

1-350A010  
**GASTON SNOW BEEKMAN & BOGUE**

14 WALL STREET  
NEW YORK, NEW YORK 10005

WILLIAM GASTON (1844-1894)  
FREDERICK E. SNOW (1886-1935)  
CHARLES K. BEEKMAN (1891-1941)  
MORTON G. BOGUE (1903-1955)  
JOSEPH B. ELY (1905-1956)  
JOSEPH W. BARTLETT (1901-1960)

13361

212/227-8200  
CABLE ADDRESS BEEKOM

13361  
No.

RECORDATION NO.

DEC 16 1981 10 40 AM

DEC 16 1981 10 40 AM  
Date

December 16, 1981  
INTERSTATE COMMERCE COMMISSION

ICC Washington, D.C.

Secretary  
Interstate Commerce Commission  
Washington, D.C. 20423

RECORDATION NO. 13361

GASTON SNOW & ELY BARTLETT  
ONE FEDERAL STREET  
BOSTON, MASSACHUSETTS 02110  
617-336-6000  
2801 PONCE DE LEON BOULEVARD  
CORAL GABLES, FLORIDA 33134  
305/445-1477  
SUITE 550  
TWO PALO ALTO SQUARE  
PALO ALTO, CALIFORNIA 94304  
415/856-2400

DEC 16 1981 10 40 AM

13361

RECORDATION NO. FILED 1981

Dear Sir:

INTERSTATE COMMERCE COMMISSION

Enclosed please find an original and two executed and acknowledged counterparts of each of the following documents to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

1. Bill of Sale, a primary document, dated as of December 16, 1981, between the following parties:

Vendor: Gulf States Utilities Company  
285 Liberty Street, Beaumont, Texas 77701

Vendee: The Connecticut Bank and Trust Company, Trustee  
One Constitution Plaza, Hartford, Connecticut 06103

A short summary of the document to appear in the index follows:

Bill of Sale between Gulf States Utilities Company, 285 Liberty Street, Beaumont, Texas 77701 and The Connecticut Bank and Trust Company, Trustee, One Constitution Plaza, Hartford, Connecticut 06103, dated December 16, 1981 and covering 4 100-ton double rotary gondola cars, numbers GSNX 60 to 63, inclusive, and 244 100-ton single rotary gondola cars, numbers GSNX 100-343, inclusive.

2. Security Agreement, a primary document, dated as of December 1, 1981, between the following parties:

Debtor: The Connecticut Bank and Trust Company, Trustee  
One Constitution Plaza, Hartford, Connecticut 06103

Secured Party: Mercantile-Safe Deposit and Trust Company,  
Trustee  
Two Hopkins Plaza  
Baltimore, Maryland 21203

RECEIVED  
DEC 16 10 29 AM '81  
FBI

*Charles [Signature]*  
*Robert H. [Signature]*

**GASTON SNOW BEEKMAN & BOGUE**

Secretary  
Interstate Commerce Commission  
Page 2

A short summary of the document to appear in the index follows:

Security Agreement between The Connecticut Bank and Trust Company, Trustee, One Constitution Plaza, Hartford, Connecticut 06103 and Mercantile-Safe Deposit and Trust Company, Two Hopkins Plaza, Baltimore, Maryland 21203, dated as of December 1, 1981 and covering 4 100-ton double rotary gondola cars, numbers GSNX 60 to 63, inclusive, and 244 100-ton single rotary gondola cars, numbers GSNX 100-343, inclusive.

3. Lease, a primary document, dated as of December 1, 1981, between the following parties:

Lessor: The Connecticut Bank and Trust Company,  
Trustee  
One Constitution Plaza  
Hartford, Connecticut 06103

Lessee: Gulf States Utilities Company  
285 Liberty Street  
Beaumont, Texas 77701

A short summary of the documents to appear in the index follows:

Lease between The Connecticut Bank and Trust Company, Trustee, One Constitution Plaza, Hartford, Connecticut 06103 and Gulf States Utilities Company, 285 Liberty Street, Beaumont, Texas 77701, dated as of December 1, 1981 and covering 4 100-ton double rotary gondola cars, numbers GSNX 60 to 63, inclusive, and 244 100-ton single rotary gondola cars, numbers GSNX 100-343, inclusive.

4. Participation Agreement, a primary document, dated as of December 1, 1981, among the following parties:

Lessee: Gulf States Utilities Company  
285 Liberty Street  
Beaumont, Texas 77701

Trustee: The Connecticut Bank and Trust Company  
One Constitution Plaza  
Hartford, Connecticut 06115

GASTON SNOW BEEKMAN & BOGUE

Secretary  
Interstate Commerce Commission  
Page 3

Beneficiary: Bancorp Leasing and Financial Corp.  
555 S.W. Oak Street  
Portland, Oregon 97204

Note  
Purchaser: The Travelers Insurance Company  
One Tower Square  
Hartford, Connecticut 06115

Security  
Trustee: Mercantile-Safe Deposit and Trust Company  
Two Hopkins Plaza  
Post Office Box 2258  
Baltimore, Maryland 21203

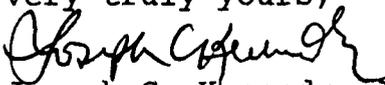
A short summary of the document to appear in the index follows:

Participation Agreement among Gulf States Utilities Company, 285 Liberty Street, Beaumont, Texas 77701, The Connecticut Bank and Trust Company, as Trustee, One Constitution Plaza, Hartford, Connecticut, Connecticut 06103, Bancorp Leasing and Financial Corp., 555 S.W. Oak Street, Portland, Oregon 97204, The Travelers Insurance Company, One Tower Square, Hartford, Connecticut 06115, and Mercantile-Safe Deposit and Trust Company, as Security Trustee, Two Hopkins Plaza, Post Office Box 2258, Baltimore, Maryland 21203, dated as of December 1, 1981 and relating to the financing of 4 100-ton double rotary gondola cars, numbers GSNX 60 to 63, inclusive, and 244 100-ton single rotary gondola cars, numbers GSNX 100-343, inclusive.

These documents all relate to the same equipment, more fully described as follows:

4 100-ton double rotary BethGon Coalporter gondola cars, AAR Mechanical Designation GT, AAR Type Code G092, and bearing numbers GSNX 60 to 63 inclusive and 244 100-ton BethGon Coalporter gondola cars, AAR Mechanical Designation GT, AAR Type Code G092, and bearing numbers GSNX 100-343, inclusive.

A fee of \$200, \$50 for each document, is enclosed. Please return the originals and any extra counterparts not needed by the Commission for recordation to the undersigned at the Boston address indicated above.

Very truly yours,  
  
Joseph C. Kennedy, Jr.

13361/B  
RECORDATION NO. .... Filed 1425

DEC. 16 1981 - 10 40 AM

---

INTERSTATE COMMERCE COMMISSION

---

LEASE OF RAILROAD EQUIPMENT

Dated as of December 1, 1981

between

THE CONNECTICUT BANK AND TRUST COMPANY, as Trustee  
AS LESSOR

and

GULF STATES UTILITIES COMPANY  
AS LESSEE

RELATING TO:  
605 ONE HUNDRED-TON  
UNIT TRAIN  
STEEL COAL PORTER CARS

---

Filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. §11303 on \_\_\_\_\_, 198\_ at \_\_\_\_\_ .M.,  
Recordation No. \_\_\_\_\_.

LEASE OF RAILROAD EQUIPMENT

Table of Contents

	Page
Preamble. . . . .	1
SECTION 1. Net Lease . . . . .	1
SECTION 2. Acceptance of Units . . . . .	2
SECTION 3. Rentals. . . . .	3
SECTION 4. Term of Lease. . . . .	4
SECTION 5. Identification Marks . . . . .	4
SECTION 6. Tax Elections. . . . .	5
SECTION 7. Payment for Casualty Occurrences . . . . .	6
SECTION 8. Insurance. . . . .	7
SECTION 9. Voluntary Termination. . . . .	9
SECTION 10. Reporting Requirements . . . . .	10
SECTION 11. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; Alterations. . . . .	14
SECTION 12. Indemnities. . . . .	17
SECTION 13. Default; Remedies. . . . .	27
SECTION 14. Return of Units upon Default . . . . .	30
SECTION 15. Assignment; Possession and Use; Liens. . . . .	31
SECTION 16. Discharge of Liens . . . . .	32
SECTION 17. Purchase Option. . . . .	33
SECTION 18. Return of Units upon Expiration of Term. . . . .	33
SECTION 19. Opinion of Counsel . . . . .	34
SECTION 20. Recording. . . . .	34
SECTION 21. Interest on Overdue Rentals. . . . .	35
SECTION 22. Notices . . . . .	36
SECTION 23. Rental Adjustment. . . . .	36
SECTION 24. Mileage Allowance. . . . .	36
SECTION 25. Severability; Effect and Modification of Lease . . . . .	37
SECTION 26. Limitations of Lessor's Liability. . . . .	37
SECTION 27. Lessor's Right to Perform for the Lessee . . . . .	37
SECTION 28. Miscellaneous. . . . .	38
SECTION 29. Governing Law. . . . .	38
SECTION 30. Execution. . . . .	38
Signatures. . . . .	39
Acknowledgements	
Annex A. Description of Equipment	
Annex B. Schedule of Casualty Values	
Annex C. Schedule of Termination Values	
Exhibit A. Certificate of Acceptance	

LEASE OF RAILROAD EQUIPMENT dated as of December 1, 1981 between THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as trustee under a Trust Agreement dated as of the date hereof (hereinafter called the "Trust Agreement") with BANCORP LEASING AND FINANCIAL CORP. (hereinafter called the "Beneficiary"), as Lessor (hereinafter, together with its successors and assigns, called the "Lessor") and GULF STATES UTILITIES COMPANY (hereinafter called the "Lessee").

