hereinafter defined.

The Lessee agrees that, within 30 days after the close of any calendar year (or in the event the Lessor gives the Lessee written notice that the Lessor's taxable year closes on a date specified therein other than December 31, within 30 days after said date) in which the Lessee has made Alterations which may be required to be included in the gross income of the Lessor for Federal income tax purposes, the Lessee will give written notice thereof to the Lessor describing such Alterations in reasonable detail and specifying the cost thereof with respect to such Unit.

The Lessor agrees that if, in the opinion of the Lessee's tax counsel or in the event the opinion of such counsel is not acceptable to the Lessor, independent counsel who is acceptable to the Lessor selected by the Lessee (herein referred to as "Counsel") a bona fide claim (i) to all or a portion of the Tax Benefits with respect to any Unit exists, or (ii) to not including in Lessor's gross income for Federal income tax purposes the cost of Alterations with respect to any Unit in respect of which the Lessee would otherwise be required to make payments to the Lessor pursuant hereto, the Lessor shall, upon request and at the expense of the Lessee, contest such matter in such forum as the Lessor, in its sole judgment, shall select; provided, however, that the Lessor shall not be obligated to take any such legal or other appropriate action unless it has received an opinion from such Counsel, that there is a reasonable basis for contesting such matter and the Lessee shall first have indemnified the Lessor for all liabilities and reasonable expenses, including such expenses of attorneys and accountants which may be entailed therein in a manner reasonably satisfactory to the Lessor. The Lessor may, at its option, take such action prior to making payment of any tax and interest and/or penalty attributable to the disallowance or recapture with respect to the Lessor of all or any portion of the Tax Benefits with respect to any Unit or may make such payment and then sue for a refund. If the Lessor takes such action prior to making such payment, such sums payable hereunder need not be paid by the Lessee while such action is pending; provided, that the Lessee shall pay the liabilities and reasonable expenses, including such expenses of attorneys and accountants relating to such action when and as the same shall become due. In cases where such action is taken prior to payment, if the Final Determination (as such term is defined in the next succeeding paragraph hereof) shall be adverse to the Lessor the sums payable hereunder shall be computed by the Lessor as of the date of such Final Determination and the Lessee shall on the Rent Payment Date under the Lease next succeeding such Final Determination (i) pay to the Lessor the amount of the Lump Sum Payment (as previously defined) plus interest thereon from the date such payment is made by the Lessor to the date the Lessee reimburses the Lessor therefor at the rate of interest charged by Wells Fargo Bank N.A., San Francisco, California, to its prime commercial customers on short-term unsecured borrowings (the "Prime Rate") in effect on the date of such Final Determination; and (ii) commence payment of the balance of the sums payable pursuant to clause (ii) of the third paragraph of this Section 19(b). If the Lessor makes such payment of tax, interest and/or penalties prior to contesting the matter and then either sues for a refund or does not contest such payment because the Lessee has not requested the Lessor to do so in accordance with the terms of this paragraph, the Lessee shall on the first Rent Payment Date under this Lease after such payment (i) pay to the Lessor the amount of the Lump Sum Payment (as previously defined) plus interest thereon from the date such payment is made by the Lessor to the date the Lessee reimburses the Lessor therefor at the Prime Rate in effect on the date of such payment; and (ii) commence payment of the balance of the sums payable pursuant to clause (ii) of the fourth paragraph of this Section 19(b). If the Lessor sues for a refund after making such payment and if the Final Determination

shall be in favor of the Lessor, no future payments shall be due from the Lessee hereunder in respect of such matter (or an appropriate reduction shall be made if the Final Determination is partly in favor of and partly adverse to the Lessor). In addition, the Lessee and the Lessor shall adjust their accounts so that (a) the Lessor pays to the Lessee (x) an amount equal to the sums theretofore paid by the Lessee to the Lessor (or a proportionate part thereof if the Final Determination is partly adverse to the Lessor) on or before such next succeeding rental payment date together with interest thereon at the Prime Rate for the period from the date such sums were paid to the Lessor to the date the Lessor pays to the Lessee an amount equal to such sums, and (y) the amount of any penalty or interest refunded to the Lessor as a result of such Final Determination and any interest paid to the Lessor by the government on such refund, promptly upon receipt thereof; and (b) the Lessee pays to the Lessor an amount equal to interest at the Prime Rate on the amount of the tax refund made in respect of the tax payment made by the Lessor (excluding any interest or penalty included therein) for the period from the date of the original payment of the tax payment made by the Lessor to the date such tax refund is received by the Lessor, such Prime Rate to be calculated in either case as from time to time in effect during the respective periods.

"Final Determination" for the purpose of this Lease, means a final decision of a Court of competent jurisdiction after all allowable appeals requested by the Lessee pursuant to the preceding paragraph (other than an appeal or petition for certiorari to the Supreme Court of the United States, unless the Lessor elects to file such appeal or petition) have been exhausted by either party to the action. Neither concession by the Lessor of any of the aforementioned Tax Benefits in the overall settlement of a controversy with the Internal Revenue Service either at the administrative level or at the court level nor the failure to recover a refund in whole or in part with respect to the disallowance of such Tax Benefit which failure is the result of a setoff against a claim for refund based upon the loss of such Tax Benefits where the matters set off do not relate to such Tax Benefits will constitute an adverse "Final Determination" causing the aforementioned additional payments to accrue to the Lessor.

(c) Lessor Representation. The Lessor represents and warrants that it has not and has not agreed to pay a fee to anyone based upon the residual value of the Equipment.

(d) Consolidated Tax Returns. For purposes of this Section 19, the term "Lessor" shall include any affiliated group, within the meaning of Section 1504 of the Code, of which the Lessor is a member if consolidated returns are filed for such affiliated group for Federal income tax purposes.

SECTION 20. MISCELLANEOUS.