WHEREAS, the Lessor and Lessee have entered into a Purchase and Sale Agreement dated as of the date hereof (hereinafter called the Purchase and Sale Agreement) covering the sale and delivery, on the conditions therein set forth, by the Lessee to the Lessor and the purchase by the Lessor from the Lessee and the Manufacturer of the railroad equipment described in Parts I and II of Annex A hereto (hereinafter collectively called the Equipment);

WHEREAS, the Lessor and Mercantile-Safe Deposit and Trust Company, as Security Trustee (hereinafter called the Security Trustee) under a Participation Agreement among the Lessee, the Lessor, the Beneficiary, the Security Trustee and The Travelers Insurance Company (the "Note Purchaser") dated as of the date hereof (hereinafter called the Participation Agreement) have entered into a Security Agreement - Trust Deed dated as of the date hereof (hereinafter called the Security Agreement) granting to the Security Trustee a first security interest in the Collateral, defined therein, and assigning to the Security Trustee the right, security title and interest of the Lessor under this Lease as security for the payment of the indebtedness secured by the Security Agreement (as such indebtedness is defined in the Security Agreement) including the notes to be purchased by the Note Purchaser pursuant to the Participation Agreement (hereinafter called the "Secured Notes");

WHEREAS, the Lessee desires to lease all the units of the Equipment (hereinafter called the Units), at the rentals, for the terms and upon the conditions hereinafter stated;

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

SECTION 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or set-off against rent, including, but not limited to, abatements, reductions or set-offs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be

otherwise affected, by reason of any defect in or failure of title of the Lessor to any of the Units or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the taking or requisitioning of any of the Units by condemnation or otherwise, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or the bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final, and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

SECTION 2. Acceptance of Units. The Lessor hereby irrevocably appoints the Lessee as its agent for the acceptance of the Units pursuant to the Purchase and Sale Agreement and under this Lease. Each Unit is to be accepted by the Lessee, acting as such agent of the Lessor, on the date designated therefor in the Purchase and Sale Agreement and in Parts I and II of Annex A hereto. Each Unit is to be accepted concurrently with the settlement therefor on the applicable Closing Date for such Unit pursuant to Section 1 of the Purchase and Sale Agreement and shall thereupon become subject to this Lease. On the applicable Closing Date, the Lessee will cause an employee of the Lessee or an authorized representative of the Lessee to inspect the same and, if such Unit is found to be acceptable, to accept such Unit on such Closing Date on behalf of the Lessor under the Purchase and Sale Agreement and on its own behalf hereunder and execute and deliver to the Lessor a certificate of acceptance in the form set forth in Exhibit A hereto (hereinafter called a Certificate of Acceptance), in accordance with the provisions of Section 4.1(d) of the Participation Agreement, stating that such Unit has been accepted on behalf of the Lessee and the Lessor on such Closing Date and is marked in accordance with Section 5, whereupon such Unit shall be deemed to have been accepted by the Lessee and shall thereafter be subject to all the terms and conditions of this Lease, and the Lessee may, upon, but not prior to, completion of the settlement for such Unit in accordance with Section 1

of the Purchase and Sale Agreement commence its use of such Unit pursuant to the third paragraph of Section 15 hereof.

SECTION 3. Rentals. The Lessee agrees to pay to the Lessor, as rental for each Unit subject to this Lease, 41 consecutive semi-annual in arrears payments on March 1 and September 1 in each year, commencing March 1, 1982. The rental payment due on March 1, 1982 shall be in an amount equal to 2.1013% of the Purchase Price (as defined in the Purchase and Sale Agreement) of each Unit. The next 40 semi-annual rental payments shall each be in an amount equal to 5.4490% of the Purchase Price of each Unit.

If any of the semi-annual rental payment dates referred to above is not a day on which banks in Baltimore, Maryland, Portland, Oregon, and New York, New York are generally open for business, the semi-annual rental payment otherwise payable on such date shall be payable on the next following business day.

The Lessee agrees that the rental payments shall be subject to adjustment as provided in Section 7 of the Participation Agreement.

Notwithstanding the provisions of any of the foregoing paragraphs of this Section, each rental payment shall be no less than the debt service on the Notes, as defined in the Participation Agreement, due on the corresponding rental payment date.

The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease in immediately available funds at the principal office of the Security Trustee until the Security Trustee shall have been paid the full Secured Indebtedness (as defined in the Participation Agreement), for the account of the Lessor, in care of the Security Trustee, with instructions to the Security Trustee first to apply such payments to satisfy the obligations of the Lessor under the Participation Agreement, the Security Agreement and the Secured Notes known to the Security Trustee to be due and payable on the date such payments are due and payable hereunder and thereunder and second, so long as no event of default under the Security Agreement shall have occurred and be continuing, to pay any balance by wire transfer of immediately available funds on the date so received to the Lessor at such address as may be specified by the Lessor in writing, unless and until the Lessor shall otherwise direct the Security Trustee in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph by 11:00 A.M., Baltimore time, in immediately available funds on the date when and in the city where such payment is to be made. The Lessor agrees that the Lessee will have no responsibility for the application of funds paid to the Security Trustee in compliance with the provisions hereof. Nothing contained herein shall require or authorize the Lessee to pay over amounts included

within the definition of "Excepted Rights in Collateral" in the Security Agreement to any person other than the person who is directly entitled to such payments.

After the Security Trustee shall have been paid the full Secured Indebtedness, rental payments shall be paid by wire transfer of immediately available funds to the Lessor at such address as may be specified by the Lessor in writing.

SECTION 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of acceptance of such Unit hereunder in accordance with the provisions of Section 2 hereof and, subject to the provisions of Sections 7, 9, 13 and 17, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to Section 3.

Anything herein to the contrary notwithstanding and subject to the Lessee's rights set forth in the third paragraph of Section 15, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Security Trustee and the Note Purchaser under the Participation Agreement and the Security Agreement.

SECTION 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with an identifying number as set forth in Annex A hereto, or in the case of any Unit not there listed such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "Owned by a Bank or Trust Company and subject to a security interest under a Security Agreement recorded with the Interstate Commerce Commission", with appropriate changes thereof and additions thereto as from time to time may be required by applicable rules, regulations and laws, including, but not limited to, the rules and regulations of the Association of American Railroads, in order to protect the Lessor's and the Security Trustee's interest in such Unit and the rights of the Lessor under this Lease and of the Security Trustee under the Security Agreement.

In the event that the Lessor shall become obligated to change any markings on any Unit or to incur any cost in connection therewith pursuant to any of the Operative Agreements, as defined in the Participation Agreement, the Lessee shall, at the request of the Lessor, make such marking changes and pay to the Lessor such additional amounts as will enable the Lessor to fulfill such obligations. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such markings shall have been made thereon and will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. The Lessee will not change the identifying number of any Unit unless and until (i) a statement of new number

or numbers to be substituted therefor shall have been filed with the Security Trustee and the Lessor and filed, recorded, registered and deposited by the Lessee in all public offices where this Lease, the Security Agreement and UCC filing statements, if any, shall have been filed, recorded, registered and deposited and (ii) the Lessee shall have furnished to the Security Trustee and the Lessor an opinion of counsel for the Lessee with respect thereto satisfactory to the Security Trustee and the Lessor to the effect that (x) such statement has been so filed, recorded and deposited to protect the Lessor's, the Beneficiary's and the Security Trustee's respective interests in such Units or (y) no filing, recording, deposit or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the respective interests of the Lessor and the Security Trustee in such Units.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Units may be lettered with the names or initials or other insignia customarily used by the Lessee.

SECTION 6. Tax Elections. This Lease is intended by the parties hereto to be a lease under Section 168(f)(8) of the Internal Revenue Code of 1954, as amended (the "Code") and Part 5c of the Temporary Income Tax Regulations promulgated thereunder (the "Temporary Regulations"). To that end, both the Lessor and Lessee agree (i) to characterize this Agreement as a lease for purposes of Federal tax law (ii) to file an election pursuant to Section 5c.168(f)(8)-2 of the Temporary Regulations in order to characterize the transaction described in this Lease as a lease under Section 168(f)(8) of the Code, (iii) to have the provisions of Section 168(f)(8) of the Code apply to the transaction, (iv) to provide the information necessary to the other to complete and sign the Information Return as prescribed in Section 5c.168(f)(8)-2(a)(3) of the Temporary Regulations, (v) subject to the rights of the Beneficiary under Section 3.4(e) of the Participation Agreement, to take no actions that would disqualify the transaction from lease treatment under said Section 5c.168(f)(8) of the Code, and (vi) to comply with the provisions of Section 3.2 and 3.4(e) of the Participation Agreement and the Closing Certificate and Agreement of the Lessee delivered to the Lessor pursuant to said Section 3.2.

The parties agree that for purposes of said Section 168 (f)(8) the Lessor shall be treated as the owner and lessor of the Equipment and the Lessee shall be treated as the lessee of the Equipment .

SECTION 7. Payment for Casualty Occurrences. In the event that any Unit shall become lost, stolen, destroyed, irreparably

damaged from any cause whatsoever or taken or requisitioned by condemnation or otherwise by the United States Government for a stated period which shall exceed the then remaining term of the Lease or for an indefinite period, but only in the case of an indefinite period, after such taking or requisition continues for a period of 180 consecutive days, or by any other governmental entity resulting in loss of possession by Lessee for a period of 180 consecutive days during the term of this Lease (such occurrences being hereinafter called Casualty Occurrences), the Lessee shall promptly and fully notify the Lessor, the Beneficiary and the Security Trustee with respect thereto. On the rental payment date next succeeding such notice, the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect to such Unit not theretofore paid and which are due and payable on or prior to such date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with the schedule set forth in Annex B hereto. Upon (but not prior to) the making of such payments by the Lessee in respect of any Unit, the rental for such Unit shall thereafter cease to accrue, the term of this Lease as to such Unit shall terminate and the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee as its agent to dispose of any Unit suffering a Casualty Occurrence (including any Unit suffering a Casualty Occurrence during the storage period provided for such Unit in Section 18 hereof) or any component thereof at the best price obtainable on an "as is, where is" basis. If the Lessee shall have previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale unless an Event of Default or other event which, with notice, demand and/or lapse of time, would constitute such an Event of Default shall have occurred and be continuing, in which case the amount otherwise payable to the Lessee may be retained by the Lessor and applied to discharge the liabilities of the Lessee under Section 13. The balance of such sale proceeds shall be property of the Lessee.

The Casualty Value of each Unit as of the rental payment date on which payment is to be made as aforesaid shall be that percentage of the Purchase Price of such Unit as is set forth in Annex B hereto opposite such date.

Except as hereinabove in this Section 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after acceptance thereof by the Lessee hereunder.

In the event of the requisition for use by the United States Government or any other governmental entity (hereinafter called the Government) of any Unit during the term of this Lease or any renewal thereof, all of the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except to the extent the Lessee's obligations are modified pursuant to the first paragraph of this Section 7 with respect to any such requisition which represents a Casualty Occurrence, as defined therein; provided, however, that if any Unit requisitioned by the Government is returned by the Government at any time after the end of the term of this Lease or any renewal thereof, the Lessee shall be obligated to return such Unit to the Lessor pursuant to Section 14 or Section 18 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease or any renewal thereof, but the Lessee shall in all other respects comply with the provisions of said Section 14 or Section 18, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease or any renewal thereof shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice, demand and/or lapse of time would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease or any renewal thereof, shall, if the Casualty Value has been paid by the Lessee, be paid over to, or retained by the Lessee.

Except as otherwise hereinabove and in Section 18 provided, any condemnation payments received with respect to a Unit not suffering a Casualty Occurrence shall be the property of the Lessor to the extent of the Casualty Value thereof and the balance shall be the property of the Lessee. The Casualty Value shall be reduced to the extent that such condemnation payments are paid to the Lessor.

SECTION 8. Insurance. The Lessee agrees that it will at all times during the term of this Lease and at its own cost and expense, in an amount necessary to avoid co-insurance, keep each Unit insured under "All Risk" policies against loss by fire, windstorm and explosion and with extended coverage and against such other risks as are customarily insured against by public utility companies owning property of a similar character and as are satisfactory to the Beneficiary and the Security Trustee and in amounts not less than the Casualty Value of such Unit at any time and will maintain general public liability insurance with respect to the Equipment against damage because of bodily injury, including death, or damage to property of others, in such amounts as are customarily insured against by companies owning property of a similar character and in an amount satisfactory to the Beneficiary and the Security Trustee. Any such property and

casualty and liability insurance may have applicable thereto deductible provisions in an amount no greater than \$1,000,000 or such greater amount per occurrence as may be later agreed upon by the Note Purchaser, the Beneficiary and the Lessee, and may be carried under blanket policies maintained by the Lessee so long as such policies otherwise comply with the provisions of this Section 8. All such property insurance shall name the Lessor, the Lessee, the Beneficiary, the Note Purchaser and the Security Trustee as insureds, as their respective interests may appear and shall provide that all proceeds shall be adjusted with the Lessee and the Lessor jointly, and shall be payable to the Security Trustee (or, after receipt of notice from the Security Trustee stating that the obligation of the Lessor under the Secured Note has been discharged, to the Lessor). All such liability insurance shall designate the Lessor (in both its individual and fiduciary capacity), the Lessee, the Beneficiary, the Security Trustee and the Note Purchaser as additional insureds and shall be payable to the person or persons to whom the liability covered by such insurance has been incurred. All such policies shall provide (a) that the insurer thereunder waives all rights of subrogation against the Lessor, the Lessee, the Beneficiary, the Security Trustee and, if applicable, the Note Purchaser, (b) that no cancellation, termination or material change in such insurance shall be effective until at least 30 days after receipt by the Security Trustee, the Beneficiary and the Lessor of written notice thereof, (c) that such insurance as to the interests of the Security Trustee or the Note Purchaser therein shall not be invalidated by any foreclosure or other remedial proceedings or notices thereof relating to the Equipment or any interest therein nor by any change in the title or ownership of the Equipment or any interest therein or with respect thereto, and (d) that the issuer will undertake the legal defense of the Lessor, the Beneficiary, the Security Trustee and the Note Purchaser. The Lessee shall furnish the Lessor, the Beneficiary and Security Trustee with periodic certificates or other satisfactory evidence of maintenance of the insurance required hereunder and with respect to any renewal policy or policies shall furnish certificates evidencing such renewal prior to the expiration date of the original policy or policies. All insurance provided for in this Section 8 shall be effected with insurance companies approved by the Lessor, the Beneficiary and the Security Trustee, which approval shall not be unreasonably withheld.

Any net property insurance proceeds resulting from insurance carried by the Lessee received by the Lessor in respect of Units suffering a Casualty Occurrence shall be deducted from the amounts payable by the Lessee to the Lessor in respect of Casualty Occurrences pursuant to Section 7. If the Lessor shall receive any such net property insurance proceeds after the Lessee shall have made payment to the Lessor in full pursuant to Section 7 without deduction for such net property insurance proceeds, the Lessor shall pay such net property insurance proceeds to the Lessee unless an Event of Default or other event which, with

notice, demand and/or lapse of time, would constitute such an Event of Default shall have occurred and be continuing, in which case the amount otherwise payable to the Lessee may be retained by the Lessor and applied to discharge the liabilities of the Lessee under Section 13. The balance of such net insurance proceeds shall be the property of the Lessee. All net insurance proceeds received by the Lessor or the Lessee with respect to a Unit not suffering a Casualty Occurrence shall be applied in payment of the cost of repairing the damage to such Unit, and any balance remaining after the completion of such repairs shall be paid to the Lessee unless an Event of Default or other event which, with notice, demand and/or lapse of time, would constitute an Event of Default shall have occurred and be continuing, in which case the amount otherwise payable to the Lessee may be retained by the Lessor and applied to discharge the liabilities of the Lessee under Section 13.

SECTION 9. Voluntary Termination. Unless an Event of Default or other event which, with notice, demand and/or lapse of time, would constitute an Event of Default shall have occurred and be continuing hereunder, the Lessee shall be entitled, at its option, upon at least 120 days prior written notice to the Lessor and the Security Trustee to terminate this Lease as to all (but not less than all) of the Units if the Lessee shall have made a good faith determination that all (but not less than all) of the Units have become obsolete or surplus to the Lessee's operations, which notice shall be accompanied by a certified copy of resolutions adopted by the Board of Directors of the Lessee making such determination and a written statement of the President or a Vice-President of the Lessee setting forth a summary of the basis for such determination; provided, however, that such termination shall become effective only on a rental payment date (hereinafter in this Section 9 called the Termination Date) and in no event prior to March 1, 1987; and provided further, that such termination shall not take effect unless the Lessee shall have fully complied with the succeeding paragraphs of this Section 9. For the purposes of this Section 9, interest rates or similar finance charges payable by the Lessee in connection with the acquisition of similar equipment under conditional sale contracts, leases or other arrangements for deferred payment of the purchase price thereof, shall be disregarded in the determination of obsolescence or surplusage.

During the period from the giving of such notice to the Termination Date, the Lessee, as agent for the Lessor, shall use its best efforts to, and the Lessor may, obtain bids for the purchase of all the Units on an "as is, where is" basis, and the Lessee shall certify to the Lessor in writing the amount of each bid received and the name and address of the person (who shall not be the Lessee or any person, firm or corporation which is an affiliate of the Lessee) submitting such bid. An "affiliate" of the Lessee shall mean any person which possesses, directly or

indirectly, the right to vote at least 5% of the voting securities of the Lessee, or any person which, directly or indirectly, controls or is controlled by or is under common control with the Lessee, and "control" (including "controlled by" and "under common control with"), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or control the direction of the management and policies of such person, whether through the ownership of voting securities, by contract or otherwise. On the Termination Date, the Lessor shall, without recourse or warranty, sell all the Units for cash to whomsoever shall have submitted the highest bid therefor prior to the Termination Date and, upon request, shall execute and deliver to the purchaser a bill of sale for the Units free and clear of Trustee's liens without warranty or recourse other than as to the title originally conveyed to the Lessor, and thereupon the Lessee shall cause to be delivered the Units to the Lessor in accordance with the terms of Section 18. If the sale of all the Units shall not occur on the Termination Date, the Lessee shall not cause such delivery of any of the Units to the Lessor; and this Lease shall continue in full force and effect as to all of the Units unless the Lessee shall elect to pay the Termination Value set forth in Annex C hereto in which case this Lease shall terminate as if such a sale shall have taken place. The Lessor shall be under no duty to (but may) solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action in connection with any such sale other than as expressly provided in this Section 9.

The total sale price realized at any such sale of the Units shall be retained by or paid over to (as the case may be) the Lessor and, the Lessee shall pay to the Lessor (i) the Termination Value of the Units as set forth in Annex C hereto computed as of the Termination Date plus (ii) all expenses and costs including sales and transfer taxes and reasonable counsels' fees incurred by the Lessor in connection with such sale or with the collection or distribution of such payment less (iii) the total cash sales price realized by the Lessor on such sale. The Lessee shall also be obligated to pay the Lessor any and all rentals and other sums due hereunder with respect to the Units accrued up to and including the Termination Date. In the event of such sale and compliance by the Lessee with all the provisions of this Section 9, the obligations of the Lessee to pay rental hereunder on all rental payment dates commencing after but not before the Termination Date shall terminate. If the cash sales proceeds received by the Lessor exceed the amounts owed by the Lessee hereunder, then such excess shall be paid over to the Lessee.