(a) Amendments. Any term, covenant, agreement or condition of this Lease may be amended or compliance therewith

waived (either generally or in a particular instance and either retroactively or prospectively) in respect of any Unit of Equipment if the Lessee shall have obtained the written consent of the Lessor and any Assignee or Assignees of any interest hereunder in such Unit and any such amendment or waiver shall be deemed to be and shall be construed as a divisible and severable agreement between the Lessor, such Assignee or Assignees and the Lessee in respect of such Unit and no other Unit of Equipment, all to the same extent and with the same force and effect as though a separate Lease and separate amendment or waiver thereof, as the case may be, had been entered into by the Lessor and the Lessee in respect of such Unit.

The Lessee agrees that it shall pay all reasonable out-of-pocket expenses of the Lessor and any assignee pursuant to Section 14(a) hereof and any Person who or which is claiming by, through or under any trust for the benefit of any such assignee (including fees and disbursements of counsel) incurred (i) in connection with any waiver or amendment of this Lease not requested by the Lessor, and (ii) in connection with any waiver or amendment of any other agreements or instruments executed by the Lessor pursuant to Section 14(a) hereof (and any other documents executed by the Lessor relating thereto) in respect of which a waiver or amendment is required as a consequence of such waiver or amendment of this Lease.

(b) 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 return receipt requested, first class, postage prepaid, addressed as follows:

If to the Lessor: Wells Fargo Equipment Leasing
Corporation
425 California Street
San Francisco, California 94104
Attention: Contract Administration

If to the Lessee: Consumers Power Company
212 West Michigan Avenue
Jackson, Michigan 49201
Attention: Secretary

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

(c) Right of Lessor to Perform. If the Lessee shall fail to comply with any of its covenants herein contained, the Lessor may, but shall not be obligated to, make advances to perform the same and to take all such action as in the Lessor's opinion may be necessary to obtain such performance. All payments so made by the Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection

therewith shall be payable by the Lessee to the Lessor upon demand with interest at the rate of 10% per annum (or at the maximum lawful rate, whichever is less).

(d) Execution in Counterparts. This Lease, and any Lease Supplement, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

(e) Further Assurances. The Lessee will at the Lessor's expense do, execute, acknowledge and deliver all and every such further act, deed, conveyance, transfer and assurance as the Lessor or any Assignee may reasonably prepare and request in order to protect the right, title and interest of the Lessor hereunder or the perfection of any security interest granted by the Lessor in any Unit of Equipment.

(f) Law Governing. This Lease shall be construed in accordance with the laws of the State of Michigan; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

(g) Headings and Table of Contents. All Section headings and the Table of Contents are inserted for convenience only and shall not affect any construction or interpretation of this Lease.

(h) Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Lease shall not render any other provision or provisions herein contained unenforceable or invalid.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective officers thereunder duly authorized and the corporate seals to be hereto affixed as of the day and year first above written.

WELLS FARGO EQUIPMENT LEASING
CORPORATION

By Steve A. Cooper
Its Vice President

By Don G. Ben
Its Vice President

CONSUMERS POWER COMPANY

By W.P. Gous
Its Executive Vice President

[CORPORATE SEAL]

ATTEST:

[Signature]
(Assistant) Secretary

APPROVED AS TO FORM

[Signature]
CONSUMERS POWER COMPANY
LEGAL DEPARTMENT

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 16th day of February, 1979, before me personally appeared STEVEN A. COOPER and DAVID P. BREWSTER, to me personally known, who being by me duly sworn, say that they are each a Vice President of WELLS FARGO EQUIPMENT LEASING CORPORATION, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Linda M. Meyer
Notary Public

[NOTARIAL SEAL]

NO. AR: PUBLIC STATE OF ILLINOIS
My commission expires: MY COMMISSION EXPIRES AUG. 21 1982
ISSUED THRU ILLINOIS NOTARY ASSN

STATE OF MICHIGAN)
) SS
COUNTY OF JACKSON)

On this 27th day of February, 1979, before me personally appeared W. R. BORIS, to me personally known, who being by me duly sworn, says that he is the Executive Vice President of CONSUMERS POWER COMPANY, that ~~one of~~ the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Phyllis S. Hadley
Notary Public

[NOTARIAL SEAL]

My commission expires:

PHYLLIS S. HADLEY
Notary Public, Jackson County, Mich.
My commission expires July 16, 1980

LEASE SUPPLEMENT NO. _____

Dated as of _____, 19__

Between

WELLS FARGO EQUIPMENT LEASING CORPORATION

Lessor

and

CONSUMERS POWER COMPANY

Lessee

THIS LEASE SUPPLEMENT AND THE RIGHTS OF THE LESSOR UNDER THE LEASE IN RESPECT OF THE UNITS OF EQUIPMENT HEREIN DESCRIBED AND CERTAIN RENT DUE AND TO BECOME DUE UNDER THE LEASE AND THIS LEASE SUPPLEMENT IN RESPECT OF SUCH UNITS HAS BEEN ASSIGNED TO, AND IS SUBJECT TO A SECURITY INTEREST IN FAVOR OF, _____, AND _____, ASSIGNEES, AS SECURED PARTIES UNDER A SECURITY AGREEMENT-TRUST DEED DATED AS OF _____, 19__ FROM THE LESSOR TO SAID ASSIGNEES. NO SECURITY INTEREST IN THIS LEASE SUPPLEMENT AND THE RIGHTS OF THE LESSOR UNDER THE LEASE IN RESPECT OF THE EQUIPMENT HEREIN DESCRIBED MAY BE CREATED THROUGH THE TRANSFER AND POSSESSION OF ANY COUNTERPART OF THIS LEASE SUPPLEMENT OTHER THAN COUNTERPART NO. 1. INFORMATION CONCERNING SUCH SECURITY INTEREST MAY BE OBTAINED FROM _____.