SECTION 10. Reporting Requirements. The Lessee will furnish to the Beneficiary, the Security Trustee, and the Note Purchaser and to the holder of 10% or more of the unpaid principal amount of the Notes two copies of the following, and as to the items in paragraphs (E), (I) and (K) below, to the Lessor:

A. as soon as available and in any event within 60 days after the end of the first, second and third quarterly accounting periods in each fiscal year of the Lessee, (i) copies of the balance sheet of the Lessee as of the end of such quarterly accounting period and related statements of income, retained earnings and changes in financial position of the Lessee for such quarterly accounting period, for the portion of such fiscal year ended with the last day of such quarterly accounting period and for the 12 months ended with the last day of such quarterly accounting period, prepared in each case in conformity with the applicable instructions promulgated by the Commission (or any successor commission) under the Securities Exchange Act of 1934 for interim financial reporting and (ii) if any such balance sheet or statement of income, retained earnings or changes in financial position shall not have been prepared in accordance with generally accepted accounting principles or on a consolidated and consolidating basis for the Lessee and its consolidated subsidiaries, copies of the balance sheet of the Lessee as of the end of such quarterly accounting period and related statements of income, retained earnings, and changes in financial position of the Lessee for such quarterly accounting period, for the portion of such fiscal year ended with the last day of such quarterly accounting period and for the 12 months ended with the last day of such quarterly accounting period, prepared in each case in accordance with generally accepted accounting principles and on a consolidated and consolidating basis for the Lessee and its consolidated subsidiaries, all such financial statements contemplated by clauses (i) and (ii) above to be in reasonable detail and to state in comparative form the figures for the corresponding date in the previous fiscal year and the corresponding periods ending on such date, and prepared under the direction of and accompanied by the opinion of the principal accounting officer of the Lessee, subject however to year-end audit adjustment;

B. as soon as available and in any event within 90 days after the end of each fiscal year of the Lessee, (i) copies of the balance sheet of the Lessee as of the end of such fiscal year and related statements of income, retained earnings and changes in financial position of the Lessee for such fiscal year, prepared in conformity with the applicable instructions promulgated by the Commission (or any successor commission) under the Securities Exchange Act of 1934 for annual financial reporting, and (ii) if any such balance sheet or statement of income, retained earnings or changes in financial position shall not have been prepared in accordance with generally accepted accounting principles or on a consolidated and consolidating basis for the Lessee and its consolidated subsidiaries, copies of the balance sheet of the Lessee as of the end of such fiscal year and related statements of income, retained earnings and changes in financial position of the Lessee for such fiscal year, prepared in each case in accordance with generally accepted accounting principles

and on a consolidated and consolidating basis for the Lessee and its consolidated subsidiaries, all such financial statements contemplated by clauses (i) and (ii) above to be in reasonable detail and to state in comparative form the figures as of the end of and for the previous fiscal year, and accompanied by a report thereon of Coopers & Lybrand or other independent public accountants of recognized national standing selected by the Lessee;

C. concurrently with furnishing the financial statements for each fiscal year of the Lessee pursuant to paragraph B above, a certificate of a Vice President, the Treasurer or an Assistant Treasurer of the Lessee stating that, based on an examination which in the opinion of the signer is sufficient to enable him to make an informed statement that the signer has obtained no knowledge of any event or condition which constitutes, or which with notice or lapse of time or both would constitute, a default under any of the Operative Agreements or, if the signer shall have obtained knowledge of any such event or condition, specifying all such events or conditions, and the nature thereof, of which the signer of such certificate has knowledge;

D. promptly upon receipt of any audit report submitted to the Lessee by its independent accountants in connection with an annual, special or interim audit of the accounts of the Lessee made by such accountants, notice of the receipt of such report and of the content thereof; and promptly upon receipt by the Lessee, a complete copy of any such audit report;

E. as promptly as practicable (but in any event not later than 15 days) after the President, any Vice President, the Treasurer, any Assistant Treasurer or the Secretary of the Lessee obtains knowledge of the occurrence of any event or condition which constitutes, or which with notice or lapse of time or both would constitute, a default under any of the Operative Agreements, a certificate of a Vice President, the Treasurer or an Assistant Treasurer of the Lessee, describing such event or condition and stating the date of commencement thereof, what action the Lessee is taking or proposes to take with respect thereto and the estimated date when the same will be remedied;

F. promptly upon the filing thereof, copies of all registration statements (exclusive of exhibits thereto) and annual, quarterly or monthly reports which the Lessee shall have filed with the Commission;

G. promptly upon the mailing thereof to holders of the Lessee's securities, copies of all financial statements, reports and proxy statements so mailed;

H. a copy of the annual uniform statistical report which the Lessee shall have filed with the Edison Electric Institute;

I. on or before March 31 in each year, commencing with the year 1982, and at such other times as the Lessor or Security Trustee may reasonably request, an accurate statement (i) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased under the Lease, the amount, description and numbers of all Units that have suffered a Casualty Occurrence, as defined in this Lease, or are then undergoing repairs (other than running repairs) or have been withdrawn from use pending repairs (other than running repairs) during the preceding calendar year and will furnish to both the Lessor and the Security Trustee such other information regarding the condition and state of repair of the Units as either the Lessor or the Security Trustee may reasonably request and (ii) stating that, in the case of all Units repaired or repainted during the period covered by such statement, the numbers and markings required by Section 5 of this Lease and the Participation Agreement have been preserved or replaced. The Lessor and/or its duly appointed agents shall have the right to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the term of this Agreement;

J. in connection with and as a part of any annual audit report prepared by the independent accountants of the Lessee as provided in paragraph (B) above, a certificate of such accountants stating that they have reviewed the Lessee's Operative Agreements and stating whether in making their audit such accountants have become aware of any Default or Event of Default, as defined in the Lease, and, if any such condition or event then exists, specifying the nature and period of existence thereof; and

K. such other information relating to the financial statements of the Lessee, the performance or observance by the Lessee of the terms, covenants and conditions of the Operative Agreements and the financial conditions, business and properties of the Lessee and its subsidiaries as the Lessor, the Security Trustee or the Note Purchaser may from time to time reasonably request in writing.

The Lessor, the Note Purchaser, the Security Trustee and the Beneficiary shall have the right (through its officers or employees or any other persons designated by the Lessor) to visit and inspect any other properties of the Lessee and its subsidiaries, subject to such security, safety and confidentiality requirements (provided, that anything herein contained to the contrary notwithstanding, the Note Purchaser and the Lessor may disclose or disseminate such information to: (a) their respective employees, agents, attorneys and accountants who would ordinarily have access to such information in the normal course of the performance of their duties; (b) such third parties as the Note Purchaser or the Lessor may, in its discretion, deem reasonably necessary or desirable in connection with or in response to (i) compliance with any law, ordinance or governmental order, regulation, rule, policy, subpoena, investigation or request, or

(ii) any order, decree, judgment, subpoena, notice of discovery or similar ruling or pleading issued, filed, served or purported on its face to be issued, filed or served (x) by or under authority of any court, tribunal, arbitration board of any governmental agency, commission, authority, board or similar entity or (y) in connection with any proceeding, case or matter pending (or on its face purported to be pending) before any court, tribunal, arbitration board or any governmental agency, commission, authority, board or similar entity; (c) any prospective purchaser, securities broker or dealer, or investment banker, in connection with the resale or proposed resale by the Note Purchaser of any portion of the Notes or by the Lessor of any portion of its interest in the Trust; (d) any Person holding the Note Purchaser's or the Lessor's debt or equity securities who shall have requested to inspect such information in his capacity as a holder of such securities; and (e) any entity utilizing such information to rate or classify the Note Purchaser's or the Lessor's debt or equity securities for sale to the public or to report to the public concerning the industry of which either is a part) as may be reasonably imposed by the Lessee, to examine and make extracts from their books of account with respect to or affecting this Lease or the other Operative Agreements and to discuss their affairs, finances and accounts with, and to be advised as to the same by, their officers and independent certified public accountants, all at such reasonable times and intervals as the Lessor, the Security Trustee, the Beneficiary and the Note Purchaser may desire.

SECTION 11. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; Alterations.

11.1. Disclaimer of Warranties. NEITHER THE LESSOR, THE BENEFICIARY NOR THE SECURITY TRUSTEE MAKES, HAS MADE OR SHALL BE DEEMED TO MAKE OR HAVE MADE, ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN, COMPLIANCE WITH SPECIFICATIONS, OPERATION OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, OR AS TO THE SUITABILITY FOR ANY PURPOSE OF, THE UNITS OR ANY COMPONENT THEREOF DELIVERED TO THE LESSEE HEREUNDER OR AS TO THE ABILITY OF THE UNITS TO PERFORM ANY FUNCTION, AND NEITHER THE LESSOR, THE BENEFICIARY NOR THE SECURITY TRUSTEE MAKES ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS OR ANY COMPONENT THEREOF FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT THEREOF (EITHER UPON ACCEPTANCE THEREOF BY THE LESSEE OR OTHERWISE), LESSEE CONFIRMS THAT IT HAS SELECTED THE UNITS AND EACH PART THEREOF ON THE BASIS OF ITS OWN JUDGMENT AND EXPRESSLY DISCLAIMS RELIANCE UPON ANY STATEMENTS, REPRESENTATIONS OR WARRANTIES MADE BY THE LESSOR OR ANY PARTICIPANT, AND LESSEE ACKNOWLEDGES THAT NEITHER LESSOR NOR ANY PARTICIPANT IS A MANUFACTURER OR VENDOR OF ANY PART OF THE UNITS, it being agreed that all such risks, as between the Lessor, the Beneficiary and the Security

Trustee, on the one hand, and the Lessee on the other, are to be borne by the Lessee except that the Lessor warrants that it has received and holds whatever title to the Units as was conveyed to it by the Lessee and the Manufacturer and except further that Lessor in its individual capacity warrants that each Unit shall be free of Trustee's Liens, as defined in the Security Agreement, and it shall pay and discharge the same as provided in Section 2.2 of the Security Agreement. The Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Manufacturer, provided that if at any time an Event of Default, or any event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing, the Lessor may assert and enforce for the Lessor's sole benefit, but at the Lessee's sole cost and expense, such claims and rights. The Lessor, the Beneficiary and the Security Trustee shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Unit or by any inadequacy thereof or deficiency or defect therein or by any other circumstance in connection therewith; (ii) the use, operation or performance of any Unit or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvements or replacement of any Unit. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor, the Beneficiary or the Security Trustee based on any of the foregoing matters.