Counterpart No. _____

EXHIBIT A
(to Equipment Lease)

LEASE SUPPLEMENT NO.
PURSUANT TO EQUIPMENT LEASE DATED AS OF JANUARY 30, 1979
(THE "LEASE") BETWEEN WELLS FARGO EQUIPMENT LEASING CORPORATION,
AS LESSOR AND CONSUMERS POWER COMPANY, AS LESSEE

The Lessor, at the request of the Lessee, hereby agrees to acquire and lease to Lessee the Unit(s) of Equipment described in Schedule I hereto (the "Unit(s) of Equipment") under and pursuant to the Lease and the additional terms and conditions stated herein. The Lessor shall accept an assignment of the Lessee's purchase order(s) or purchase agreement(s) pertaining to said Equipment identified in said Schedule I, and all the Lessee's right, title and interest in and to the Equipment on the terms and conditions expressed herein and in the Purchase Order Assignment dated as of January 30, 1979 (the "Purchase Order Assignment"). The Lessee agrees to accept such Unit(s) of Equipment (provided such Unit(s) conform with all applicable specifications) and to lease the same from the Lessor under and pursuant to the Lease and the additional terms and conditions stated herein. Words and phrases not otherwise defined herein shall have the meanings assigned thereto in the Lease.

1. Description of Equipment. Schedule I attached hereto sets forth a description of the Unit(s) of Equipment to be leased pursuant to the Lease and this Lease Supplement, the maximum amount of the Lessor's Cost, the estimated delivery date, the outside delivery date, the Manufacturer payment date, the percent of the Lessor's Cost to be financed by the Lessor, the maturity date of the Securities to be issued by the Lessor to finance a portion of the Lessor's Cost and the lease group identifying letter with respect to each such Unit.

2. Fixed Lease Term. The term of the Lease for each Unit of Equipment described herein shall commence on the date that such Unit is received and accepted by the Lessee (as evidenced by the Certificate of Acceptance in respect thereof) and shall continue until the expiration date for such Unit which is shown on Schedule I attached hereto.

3. Fixed Rent Payable by Lessee. Fixed Rent for the Unit(s) of Equipment shall be payable by the Lessee in _____ consecutive _____ installments each in an amount equal to _____ percent of the Lessor's Cost of such Equipment payable on the _____ day of _____, thereafter to and including _____.

4. Casualty Value. The Casualty Value for each Unit of Equipment during the original term of the Lease shall be the percentage of the Lessor's Cost of such Unit as shown on Schedule II attached hereto for the relevant payment date.

5. Early Termination. The Lessee shall have the option to terminate the Lease and this Lease Supplement

in respect of the Unit(s) of Equipment described herein upon the terms and conditions set forth in Section 13(b) of the Lease on or after the Rent Payment Date set forth in Schedule I attached hereto. The Lessee shall have no right of early termination pursuant to Section 13(b) of the Lease in respect of the Unit(s) of Equipment described herein. [Strike whichever sentence is inapplicable.]

6. Renewal Terms. The Lessee shall have the option to renew and extend the Lease and this Lease Supplement with respect to the Unit(s) of Equipment described herein pursuant to Section 18(a) of the Lease for _____ renewal terms, each to be of _____ years duration.

7. Depreciation Basis and Investment Tax Credit. The depreciation basis for each of the Units of Equipment shall consist of 100% of the Lessor's Cost of such Unit and the following additional elements: (i) an ADR life of _____ years pursuant to Asset Guideline Class No. _____, (ii) depreciation to a salvage value of _____ percent of the Lessor's Cost after reduction in salvage under Section 167(f) of the Internal Revenue Code of 1954, as amended to the date hereof (hereinafter referred to as the "Code"), and (iii) the double declining balance method of depreciation switching to the sum of the years digits method at the optimal time without the consent of the Commissioner of the Internal Revenue Service. The investment tax credit to be claimed by the Lessor for each of the Units of Equipment shall be an amount equal to _____ percent of _____ percent of the Lessor's Cost of each such Unit.

8. Lessee's Representations and Warranties. The undersigned Lessee represents and warrants to the Lessor that:

(a) Upon the Lessee's acceptance thereof, the foregoing described Units will be installed or located at

(Address) (City) (State)

(b) Each of the above described Unit(s) will constitute new Section 38 property (as defined by the Code) on the date that each such Unit will be first "placed in service" (within the meaning of Section 46 of the Code and the Income Tax Regulations promulgated under Sections 46 and 167 of the Code), and said Unit(s) will not be first placed in service by Lessee or any other Person until the Lessee shall have executed and delivered to the Lessor a Certificate of Acceptance with respect thereto.

(c) The Lessee is a corporation properly organized, validly existing and in good standing under the laws of the State of Michigan; has all requisite power and authority to own and operate its properties which are currently in operation and to carry on its business as now conducted; and, except as disclosed in the financial statements referred to in clause (d)(i) of this Paragraph 8 and in the [insert reference to the latest SEC Form 10Q or Prospectus] of the Lessee heretofore furnished to the Lessor, the Lessee has all material licenses and permits necessary to carry on its business as now conducted. The Lessee is properly licensed or qualified and is in good standing in each jurisdiction in which such qualification is necessary to carry out the terms of the Lease and this Lease Supplement and to carry on its business and own its properties currently in operation.

(d) (i) The balance sheet of the Lessee as of _____ and the statement of income and retained earnings for the fiscal year ended on said date certified by Arthur Andersen & Co. have been prepared in accordance with generally accepted accounting principles consistently applied, are correct and complete and present fairly the financial position of the Lessee as of such date and the results of operations of the Lessee for such period;

(ii) Since _____, there has been no material adverse change in the condition, financial or otherwise, of the Lessee except as disclosed in the [insert reference to the latest SEC Form 10Q or Prospectus] or as otherwise disclosed in writing on or prior to the date hereof.

(e) The financial statements referred to in clause (d)(i) of this Paragraph 8 and [insert reference to latest SEC Form 10Q or Prospectus] do not, nor does any written statement furnished by the Lessee to the Lessor or any Assignee in respect of the Equipment described herein in connection with the execution and delivery of the Lease and this Lease Supplement, contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein, in light of the respective circumstances under which they were made, not misleading. There is no fact peculiar to the Lessee which the Lessee has not disclosed to the Lessor or such Assignee in writing which materially affects adversely nor, to the best of its knowledge, will materially affect adversely the ability of the Lessee to perform this Lease.

(f) There are no proceedings pending or, to the knowledge of the Lessee threatened, by or against or affecting the Lessee in any court or before any governmental authority or arbitration board or tribunal which

if adversely determined would materially and adversely affect the Lessee's ability to perform its obligations under the Lease and this Lease Supplement, except as disclosed in the financial statements referred to in clause (d)(i) of this Paragraph 8 and the [insert reference to the latest SEC Form 10Q or Prospectus] or as otherwise disclosed in writing. The Lessee is not in default with respect to any applicable order, as presently interpreted, of any court or governmental authority or arbitration board or tribunal, the violation of which will materially affect adversely the ability of the Lessee to perform the Lease and this Lease Supplement.

(g) The execution, delivery and performance by the Lessee of the Lease and this Lease Supplement:

(i) are within the corporate powers of the Lessee; and

(ii) will not violate any provisions of any law, rule or regulation or any order of any court or governmental authority or agency applicable to the Lessee, as presently interpreted, and will not conflict with or result in any breach of any of the terms, conditions or provisions of, or constitute a default under the articles of incorporation or by-laws of the Lessee or any indenture, mortgage, conditional sale, loan or credit agreement, or other instrument to which the Lessee is a party or by which it may be bound or result in the imposition of any liens or encumbrances on any property of the Lessee, except Permitted Encumbrances under the Lease in respect of the Units.

(h) No Default or Event of Default has occurred and is continuing. The Lessee is not in default (i) in the payment of principal or interest on any indebtedness for borrowed money or Capitalized Lease Liabilities, which, individually or in the aggregate, exceeds \$1,000,000, or (ii) in any material respect under any instrument or instruments relating to or under which any such indebtedness for borrowed money or Capitalized Lease Liabilities aggregating more than \$5,000,000 may be payable and no event has occurred and is continuing under any material provision of any such instrument or instruments which with the lapse of time or the giving of notice, or both, would constitute an event of default thereunder.

(i) No approval, consent or withholding of objection on the part of any regulatory body, state, Federal or local, including, without limitation, the Federal Energy Regulatory Commission, the Securities and Exchange Commission and the Michigan Public Service Commission,

is necessary in connection with the execution and delivery by the Lessee of the Lease or this Lease Supplement or performance by the Lessee with any of the provisions of said instruments.

No approval, consent or withholding of objection on the part of the Federal Energy Regulatory Commission, the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 or the Michigan Public Service Commission is required on the part of the Lessor in connection with the execution and delivery by the Lessor of the Purchase Order Assignment, the Lease and this Lease Supplement or performance by the Lessor of any of its obligations under said instruments solely as a result of the Lessor entering into the transactions contemplated by said instruments, assuming that the Lessor is not subject to the jurisdiction of the Federal Energy Regulatory Commission, the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 or the Michigan Public Service Commission for any reason other than the execution, delivery and performance of the Purchase Order Assignment, the Lease and this Lease Supplement.

(j) All foreign, Federal, state and local tax returns required to be filed by the Lessee have, in fact, been filed, and all taxes which are shown to be due and payable in such returns have been paid. No controversy in respect of additional taxes due is pending or, to the knowledge of the Lessee, threatened which, if adversely determined, would materially and adversely affect the Lessee's ability to perform its obligations under the Lease or this Lease Supplement. The provision for taxes on the books of the Lessee is adequate in the opinion of the Lessee and the Lessee's auditors for all open years, and for its current fiscal period.

(k) The Lessee has been furnished with a statement of _____ that neither _____, directly or indirectly, nor any agent on its behalf has offered or will offer the notes issued or to be issued by the Lessor to finance a portion of the Lessor's Cost of the Unit(s) of Equipment described herein (the "Notes") or has otherwise approached or negotiated in respect of the Notes, with any Person or Persons other than _____ and _____ other Institutional Investors each of whom was offered a portion of the Notes at private sale for investment, and in reliance upon said statement, the Lessee represents and warrants to the Lessor and _____ that neither the Lessee, directly or indirectly, nor any agent on its behalf has offered or will offer the Notes or has solicited or will solicit an offer to acquire the Notes from, or has otherwise approached or negotiated or will approach or negotiate

in respect of the Notes with any Person or Persons so as to bring the issuance and sale of the within the provisions of Section 5 of the Securities Act of 1933, as amended.

(l) The Lessee owns or possesses all patents, patent rights, licenses, trademarks, trademark rights, trade names, trade name rights and copyrights necessary to the conduct of the Lessee's business as presently conducted, without any known conflict with the rights of others which might materially affect adversely the ability of the Lessee to perform the Lease and this Lease Supplement.

(m) The Lessee is not entering into the Lease and this Lease Supplement or any other transaction contemplated thereby and hereby, directly or indirectly, in connection with any arrangement or understanding in any way involving any employee benefit plan or related trust (other than a governmental plan) with respect to which it is a party in interest, all within the meaning of the Employees Retirement Income Security Act of 1974, as amended, and the Code.

(n) Upon and as of the time of payment in full by the Lessor of the Lessor's Cost of each Unit of Equipment described in Schedule I hereto and assuming the Manufacturer for each such Unit is a merchant regularly dealing in goods of the same kind as the Unit, and in sole reliance upon the Bill of Sale (hereinafter defined), if any, or invoice in form satisfactory to the Lessee and the Lessor executed and delivered by the Manufacturer, the Lessor will have good and marketable title to each such Unit which is free and clear of all mortgages, liens, encumbrances or charges thereon, security interests therein, or conditional sale or other title retention agreements with respect thereto arising by, through or under the Lessee (including, without limitation, the lien of the Indenture dated as of September 1, 1945 between the Lessee and Citibank, N.A., as from time to time supplemented and amended), except for Permitted Encumbrances (it being understood and agreed that in making this representation the Lessee has relied solely on any Bill of Sale, in the form contemplated by the Purchase Order Assignment, if any, or invoice in form satisfactory to the Lessee and the Lessor covering such Unit and that the Lessee has made no independent investigation or examination with respect to the state of title of any such Unit), but the Lessee has no reason to believe that the Lessor will not have good and marketable title to each such Unit upon and as of the time of payment in full of such Lessor's Cost.