11.2. Compliance with Laws and Rules. The Lessee agrees, for the benefit of the Lessor, the Beneficiary and the Security Trustee, to comply in all respects (including without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving any Unit may extend, with the interchange rules of the Association of American Railroads and with all rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the title, operation or use of the Equipment, and in the event that any such law, rule or regulation requires any alteration, replacement, modification or addition of or to any Unit or any part thereof, the Lessee will fully comply therewith at its own expense, provided that the Lessee may upon written notice to the

Lessor and the Security Trustee, in good faith contest or cause to be contested the validity or application of any such law, rule or regulation in any reasonable manner which does not, in the opinion of either the Lessor, the Beneficiary or the Security Trustee, adversely affect the property or rights of either the Lessor or the Security Trustee under this Lease.

11.3. Maintenance. The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit (including any Additions thereto) which is subject to this Lease in good operating order, repair and condition, ordinary wear and tear excepted. Each Unit will be consistently maintained in accordance with applicable railroad interchange rules and Federal and Railroad Safety Standards. Maintenance procedures will conform to any conditions set forth in the Manufacturer's warranties during the term of such warranties. The term "ordinary wear and tear" for purposes of this Lease shall mean that wear and tear which would have been suffered by units of the same type which had carried at all times, and over the same period of time, commodities of the kind ordinarily carried in the Units by the Lessee, assuming periodic maintenance and repair during the term of the Lease had been performed.

11.4. Alterations, etc. The Lessee and its affiliates, at their own cost and expense, may from time to time make such alterations, modifications and additions (including, without limitation, any special devices, assemblies or racks at any time attached or affixed to any Unit, the cost of which is not included in the Purchase Price, as defined in the Participation Agreement, of such Unit and which are not required for the operation or use of such Unit by the Interstate Commerce Commission, the United States Department of Transportation or any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over such Unit) (hereinafter collectively called "Additions") to the Units as the Lessee may deem desirable in the proper conduct of its business so long as such Additions shall not be inconsistent with the continuing operation of the Units, and shall not diminish the value, utility or condition of the Units below the value, utility and condition thereof immediately prior to the making of such Additions, assuming the Units were then in the condition required to be maintained by the terms of this Lease. Notwithstanding anything herein to the contrary, if any alteration, modification or addition shall constitute additional gross income to the Lessor or Beneficiary during the term of this Lease, the Lessee shall indemnify the Lessor or the Beneficiary on an after-tax basis for any taxes owing by the Lessor or the Beneficiary as a result thereof, if, as, and to the extent provided in Section 12.3 hereof.

Any and all additions to any Unit, and any and all parts installed on and additions and replacements made to any Unit (other than such parts, additions or replacements which can be removed from a Unit without material damage to that Unit, which

parts, additions or replacements shall remain the property of the Lessee), shall constitute accessions to such Unit and ownership thereof, free from any lien, charge, security interest or encumbrance (except for those created by the Security Agreement or this Lease), shall immediately be vested in the Lessor and the Security Trustee as their respective interests appear in such Unit.

SECTION 12. Indemnities.

12.1. General Indemnity. The Lessee shall pay or cause to be paid, and shall protect, indemnify and hold the Lessor in both its individual and fiduciary capacities and, as third party beneficiaries hereof, the Beneficiary, the Security Trustee and the Note Purchaser and their respective successors, assigns, agents and servants (hereinafter called "Indemnified Persons") harmless from and against any and all causes of action, suits, penalties, claims, demands or judgments, of any nature whatsoever which may be imposed on, incurred by or asserted against any Indemnified Person, including any or all liabilities, obligations, money damages, costs, interest, penalties, disbursements, expenses (including without limitation reasonable attorneys' fees and expenses of any Indemnified Person relating thereto) directly or indirectly arising or alleged to arise out of this Lease or any of the other Operative Agreements or the Equipment, including without limitation those in any way relating to or arising or alleged to arise out of (i) the manufacture, construction, purchase, acceptance, rejection, testing, ownership, delivery, non-delivery, lease, sublease, possession, use, operation, condition, sale, return or other disposition of any Unit or portion thereof; (ii) any latent or other defects whether or not discoverable by any Indemnified Person or the Lessee; (iii) any claim for patent, trademark or copyright infringement; (iv) any claims based on strict liability in tort or imposed by statute; (v) any injury to or the death of any person or any damage to or loss of property on or near any Unit or in any manner growing out of or connected with, or alleged to grow out of or be connected with, the ownership, use, replacement, adaptation or maintenance of the Equipment or of any other equipment in connection with the Equipment (whether owned or under the control of the Lessor, the Lessee or any other person) or resulting or alleged to result from the condition of any thereof; (vi) any violation, or alleged violation (except by the Indemnified Person seeking indemnity hereunder), of any provision of this Lease or any other Operative Agreement, or of any related agreement, or any violation or alleged violation of law, rule, regulation, ordinance or restriction, affecting or applicable to the Units or the leasing, subleasing, ownership, use, replacement, adaptation or maintenance thereof; (vii) any claim arising out of the exercise of the rights of the Security Trustee under the Security Agreement, including, without limitation, all costs and expenses of the Note Purchaser incurred by it pursuant to Section 6.3(g) of the Security Agreement in connection with the Note Purchaser's indemnification of the

Security Trustee, with respect to action taken by the Security Trustee under the Participation Agreement, the Security Agreement or this Lease; (viii) any claim against the Lessor, the Security Trustee or the Note Purchaser for any service, selling, purchase or finder's fee or commission in connection with any Unit; (ix) any claim of the Lessor against the Beneficiary under Section 5 of the Trust Agreement or (x) any claim against the Beneficiary for any ongoing fees and expenses of either the Trustee or Security Trustee. The Lessee shall not be required to indemnify any Indemnified Person under this Section 12.1 (a) in respect of such party's willful misconduct or gross negligence; (b) except as otherwise provided herein or in the Participation Agreement, with respect to the general administrative and overhead expenses incurred by any Indemnified Person in connection with the transactions contemplated hereby; or (c) in respect of any claim for which indemnity is provided in Sections 12.2 and 12.3 or which would be provided except for exceptions to the general indemnity provisions thereof. All payments hereunder shall be made directly to the Indemnified Person. The Lessee shall be obligated under this Section 12.1, irrespective of whether any Indemnified Person shall also be indemnified with respect to the same matter under any other agreement by any other person, and the Indemnified Person seeking to enforce the indemnification may proceed directly against the Lessee under this Section 12.1 without first resorting to any such other rights of indemnification. In case any action, suit or proceeding is brought against any Indemnified Person in connection with any claim indemnified against hereunder, the Lessee may and, upon such Indemnified Person's reasonable request, will at the Lessee's expense resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Lessee and approved by such Indemnified Person, and, in the event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including without limitation reasonable attorneys' fees and expenses) incurred by such Indemnified Person in connection with such action, suit or proceeding. In the event the Lessee is required to make any payment under this Section 12.1, the Lessee shall pay or cause to be paid to such Indemnified Person an amount which, after reduction of all taxes required to be paid by such Indemnified Person in respect of the receipt thereof under the laws of any federal, state or local government or governmental subdivision (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the expense indemnified against, and of any other such taxes as reasonably determined in the sole discretion of the Indemnified Person and, at the Lessee's request and expense, confirmed by an independent third party acceptable to the Indemnified Person), shall be equal to the amount of such payment. The Lessee and the Lessor each agree to give each other and the Note Purchaser and the Beneficiary promptly upon obtaining knowledge thereof written notice of any

claim or liability hereby indemnified against. Upon the payment in full of, or the making of provision satisfactory to the Indemnified Person for the full payment of, any indemnities as contained in this Section 12.1 by the Lessee, the Lessee shall be subrogated to any right of such Indemnified Person in respect of the matter against which indemnity has been given and any payments received by such Indemnified Person from any person (except the Lessee) as a result of any matter with respect to which such Indemnified Person has been indemnified by the Lessee pursuant to this Section 12.1 shall be paid over to the Lessee for indemnification payments previously made in respect of such matter; provided that if any Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing, then any such payments shall be retained by the Indemnified Person as security for the Lessee's obligations under the Lease and its other Operative Agreements and shall be applied to any of such obligations which remain unpaid until such time as no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, is continuing, at which time any of such amounts not so applied shall be paid over to the Lessee.

The Lessee further agrees to indemnify, protect and hold harmless the Indemnified Persons from and against any and all liabilities, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against any of them because of the use in the construction or operation of any of the Equipment or any article or material specified by the Lessee and not manufactured by the Manufacturer or of any design, system, process, formula or combination specified by the Lessee and not developed or purported to be developed by the Manufacturer which infringes or is claimed to infringe on any patent or other right.

The indemnities contained in this Section 12.1 shall survive the expiration or termination of this Lease with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any Indemnified Person. None of the indemnities in this Section 12.1 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee or the Lessor therefor, from or under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise.