9. Conditions Precedent to Lessor's Obligations. The Lessor agrees to purchase, pay for, and lease to the Lessee under the terms and conditions of the Lease and this Lease

Supplement the Unit(s) of Equipment described in Schedule I hereto if all of the following conditions are satisfied on or before the date each such Unit is delivered to and accepted by the Lessee pursuant to Section 2 of the Lease:

(a) A Certificate of Acceptance in the form attached as Exhibit B to the Lease and otherwise in form and substance satisfactory to the Lessor in respect of each Unit shall have been executed by the Lessee on or before the date that such Unit or Units are placed in service which shall confirm to the Lessor the following information concerning such accepted Unit(s): (i) the Lessor's Cost thereof, (ii) the rate and the amount of each Fixed Rent (including any applicable use tax) installment and the Rent Payment Dates in respect thereof, (iii) the Manufacturer payment date, (iv) the percent of the Lessor's Cost to be financed by the Lessor, (v) the maturity date of the Securities to be issued by the Lessor to finance a portion of the Lessor's Cost and (vi) the expiration date of the original term of the Lease.

The Lessor and the Lessee agree that if for any reason the Lessor's Cost, rate of Fixed Rent, Rent Payment Dates, the Manufacturer payment date, the percent of the Lessor's Cost to be financed by the Lessor, the maturity date of the Securities to be issued by the Lessor to finance a portion of the Lessor's Cost or date of delivery set forth in any such Certificate of Acceptance vary from those set forth in this Lease Supplement, any thereof which do so vary set forth in the Certificate of Acceptance shall govern and the Lessor and the Lessee agree that they shall enter into, execute and deliver an amendment to this Lease Supplement conforming the same to the Certificate of Acceptance to the extent of any such variance. Any such amendment entered into by the Lessor and the Lessee on or after July 10, 1979 shall require the prior written consent (which consent shall not be unreasonably withheld) of any Assignee of the Lessor pursuant to Section 14(a) of the Lease of an interest in this Lease Supplement.

(b) The Lessor shall have determined that no material adverse change in the condition, financial or otherwise, of the Lessee has occurred since [insert the date September 30, 1978 in the case of Unit(s) to be accepted under the Lease in 1979 or the date of this Lease Supplement in all other cases]. The Lessor understands and agrees that in making such determination it shall be deemed to have all information necessary to make such determination, unless the Lessor shall have otherwise indicated in writing to the Lessee, and that by making payment of the Lessor's Cost of a Unit, the Lessor shall be in fact deemed to have made such determination insofar as this condition pertains to such Unit.

(c) The Lessee shall have caused the Lease and this Lease Supplement (or financing statements or similar notices thereof if and to the extent required or permitted by applicable law) to have been recorded or filed for record in such public offices as may be reasonably deemed necessary or appropriate by the Lessor in order to protect the rights of the Lessor hereunder in respect of such Unit and to perfect the right, title and interest of any Assignee in and to the Lease and this Lease Supplement in respect of such Unit and the rent payable in respect of such Unit. By such recording or filing, the Lessor and the Lessee are not acknowledging or implying that the Lease and this Lease Supplement constitute a "security agreement" or create a "security interest" (within the meaning of any applicable Uniform Commercial Code).

(d) The Lessee will deliver to the Lessor and to any assignee of the Lessor pursuant to Section 14(a) of the Lease and anyone claiming through such Assignee the written opinion of counsel for the Lessee addressed to the Lessor in scope and form satisfactory to the Lessor and to the effect that:

(i) The Lessee is a corporation properly organized, validly existing and in good standing under the laws of the State of Michigan; has all requisite power and authority to own and operate its properties which are currently in operation and to carry on its business as now being conducted, to enter into, execute and deliver the Purchase Order Assignment, the Lease and this Lease Supplement and to perform each and all matters and things required to be observed or performed by the Lessee thereunder and hereunder.

(ii) The Purchase Order Assignment, the Lease and this Lease Supplement have been properly authorized by all necessary corporate action on the part of the Lessee and have been properly executed and delivered by the Lessee and constitute the legal, valid and binding contracts and agreements of the Lessee enforceable in accordance with their terms, except as enforcement of such terms may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and except to the extent that equitable remedies for breach of obligations under any such contracts and agreements may not be available.

(iii) No consent, approval or authorization of any governmental authority, including, without limitation, the Federal Energy Regulatory Commission, the Securities and Exchange Commission or the Michigan

Public Service Commission, is required on the part of the Lessee in connection with the execution and delivery of the Purchase Order Assignment, the Lease and this Lease Supplement.

(iv) The Lessee is properly licensed or qualified and is in good standing in each jurisdiction in which such qualification is necessary to carry out the terms of the Purchase Order Assignment, the Lease and this Lease Supplement.

(v) The execution and delivery by the Lessee of the Purchase Order Assignment, the Lease and this Lease Supplement and compliance by the Lessee with all of the provisions of the same will not violate or conflict with or result in any breach of any of the provisions of, or constitute a default under, or result in the creation of any lien other than Permitted Encumbrances upon any property of the Lessee, under the provisions of the articles of incorporation or by-laws of the Lessee or of any indenture, mortgage, conditional sale, loan or credit agreement or other instrument to which the Lessee is a party or by which it may be bound.

(vi) No approval, consent or withholding of objection on the part of the Federal Energy Regulatory Commission, the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 or the Michigan Public Service Commission is required on the part of the Lessor in connection with the execution and delivery by the Lessor of the Purchase Order Assignment, the Lease and this Lease Supplement or performance by the Lessor of any of its obligations under said instruments solely as a result of the Lessor entering into the transactions contemplated by said instruments, assuming that the Lessor is not subject to the jurisdiction of the Federal Energy Regulatory Commission, the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 or the Michigan Public Service Commission for any reason other than the execution, delivery and performance of the Purchase Order Assignment, the Lease and this Lease Supplement.

(vii) To the best of counsel's knowledge, there are no proceedings pending by or against or affecting the Lessee in any court or before any governmental authority or arbitration board or tribunal which if adversely determined would materially and adversely affect the Lessee's ability to perform its obligations under the Lease and this Lease Supplement, except as disclosed in the financial statements referred to in clause (d)(1) of Paragraph 8 hereof or as otherwise disclosed in writing. The Lessee is not in default

with respect to any order applicable to it, as presently interpreted, of any court or governmental authority or arbitration board or tribunal, the violation of which would materially adversely affect the ability of the Lessee to perform the Lease and this Lease Supplement.

(viii) The Lease and this Lease Supplement (and financing statements or similar notices thereof if or to the extent permitted or required by applicable law) have been recorded or filed for record in all public offices wherein such filing or recordation is necessary to protect the rights of the Lessor in and to such Unit.

Precautionary financing statements on form UCC-1 with respect to such Unit naming the Lessee as debtor and the Lessor as secured party have been properly filed pursuant to the provisions of the Michigan Uniform Commercial Code. If, contrary to the expectation of the Lessor and the Lessee, the Lease and this Lease Supplement are determined to be a lease intended as a security agreement, then if required continuation statements are filed at the appropriate times set forth in such Uniform Commercial Code, such precautionary filings will be sufficient to perfect the security interest in such Unit in favor of the Lessor which has priority over any other security interest in or lien upon such Unit as of the date of such opinion.

(ix) Upon and as of the time of payment in full by the Lessor of the Lessor's Cost of each Unit of Equipment described in Schedule I hereto and assuming the Manufacturer for each such Unit is a merchant regularly dealing in goods of the same kind as the Unit, and in sole reliance upon the Bill of Sale, if any, or invoice in form satisfactory to the Lessee and the Lessor executed and delivered by the Manufacturer, the Lessor will have good and marketable title to each such Unit which is free and clear of all mortgages, liens, encumbrances or charges thereon, security interests therein, or conditional sale or other title retention agreements with respect thereto arising by, through or under the Lessee (including, without limitation, the lien of the Indenture dated as of September 1, 1945 between the Lessee and Citibank, N.A., as from time to time supplemented and amended), except for Permitted Encumbrances.

It is understood that in giving the opinion contained in the foregoing Paragraph, counsel for the Lessee may rely solely on any Bill of Sale or invoice in form satisfactory to the Lessee and the Lessor covering the Unit and on any warranties,

certifications, covenants and agreements of the Lessor, the Lessee and the Manufacturer with respect to title to such Unit. Counsel for the Lessee need not make and has not made any independent investigation with respect to such Unit.

(e) The Lessor's Cost of such Unit shall not exceed the estimate thereof set forth in Schedule I.

(f) The Lessee shall deliver to the Lessor a certificate of the Lessee's independent insurance broker to the effect that the Lessee has satisfied the requirements of Section 7 of the Lease with respect to such Unit.

(g) The Lessee shall deliver to the Lessor the Certificate of Cost (as defined in the Purchase Order Assignment) with respect to such Unit in the form contemplated by the Purchase Order Assignment.

(h) The Lessor shall have obtained an opinion of a person, firm or corporation knowledgeable with respect to the Unit to the effect that the useful life and fair market value of such Unit at the expiration of the initial term of the Lease will satisfy the requirements of IRS Rev. Proc. 75-21.

(i) On the date the first Unit is so accepted, the Lessor shall have received a written opinion of counsel acceptable to it, dated such date, addressed to the Lessor in form and substance satisfactory to the Lessor with respect to certain tax consequences pertaining to the Lease and the Equipment.

(j) The date of delivery to and acceptance by the Lessee of such Unit of Equipment shall be no later than _____.

(k) The proceedings taken in connection with the acceptance of the Unit under the Lease and the documents and papers relating thereto shall be satisfactory to the Lessor and the Lessor shall have received copies of such documents and papers as are reasonably requested in connection therewith, all in form and substance satisfactory to the Lessor.

10. Conditions Precedent to Lessee's Obligations. (a) On or prior to the date the first Unit of Equipment described in Schedule I hereto is delivered to and accepted by the Lessee pursuant to Section 2 of the Lease, the Lessor shall have delivered to the Lessee a closing certificate and an opinion of Lessor's in-house counsel in the form contemplated by Schedule III attached hereto.

(b) On or prior to each date on which a Unit of Equipment is delivered to and accepted by the Lessee pursuant to Section 2 of the Lease, the Lessor will do, execute, acknowledge and deliver such acts and assurances as the Lessee may reasonably request in connection with the obligation of the Lessor hereunder to pay the Lessor's Cost of the Unit(s) of Equipment as provided herein.

11. The Overdue Interest Rate is _____% per annum.

Dated _____, 19__.