12.2. General Tax Indemnity. Whether or not any of the transactions contemplated hereby are consummated, the Lessee agrees to pay or cause to be paid, and on written demand to indemnify and hold the Lessor (in both its individual and fiduciary capacities), the Beneficiary, the Security Trustee and the Note Purchaser (collectively, the "Indemnitees") harmless from, all fees (including, without limitation, documentation, license and

registration fees), taxes (including, without limitation, income, gross receipts, franchise, capital stock, sales, use, value added, property [real or personal, tangible or intangible], and stamp taxes), assessments, fees, levies, imposts, duties, charges or withholdings of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon (except such penalties, fines, or additions to tax or interest, which are the result of the willful misconduct or gross negligence of such Indemnitees), howsoever imposed, whether levied or imposed upon the Lessor, the Beneficiary, the Security Trustee, the Note Purchaser, the Lessee, the Equipment or any Unit, or otherwise, by any Federal, state or local government or governmental subdivision in the United States or by any foreign country or subdivision thereof (all such taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed as aforesaid being hereinafter called "Taxes") upon or with respect to: (a) any Unit or any part thereof; (b) the manufacture, purchase, acceptance, rejection, ownership, delivery, non-delivery, transport, maintenance, repair, sale, leasing, possession, use, operation, transfer of title, return, abandonment or other disposition thereof; (c) the rentals, receipts or earnings arising therefrom; (d) any of the Operative Agreements; (e) any payment made pursuant to any Operative Agreement; (f) the property, income or other proceeds received by the Security Trustee under the Security Agreement; (g) the purchase of the Notes; or (h) otherwise in connection with any of the transactions contemplated by any Operative Agreement, excluding, however, (i) Taxes imposed on or measured solely by the net income of the Beneficiary or franchise taxes or Capital Stock taxes which are payable in the United States or any State or political subdivision thereof or any foreign country in which the Beneficiary does business without regard to the transactions effected by this Lease or any of the other Operative Agreements but not excluding Taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Lease, the payment of which is specifically provided for elsewhere in this Lease, (ii) any Taxes imposed as a direct result of a voluntary transfer or other voluntary disposition by or on behalf of the Beneficiary or any transfer or disposition by or on behalf of the Beneficiary resulting from bankruptcy or other proceedings for the relief of creditors in which the Beneficiary is the debtor, whether voluntary or involuntary, of any interest in any Unit or interest in rentals or capital gains under this Lease, without the consent of the Lessee, but not excluding Taxes if an Event of Default shall have occurred and be continuing and not excluding Taxes other than Taxes imposed on or measured solely by the net income of the Beneficiary or franchise taxes or capital stock taxes which are payable in the United States or any state or political subdivision thereof or any foreign country in which the Beneficiary does business without regard to the transactions effected by this Lease, if such transfer or disposition is in connection with a Casualty Occurrence or a termination pursuant to Section 9 of this Lease, (iii) any Taxes imposed on or measured by the income

of the Note Purchaser or franchise taxes or capital stock taxes which are payable to the United States or any state or political subdivision thereof or to any foreign country as a result of interest or capital gains or redemption premium on the Secured Notes related to the transactions contemplated in the Participation Agreement (but not excluding Taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Lease, the payment of which Taxes is specifically provided for in this Lease) and any Taxes imposed on or for the account of the Note Purchaser in connection with any transfer of its interest in the Secured Notes and any ad valorem or property taxes, imposed on the Note Purchaser as a result of ownership of the Secured Notes, (iv) any Taxes imposed on or measured by any fees received by the Security Trustee or the Lessor for their services under the Security Agreement or the Participation Agreement, (v) any Taxes imposed on or measured by any fees received by the Lessor for its services as trustee under the Trust Agreement, and (vi) any Taxes imposed on or for the account of the Beneficiary by any foreign government or any subdivision or taxing authority thereof which are currently utilized by the Beneficiary, in accordance with the terms of the last sentence of this paragraph, as a credit against the United States income tax otherwise payable by the Beneficiary, other than such taxes as are attributable to the Lessee's use of the Units outside the United States, provided that the Lessee shall not be required to pay any Taxes during the period it may be contesting or causing to be contested the same in the manner provided in this Section 12.2 if such contest has the effect of staying the Indemnitee's obligation to pay such taxes until the contest is finally resolved or if such Taxes are not otherwise required to be paid during the period of the contest. The Lessee further agrees to pay on or before the time or times prescribed by law any tax imposed on or measured solely by the net income of the Lessee under the laws of the United States or of any state or local government or governmental subdivision thereof, or of any foreign country or subdivision or authority thereof which, if unpaid, might result in a Lien upon any Unit, provided that the Lessee shall not be required to pay any such tax during the period it may be contesting the same in good faith (after written notice to the Lessor and the Security Agreement) by appropriate legal proceedings if the nonpayment thereof does not, in the opinion of the Lessor, the Beneficiary or the Security Trustee, adversely affect the rights of the Lessor, the Beneficiary or the Security Trustee in or to the Equipment or otherwise under any Operative Agreement and adequate reserves have been provided by the Lessee for the payment of such tax to the extent required by generally accepted accounting principles.

The amount which the Lessee shall be required to pay with respect to any Taxes indemnified against pursuant to this Section 12.2 shall be an amount sufficient to restore the Indemnitee to the same after-tax position such Indemnitee would have been in had such Taxes not be imposed, such amount to be deter-

mined by the Indemnitee and, at the request and expense of the Lessee, confirmed by an independent third party acceptable to the Indemnitee.

If a written claim is made against any Indemnitee for any Taxes indemnified against under this Section 12.2, such Indemnitee shall promptly notify the Lessee. If reasonably requested by the Lessee in writing, such Indemnitee shall, upon receipt of indemnity satisfactory to it for all costs, expenses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest (except such penalties, fines, or additions to tax or interest, which are the result of the gross negligence or willful misconduct of such Indemnitee), and at the expense of the Lessee, contest in good faith the validity, applicability or amount of such Taxes. Such Indemnitee shall, in its sole discretion, select the forum for such contest and determine whether any such contest of the validity, applicability or amount of such Taxes shall be by (a) resisting payment thereof if possible, (b) not paying the same except under protest, if protest is necessary and proper, and (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. The Lessee may also contest, or cause to be contested, at its own expense, the validity, applicability or amount of such Taxes in the name of such Indemnitee, provided that no proceeding or action relating to such contest shall be commenced (nor shall any pleading, motion, brief or other paper be submitted or filed in the name of such Indemnitee in any such proceeding or action) without the prior written consent of such Indemnitee, which consent shall not be unreasonably withheld. If such Indemnitee shall determine that any such contest shall be by paying such Taxes and seeking a refund thereof, the Lessee shall pay to such Indemnitee the amount of such Taxes paid by such Indemnitee. If such Indemnitee shall obtain a refund of all or any part of such Taxes previously reimbursed by the Lessee in connection with any such contest or an amount representing interest thereon applicable to the amount paid by the Lessee and the period of such payment, such Indemnitee shall pay to the Lessee the amount of such refund or interest net of expenses; provided that if any Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing, then any such payments shall be retained by the Indemnitee as security for the Lessee's obligations under the Lease and the other Operative Agreements and shall be applied to any of such obligations which remain unpaid until such time as no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, exists, at which time any of such amounts not so applied shall be paid over to the Lessee.

In case any report or return is required to be made with respect to any taxes for which the Lessee has indemnification responsibility under this Section 12.2 or arising out of this Section 12.2, the Lessee shall make or cause to be made such

report or return, or, except in the case of obligations resulting from the second sentence of the first paragraph of this Section 12.2, shall promptly notify or cause to be notified the appropriate Indemnitee of such requirement and if requested in writing by such Indemnitee shall make or cause to be made such report or return in such manner as shall be satisfactory to the appropriate Indemnitee. All costs and expenses (including reasonable legal and accountants' fees) of preparing any such return or report shall be borne by the Lessee.

Payments due from the Lessee under this Section 12.2 shall be made directly to the Indemnitee except to the extent paid to a governmental agency or a taxing authority.

The Lessee shall furnish or cause to be furnished upon request such information and data as are normally available to the Lessee and which the Indemnitee may reasonably require to permit compliance with the requirements of any taxing authorities.

### 12.3. Special Tax Indemnity.

(a) This Lease has been entered into on the assumption that the Beneficiary will be treated as the owner of each of the Units for Federal income tax purposes, and (1) will be entitled to such deductions, credits and other benefits as are provided by the Code to the owner of the Units, including (i) deductions under Section 168 of the Code with respect to the purchase price of each Unit as set forth in Annex A hereto, commencing in 1981 and using the percentages set forth in Section 168(b)(1)(A) of the Code for each Unit based on the assumption that such Unit is "5 year property" as defined in Section 168(c)(2)(B) of the Code (the "Cost Recovery Deductions"), (ii) an investment credit, pursuant to Section 38 of the Code, equal to at least 10% of the purchase price of each Unit as set forth in Annex A hereto (the "Investment Credit"), (iii) deductions for interest on the Notes pursuant to Section 163 of the Code (the "Interest Deductions") and (2) will be required to include in gross income rental payments with respect to each of the Units in the amounts and at the times set forth in the Lease.

(b) If, (1) by reason of any act of commission or omission, misrepresentation (whether in the Operative Agreements or in certificates delivered in connection therewith or otherwise) or inaccuracies of any such representations by the Lessee, breach of any agreement, covenant or warranty contained herein by the Lessee, or (2) by reason of any act of commission or omission, misrepresentation, breach of any agreement, covenant or warranty by any person to whom the Lessee has transferred its interest in or possession of any Unit or by any subsequent transferee thereof, or (3) if the Lease fails to qualify or remain qualified