WELLS FARGO EQUIPMENT LEASING
CORPORATION, Lessor

By _____
Its _____

By _____
Its _____

CONSUMERS POWER COMPANY,
Lessee

By _____
Its _____

<u>Description of Unit(s) of Equipment</u>	<u>Purchase Order</u>	<u>Manufacturer Payment Date</u>	<u>Lease Group Identifying Letter</u>	<u>Maximum Lessor's Cost</u>	<u>Percent of Lessor's Cost to be financed by Lessor</u>	<u>Maturity Date of Securities Issued by Lessor to Finance Lessor's Cost</u>
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SCHEDULE I
 to Lease Supplement No. _____
 Pursuant to Equipment Lease dated as of January 30, 1979

<u>Description of Unit(s) of Equipment</u>	<u>Expiration Date of Original Lease Term</u>	<u>Estimated Delivery Date</u>	<u>Outside Delivery Date</u>	<u>Early Termination Rent Payment Date</u>
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CASUALTY VALUES

SCHEDULE II
to Lease Supplement No. _____
Pursuant to Equipment Lease dated as of January 30, 1979

**FORM OF LESSOR'S CLOSING
CERTIFICATE AND OPINION**

REPRESENTATIONS AND WARRANTIES OF THE LESSOR

The Lessor represents and warrants as follows:

1.1. Organization and Qualification. The Lessor is a corporation duly organized, validly existing and in good standing under the laws of California. The Lessor is qualified or licensed to do business and in good standing in each jurisdiction where the conduct of its business or the ownership or lease of its property requires qualification or licensing, if failure to be so qualified or licensed would have a material adverse effect upon the business, assets, legal rights, financial condition, results of operations or prospects of the Lessor.

1.2. Corporate Power and Authority. The Lessor has all necessary corporate power and authority to execute and deliver the Lease, this Lease Supplement and the Purchase Order Assignment and to perform the provisions hereof and thereof. All corporate action of directors and shareholders necessary to authorize the execution, delivery and performance of such documents by the Lessor has been duly and validly taken.

1.3. Agreements Binding. Each of the Lease, this Lease Supplement and the Purchase Order Assignment is, and when duly executed and delivered by the Lessor, will be, the legal, valid and binding obligation of the Lessor in accordance with its respective terms.

1.4. Non-Contravention. The execution, delivery and performance by the Lessor of the Lease, this Lease Supplement and the Purchase Order Assignment (a) do not and will not violate or contravene any provision of (i) the charter or by-laws of the Lessor, or (ii) apart from legal requirements imposed solely as a result of the execution, delivery and performance of the Lease, this Lease Supplement and the Purchase Order Assignment by the Lessor and the Lessee as to which no representation or warranty is expressed, any existing law, rule or regulation, or (iii) any order, decree, ruling, judgment or injunction of any court, governmental agency, authority or instrumentality or arbitrator issued in any proceeding to which the Lessor is a party, (b) do not and will not conflict with or constitute a breach of or a default under, or result in any acceleration of any obligations under, any mortgage, indenture, contract, license, agreement or other instrument or arrangement to which the Lessor (or to the best of the Lessor's knowledge, without any investigation having been made, any Affiliate) is a party or by which it is bound, and (c) will not result in the creation or imposition of any lien upon or with respect to the Lessor's interest in any of the Units of Equipment leased under the Lease or any other property owned by the Lessor except the lien of any security

SCHEDULE III
to Lease Supplement No. _____
Pursuant to Equipment Lease dated as of January 30, 1979

document executed pursuant to Section 14(a) of the Lease and Permitted Encumbrances. Apart from legal requirements imposed solely as a result of the execution, delivery and performance of the Lease, this Lease Supplement and the Purchase Order Assignment by the Lessor and the Lessee, as to which no representation or warranty is expressed, no authorization, consent or approval of, or filing or registration with, any governmental body, agency or authority is required to be obtained or made in connection with the execution and delivery of the Lease, this Lease Supplement and the Purchase Order Assignment by the Lessor or in connection with the carrying out by the Lessor of its obligations under the Lease, this Lease Supplement and the Purchase Order Assignment.

1.5. Litigation. There is no action, suit or proceeding pending or, to the knowledge of the Lessor, threatened against or affecting the Lessor (or to the best of Lessor's knowledge, without any investigation having been made, any Affiliate) in any court, at law or in equity, or before or by any governmental agency, authority or instrumentality or before any arbitrator an adverse ruling or determination in which might materially and adversely affect the business, assets, financial condition, results of operations or prospective creditworthiness of the Lessor, or the ability of the Lessor to perform its obligations under the Lease, this Lease Supplement and the Purchase Order Assignment.

1.6. Title to the Equipment. Upon receipt by the Lessor of the bill of sale or invoice for each Unit of Equipment it will have whatever title was conveyed to it by the Manufacturer thereof. (The Lessee understands that, in making such representation, the Lessor is relying solely upon such bill of sale and invoices and not on any other investigation or examination.) Aside from reliance on bills of sale and invoices (and without any special investigation) the Lessor has no reason not to believe, and does believe, that it will have good and marketable title to each Unit of Equipment at the time the Lessor's Cost for any such Unit is paid.

1.7. Taxes. All income and other tax returns of the Lessor (and its Affiliates to the best of the Lessor's knowledge, without having made any investigation) required by law to be filed have been duly filed, and all income and other taxes, assessments and other governmental charges (other than taxes, assessments and charges presently payable without penalty and not past due and taxes, assessments and charges currently being contested in good faith) imposed upon the Lessor (and each Affiliate to the best of the Lessor's knowledge, without having made any investigation) which are due and payable have been paid. The Lessor believes that the charges, accruals and provisions in respect of taxes on the books of the Lessor (and each Affiliate to the best of the Lessor's knowledge, without having made any investigation) are adequate in all material respects and the Lessor knows of no material additional assessments which are not provided for.

LEGAL OPINION OF LESSOR

1. The Lessor is a corporation duly organized, validly existing and in good standing under the laws of California. The Lessor is duly qualified or licensed to do business and in good standing in each jurisdiction where the conduct of its business or the ownership or lease of its property requires qualification or licensing.

2. The Lessor has all necessary corporate power and authority to execute and deliver the Lease, the Lease Supplement and the Purchase Order Assignment and to perform the provisions thereof. All corporate action of directors and shareholders necessary to authorize the execution, delivery and performance of the Lease, the Lease Supplement and the Purchase Order Assignment by the Lessor has been duly and validly taken.

3. The Lease, the Lease Supplement and the Purchase Order Assignment have been duly executed and delivered by the Lessor and are legal, valid and binding obligations of the Lessor enforceable in accordance with their respective terms except as enforcement may be limited by bankruptcy and similar laws affecting enforcement of creditors' rights.