during the term of the Lease as a lease under Section 168 (f)(8) of the Code because of the Lessee's status as a public utility, the classification of the Units of Equipment as public utility property (within the meaning of Section 167(1)(3)(A) of the Code) or because of any ratemaking treatment afforded Lessee or any of the Units by any regulatory body having jurisdiction over Lessee, or (4) by reason of the nonrecourse promissory note issued to the Manufacturer or by reason of the terms of such note, including without limitation its term of years or the collateral by which the obligations thereunder are secured, then and in any of such cases, the Beneficiary shall for Federal income tax purposes lose the right to claim, shall not claim (as the result of a good faith determination based upon the advice of independent tax counsel jointly selected by the Beneficiary and the Lessee ("Tax Counsel") that such claim is not properly allowable), shall suffer a disallowance of, or shall be required to recapture all or any portion of the Investment Credit or the Cost Recovery Deductions or the Interest Deductions with respect to any Unit, or shall be required to treat as income any amount with respect to the transactions provided for in this Lease or the Operative Agreements or otherwise with respect to any Unit, other than the rental payments made by the Lessee pursuant to Section 3 of the Lease (any such tax event being hereinafter called a "Loss"), then the Lessee shall pay to the Beneficiary each year in which the Beneficiary sustains a Loss, as an indemnity, on 30 days' written notice to the Lessee by the Beneficiary of such Loss such amount or amounts which, after deduction of all taxes required to be paid by the Beneficiary in respect of the receipt of such amounts under the laws of any Federal, state or local government or taxing authority of the United States, shall be equal to the sum of the net aggregate additional Federal, state or local income taxes and penalties, or additions to tax, if any, payable by the Beneficiary each year (assuming that the Beneficiary is then subject to the highest marginal tax rates which are in effect and applicable to the Beneficiary in the year during which the Loss has occurred) as a result of such Loss plus the amount of any interest, payable as a result of such Loss, it being understood that for purposes of determining the net aggregate additional state taxes payable by the Beneficiary as a result of such Loss, the Loss shall include the Beneficiary's loss of depreciation deductions (rather than Cost Recovery Deductions) in respect of the Units; provided, however, the Lessee shall only be liable for a Loss which is occasioned by reason of clauses (1), (2), (3) and (4) of the first sentence of this paragraph (b), and strictly by way of example and not by way of limitation, the Beneficiary shall be responsible for, and shall not be entitled to a payment under this Agreement solely on account of one or more of the following events: (i) a disqualification of the Lease under Section 168(f)(8) of the Code resulting from

any breach of any agreement, covenant or warranty contained in the Operative Agreements by the Lessor or the Beneficiary; or (ii) a failure of the Beneficiary to timely or properly claim the Investment Credit, Interest Deductions or Cost Recovery Deductions for the Unit in the tax return of the Beneficiary, other than any such failure of the Beneficiary following the receipt of an opinion from independent Tax Counsel to the effect that such claim is not properly allowable or which failure is caused by the failure of the Lessee, after having received a written request from the Beneficiary, to take any action or provide to the Beneficiary any information or document which it is required to do or furnish pursuant to the Lease; (iii) any event which by the terms of the Lease requires payment by the Lessee of the Casualty Value or Termination Value of a Unit, if such Casualty Value or Termination Value thereafter is actually paid by the Lessee; (iv) the failure of the Beneficiary to have sufficient liability for tax against which to apply such Investment Credit or taxable income from which to deduct the Cost Recovery Deductions or Interest Deductions; or (v) any change in the Code (but not changes in the regulations promulgated thereunder) shall be enacted or promulgated on or after January 1, 1982, and shall result in a Loss, whether in whole or in part, of the Cost Recovery Deductions, the Investment Credit or the Interest Deductions.

(c) If the Internal Revenue Service proposes an adjustment in the Federal income taxes of the Beneficiary for which the Lessee would be required to indemnify the Beneficiary pursuant to this Section and the amount of the indemnity which the Lessee would be required to pay exceeds \$50,000 then the Lessor shall promptly notify the Lessee in writing and if requested by the Lessee in a timely written request, the Beneficiary shall request an opinion from independent Tax Counsel jointly selected by the Beneficiary and the Lessee as to whether there is a meritorious basis for contesting the proposed adjustment. If the opinion is to the effect that there is meritorious defense, and if the Lessee promptly requests the Beneficiary to do so, the Beneficiary shall in good faith contest the proposed adjustment provided, however, that the Beneficiary shall determine in its sole discretion the nature of all action to be taken to contest such proposed adjustment including (A) whether any such action shall initially be by way of judicial or administrative proceedings, or both, (b) whether any such proposed adjustments shall be contested by resisting payment thereof or by paying the same and seeking a refund thereof, and (C) if the Beneficiary shall undertake judicial action with respect to such proposed adjustment, the court or other judicial body before which such action shall be commenced. The Beneficiary shall have full control over any contest pursuant to this paragraph and shall not be obligated to appeal an adverse determination by any court. At any time,

whether before or after commencing to take any action pursuant to this Section, the Beneficiary may decline to take such action by notifying the Lessee in writing that the Lessee is relieved of its obligation to indemnify the Beneficiary with respect to the adjustment proposed by the Internal Revenue Service or such portion thereof as may be specified in such notice, in which event the Beneficiary shall refund all or such portion of the indemnity payments, if any, previously made by the Lessee in respect thereof.

(d) The Beneficiary shall not be required to take any action pursuant to this Section unless and until the Lessee shall have agreed to indemnify the Beneficiary in a manner reasonably satisfactory to the Beneficiary for any liability or loss which the Beneficiary may incur as a result of contesting the proposed adjustment and shall have agreed to pay the Beneficiary on demand all costs and expenses which the Beneficiary may incur in connection with contesting the proposed adjustment (including reasonable fees and disbursements of counsel selected by the Beneficiary). If the Beneficiary determines to contest any adjustment by paying the additional tax and suing for a refund, the Lessee shall pay to the Beneficiary an amount equal to the sum on an after-tax basis of any tax, interest, penalties and additions to tax which are required to be paid, at the time such amounts are paid by the Beneficiary. Upon receipt by the Beneficiary of a refund of any amounts paid by it in respect of which it shall have been paid an amount by the Lessee pursuant to the foregoing sentence, the Beneficiary shall pay to the Lessee the amount of such refund together with any interest received by it on such amount.

(e) If any item of income, deduction or credit realized by the Beneficiary with respect to any Unit shall not be treated as derived from, or allocable to, sources within the United States for any taxable year (any such event being hereinafter referred to as a "Foreign Loss"), then the Lessee shall pay to the Beneficiary as an indemnity, on 60 days' written notice to the Lessee by the Beneficiary, such amount which, after deduction of the net amount of all taxes required to be paid by the Beneficiary in respect of the receipt of such amounts under the laws of any Federal, state or local government or taxing authority of the United States, shall equal the sum of (i) the excess of (A) the foreign tax credit to which the Beneficiary would have been entitled for such year had no such Foreign Loss occurred over (B) the foreign tax credit to which the Beneficiary was entitled after giving effect to such Foreign Loss; and (ii) the amount of any interest, penalties or additions to tax payable as a result of such Foreign Loss.

(f) For purposes of this Section, the term "Beneficiary" shall include the corporation constituting the Beneficiary and shall also include any member of an affiliated

group within the meaning of Section 1504 of the Code, of which the Beneficiary is a member if consolidated returns are filed for such affiliated group for Federal income tax purposes.

SECTION 13. Default; Remedies. If during the continuance of this Lease one or more of the following events (each such event being hereinafter sometimes called an Event of Default) shall occur:

(A) default shall be made in payment of any part of the semi-annual rentals provided in Section 3, and such default shall continue for five days after such payment is due;

(B) default shall be made in payment of any amount required to be paid by the Lessee hereunder, other than the semi-annual rentals provided in Section 3, and such default shall continue for ten days after such payment is due;

(C) default shall be made in payment of any amount required to be paid by the Lessee under Section 12, and such default shall continue for 10 days after receipt by the Lessee of written notice from the party to whom payment is owing;

(D) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of possession of the Units, or any thereof;

(E) the Lessee shall fail to maintain insurance in accordance with Section 8;

(F) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained in the Operative Agreements to which the Lessee is a party, and such default shall continue for 20 days after written notice from the Lessor, the Note Purchaser or the Security Trustee to the Lessee specifying such default and demanding that the same be remedied;

(G) the Lessee shall (i) be generally not paying its debts as they become due, (ii) file, or consent by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, (iii) make an assignment for the benefit of its creditors, (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property, (v) be adjudicated insolvent or be liquidated, or (vi) take corporate action for the purpose of any of the foregoing;

(H) a court or government authority of competent jurisdiction shall enter an order (i) appointing, without consent by the Lessee, a custodian, receiver, trustee or other officer with similar powers with respect to the Lessee, or with respect to any substantial part of its property, and within 30 days after entry of such order such appointment shall not have been set aside or stayed by a court having jurisdiction or (ii) constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or (iii) ordering the dissolution, winding-up or liquidation of the Lessee; or if any petition referred to in clause (ii) above shall be filed against the Lessee and such petition shall not be dismissed or stayed by a court having jurisdiction within 30 days;

(I) default shall be made in the payment of the principal of or interest on any indebtedness of the Lessee which default results or could result in indebtedness of an aggregate principal amount in excess of \$250,000 becoming immediately due and payable, unless such default is, in appropriate proceedings, being contested in good faith and during the pendency of such contest such indebtedness shall not be required to be paid; or

(J) any representations or warranties made by the Lessee herein or in the Participation Agreement or in any other agreement, statement or certificate signed by the Lessee or furnished by the Lessee to the Lessor or the Note Purchaser in connection with this Lease, the Participation Agreement, or the transaction contemplated thereby, proves untrue in any material respect as of the date when made;

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

(1) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof, including net after-tax losses of Federal, state and local income tax benefits to which the Lessor would otherwise be entitled under Section 12.3 of this Lease; or

(2) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the possession and use of the Units shall absolutely cease and terminate, but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessor may, by its agents, enter upon the premises of the Lessee or any other premises where any of the Units may be located and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or

assigns, to use the Units for any purposes whatsoever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (a) as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, which represents the excess of the present value at the time of such termination, of all rentals therefor which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present value of the then fair rental value, as determined by an independent third party acceptable to the Lessor and the Lessee, of such Unit for such period computed by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of the Unit during such period, such present value to be computed in each case on a basis of a 6% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, or (y) an amount equal to the excess, if any, of the Casualty Value of such Unit as of the rental payment date on or next preceding the date of termination over the amount estimated by an independent third party acceptable to the Lessor and the Lessee to be the sales value thereof at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this clause (a) with respect thereto, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value of such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale, and (b) any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of rental.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or

modify the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

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

The Lessor and the Lessee shall each give prompt notice to the other and to the Security Trustee of any Event of Default of which the Lessor or the Lessee shall have knowledge.

The foregoing provisions of this Section 13 hereof are subject in all respects to all mandatory requirements of law at the time in force and applicable thereto.