4. The execution, delivery and performance by the Lessor of the Lease, the Lease Supplement and the Purchase Order Assignment (a) do not and will not violate or contravene any provision of (i) the charter or by-laws of the Lessor, or (ii) apart from legal requirements imposed solely as a result of the execution, delivery and performance by the Lessor of the Lease, the Lease Supplement and the Purchase Order Assignment as to which no opinion is expressed, any existing law or any rule, regulation, or (iii) or any order, decree, ruling, judgment or injunction of any court, governmental agency, authority or instrumentality or arbitrator, issued in any proceeding to which the Lessor is a party, (b) do not and will not conflict with or constitute a breach of or a default under, or result in any acceleration of any obligations under, any mortgage, indenture, contract, license, agreement or other instrument or arrangement to which the Lessor is a party or by which it is bound (known to such counsel without any special investigation having been made by such counsel), and (c) will not result in the creation or imposition of any lien upon or with respect to any of the assets leased under the Lease or any other property owned by the Lessor, except the lien of the Security Agreement and Permitted Encumbrances. No authorization, consent or approval of, or filing or registration with, any governmental body, agency or authority is required to be obtained or made in connection with the execution and delivery of the Lease, the Lease Supplement and the Purchase Order Assignment or in connection with the carrying out by the Lessor of its obligations under the Lease, the Lease Supplement and the Purchase Order Assignment, except filings necessary or advisable to perfect security interests.

5. There is no action, suit or proceeding pending or, to the knowledge of such counsel, threatened against or affecting the Lessor or any of its Subsidiaries in any court, at law or in equity, or before or by any governmental agency, authority or instrumentality or before any arbitrator an adverse ruling or determination in which might materially and adversely affect the business, assets, financial condition or results of operations of the Lessor or any of its Subsidiaries or the ability of the Lessor to perform its obligations under the Lease, the Lease Supplement and the Purchase Order Assignment.

CERTIFICATE OF ACCEPTANCE NO. _____
PURSUANT TO EQUIPMENT LEASE DATED AS OF JANUARY 30, 1979
(THE "LEASE") AND LEASE SUPPLEMENT NO. _____ DATED _____
BETWEEN WELLS FARGO EQUIPMENT LEASING CORPORATION,
AS LESSOR AND CONSUMERS POWER COMPANY, AS LESSEE

Words and phrases not otherwise defined herein shall have the meanings assigned thereto in the Lease.

The undersigned Lessee under the Lease described in the caption hereof:

1. certifies and agrees that the Unit(s) of Equipment described in the attached Schedule A (the "Accepted Equipment") have been delivered to, and are now in the possession of, and have been accepted by the Lessee under and pursuant to and subject to all terms and conditions of said Lease and the above captioned Lease Supplement which pertains to the Accepted Equipment.

2. represents that no Default or Event of Default has occurred and is continuing.

3. certifies and agrees that the Accepted Equipment declared to be accepted hereby is in good order and condition, conforms to all specifications and requirements and has been marked in accordance with Section 11(a) of the Lease.

4. represents that the date on which the Accepted Equipment is being first placed in service (the "in service" date within the meaning of Section 46 of the Code and the Income Tax Regulations thereunder and within the meaning of the Income Tax Regulations promulgated under Section 167 of the Code), is the date hereof and that at all times during the term of the Lease the Accepted Equipment will constitute "Section 38 property" within the meaning of Section 48(a) of the Code.

5. certifies and agrees that the Lessor's Cost, Fixed Rent rate, amount of each installment of Fixed Rent, amount of use tax payable in respect of each such installment of Fixed Rent, Rent Payment Dates and expiration date of the Lease in respect of the Equipment are set forth in Schedule A hereto.

EXHIBIT B
(to Equipment Lease)

The execution of this Certificate will in no way relieve or diminish the responsibility of the Manufacturer of the Equipment for any warranty it has made with respect thereto.

Dated _____, 19__.

CONSUMERS POWER COMPANY
Lessee

By _____
Its _____

<u>Description of Unit (including Purchase Order No.)</u>	<u>Lessor's Cost</u>	<u>Fixed Rent Rate</u>	<u>Amount of Each Installment of Fixed Rent</u>	<u>Amount of Use Tax Amount Per Installment</u>	<u>Manufacturer Payment Date</u>	<u>Total Amount of Each Rent Installment</u>
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SCHEDULE A
to Certificate of Acceptance

Description
of Unit
(including
Purchase
Order No.)

Rent
Payment
Date

Percent of
Lessor's Cost
to be Financed
by Lessor

Expiration
Date of
Lease

Maturity Date
of Securities
Issued by Lessor
to Finance
Lessor's Cost

<u>Description of Unit(s) of Equipment</u>	<u>Purchase Order</u>	<u>Estimated Manufacturer Payment Date</u>	<u>Maximum Lessor's Cost</u>	<u>Percent of Lessor's Cost to be Financed by Lessor</u>	<u>Maturity Date of Securities Issued by Lessor to Finance Lessor's Cost</u>
Equipment Supplied by Norca Machinery Company:	66228 Dated: 3/20/79	September 10, 1980	\$1,650,000.00	69.137489	January 10, 1997
One(1) special 20-axle Schnabel railroad car with loading bridge numbered CPOX 820.	26922 Dated: 9/19/79				

SCHEDULE I
to Lease Supplement No. 10
Pursuant to Equipment Lease dated as of January 30, 1979

<u>Description of Unit(s) of Equipment</u>	<u>Expiration Date of Original Lease Term</u>	<u>Estimated Delivery Date</u>	<u>Outside Delivery Date</u>	<u>Early Termination Rent Payment Date</u>
Equipment Supplied by Norca Machinery Company: One(1) special 20-axle Schnabel railroad car with loading bridge numbered CPOX 820.	January 10, 2001	September 1, 1980	December 31, 1980	January 10, 1991