SECTION 14. Return of Units upon Default. If this Lease shall terminate pursuant to Section 13, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, except as modified in accordance with the provisions of Section 11.4 herein, ordinary wear and tear excepted, and shall meet all applicable standards of the Department of Transportation and comply with the applicable Interchange Rules of the Mechanical Division of the Association of American Railroads and shall be free and clear of all Liens as defined in the Participation Agreement, other than the liens created by the Security Agreement. For the purpose of delivering possession of any Unit or Units as above required, the Lessee shall at its own cost, expense and risk:

(a) place the Unit or Units in the standard of condition as specified above;

(b) forthwith place such Units upon such storage tracks as the Lessor reasonably may designate;

(c) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(d) cause the same to be delivered to any carrier for shipment as directed by the Lessor.

The assembling, delivery, storage and transporting of the Units as in this Section 14 provided shall be at the expense and risk

of the Lessee for a period of four months following such termination and are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the same. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Units in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored as hereinabove provided within thirty days after such termination, the Lessee shall, in addition to any amounts payable by the Lessee in accordance with Section 13, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .030272% of the Purchase Price of such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligations of the Lessee under the foregoing provisions of this Section 14, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time, subject to all mandatory requirements of due process of law.

SECTION 15. Assignment; Possession and Use; Liens. Except as otherwise provided in the Participation Agreement, this Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. Such rights and obligations of the Lessor hereunder as shall be so assigned shall inure to the benefit of the Lessor's assigns. Whenever the term "Lessor" is used in this Lease, it shall apply and refer to the Lessor and each assignee of the Lessor. Any sale or assignment of Equipment will be subject to terms of the Lease. The Lessee acknowledges receipt of written notice of, and consents to, the assignment of this Lease to the Security Trustee.

So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Beneficiary and the Security Trustee, the Lessee shall not assign, sublease (except as hereinafter in this paragraph provided) or transfer its leasehold interest under this Lease in the Units or any of them;

provided, however, that this sentence shall not be deemed to prohibit any lien attaching to the leasehold interest of the Lessee under this Lease by reason of the existence of any after-acquired property clause in any mortgage to which the Lessee is a party covering substantially all of its utility property. Without the prior written consent of the Lessor, the Beneficiary and the Security Trustee, the Lessee shall be permitted to enter into one or more subleases with respect to the Units so long as, at the time of any such sublease and after giving effect thereto: (i) no Event of Default shall have occurred and be continuing, (ii) such sublease shall by its terms be made expressly subject and subordinate to this Lease and to the terms and provisions hereof, (iii) such sublease shall contain terms and provisions substantially similar to those contained herein with respect to the maintenance and operation of the Equipment and with respect to the rights and remedies of a lessor upon the occurrence of an Event of Default, (iv) no such sublease shall be for a term extending beyond the expiration of the term of this Lease, (v) each sublease shall be subject to termination in the event of termination of this Lease under Section 13; (vi) the Lessee provides written notice of the sublease to the Lessor and the Note Purchaser, and (vii) such sublease is effected in the manner required under the Lessee's Closing Certificate and Agreement. In no event shall any assignment, transfer or sublease relieve the Lessee of any of its obligations, liabilities, or duties hereunder which shall be and remain those of a principal and not a guarantor.

The Lessee acknowledges and agrees that its rights and the rights of its permitted assigns under this Lease shall at all times be subordinated and junior in rank to the rights, and shall be subject to the remedies, of the Security Trustee under the Security Agreement; provided, however, that so long as the Lessee shall not be in default under this Lease notwithstanding any defaults under the Security Agreement or any of the other Operative Agreements by a party other than the Lessee and other than any person claiming by, through or under the Lessee, the Lessee shall be entitled to the possession and use of the Units only for use in unit train service to haul coal within the continental United States of America and for use in unit train service to haul any other commodity within the continental United States of America if the hauling of such other commodity does not result in wear and tear to the Units beyond that which would result from the hauling of coal.

SECTION 16. Discharge of Liens. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any person which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an interest or encumbrance created by the Lessor or the Security Trustee or resulting from claims against the Lessor or the Security Trustee not related to the ownership of the Units) on or with respect to any Unit, including any accession thereto, or the interest of the

Lessor, the Security Trustee or the Lessee therein; and will promptly discharge any such lien, charge, security interest or other encumbrance which arises; provided, however, that the Lessee shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Lessor and the Security Trustee, adversely affect the title of the Lessor in or to the Units or otherwise adversely affect its rights or the rights of the Security Trustee under this Lease or the Participation Agreement; and provided further, that this covenant will not be breached by reason of the existence of liens for taxes, assessments or governmental charges or levies, in each case so long as not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent or being contested in good faith, provided that execution has been stayed pending such contest or a bond satisfactory to the Lessor has been obtained. The Lessee shall not, without the prior written consent of the Lessor and the Security Trustee part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of Section 15.

SECTION 17. Purchase Option. Provided this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than 180 days prior to the end of the original term of this Lease elect to purchase all but not less than all of the Units covered hereby at the end of the term of this Lease for a price equal to 11% of the Purchase Price of each Unit to be paid in immediately available funds to the Lessor on the expiration date of the Lease. Upon the exercise of such option and payment of the price by Lessee, Lessor shall upon the request of the Lessee execute and deliver to Lessee, or to Lessee's assignee or nominee, a bill of sale, conveying all Units free of all Lessor's liens and without warranty or recourse whatsoever, other than as to the title originally conveyed to the Lessor. .

If the Lessee does not provide the written notice within the time period mentioned above, the Lessor may by written notice delivered to the Lessee not less than 150 days prior to the end of the original term of this Lease require the Lessee (and the Lessee agrees) to purchase all of the Units covered hereby at the end of the term of this Lease for a price equal to 10% of the Purchase Price of each Unit to be paid in immediately available funds to the Lessor on the expiration date of the Lease. Upon payment of the price by the Lessee, Lessor shall upon the request of Lessee execute and deliver to Lessee, or Lessee's assignee or nominee, the Units, which shall be free of all Lessor's liens and a bill of sale, without warranty or recourse whatsoever, other than as to the title originally conveyed to the Lessor, for all Units sold.

SECTION 18. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the term of this Lease provided that the Lessee has not exercised its option to purchase the Units or been required to do so as above provided, the Lessee will, at its cost and expense, at the request of the Lessor, deliver such Units to the Lessor upon such storage tracks as the Lessor may reasonably designate, or, in the absence of such designation, as the Lessee may select, and store such Units on such tracks for a period not exceeding 60 days and cause the same to be delivered, at any time within such 60-day period as may be designated by the Lessor upon 20-days' prior written notice to the Lessee, to not more than three interchange points (none of which shall be located further than 800 miles from Houston, Texas) directed by the Lessor. The movement and storage of such Units shall be at the expense and risk of the Lessee and without charge to the Lessor for insurance. During any such storage period, the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of such Units, may inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the right of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this Section 18 shall: (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted and (ii) meet all applicable standards of the Department of Transportation and comply with any applicable Interchange Rules of the Mechanical Division of the Association of American Railroads. The assembling, delivery, storage and transporting of the Units as in this Section 18 provided are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored as hereinabove provided, within thirty days after such termination, the Lessee shall in addition pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .030272% of the Purchase Price of such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day. As to any Unit, upon delivery of such Unit to the delivery point designated by the Lessor, or, if earlier, upon the expiration of the 60-day storage period herein provided, the Lessee shall have no further liability with respect to such Unit.

SECTION 19. Opinion of Counsel. On each Closing Date, the Lessee will deliver to the Lessor fifteen counterparts of the

written opinions of counsel for the Lessee, addressed to the Lessor and the Security Trustee, to the effect provided in subparagraph (g) of Section 4.1 of the Participation Agreement.

SECTION 20. Recording. The Lessee, at its own expense, will cause this Lease, the Bill of Sale, the Bethlehem Bill of Sale, the Participation Agreement and the Security Agreement, and any amendments or supplements hereto or thereto, and any further assignments hereof and thereof, to be filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. §11303 and will execute, acknowledge, deliver, file, register, deposit and record (and will refile, re-register, re-deposit or re-record whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Security Trustee for the purpose of proper protection, to their satisfaction, of the Lessor's, the Beneficiary's and the Security Trustee's respective interests in the Units, or for the purpose of carrying out the intention of and their respective rights under this Lease, the Participation Agreement and the Security Agreement; and the Lessee will promptly furnish to the Lessor, the Beneficiary and the Security Trustee evidences of all such filing, registering, depositing and recording and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Lessor and the Security Trustee and their respective counsel. The Lessee will furnish to the Lessor, the Beneficiary, the Note Purchaser and the Security Trustee annually after the execution hereof (but not later than March 31 of each year), commencing with the year 1982, an opinion of counsel satisfactory to the Lessor and the Note Purchaser stating either: (i) that in the opinion of such counsel such action has been taken with respect to the recording, filing, re-recording and re-filing of this Lease, the Participation Agreement, the Security Agreement, any sublease permitted by Section 15, and any other assignment or transfer hereof or thereof (and any amendments or supplements to any thereof) and any financing statements or other instruments as is necessary to maintain the perfection of the security interests created thereby and the Lessor's and Beneficiary's rights and interests created thereby and the Lessor's and Beneficiary's rights and interests as owner of the Equipment and as Lessor under this Lease and reciting the details of such action; or (ii) that in the opinion of such counsel no such action is necessary to maintain the perfection of such security interests or such other rights and interests of the Lessor and Beneficiary and (iii) containing the opinion required to be furnished to the Security Trustee pursuant to Section 2.4 of the Security Agreement.

SECTION 21. Interest on Overdue Rentals. Anything herein to the contrary notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay the lesser of 18% or the maximum legal interest rate on the overdue rentals and other obligations for the period of time during which they are overdue.

SECTION 22. Notices. Any notice hereunder to any of the persons designated below shall be deemed to have been properly served if delivered personally or if mailed, when mailed registered mail postage prepaid, at the following specified addresses:

(a) To the Lessor, The Connecticut Bank and Trust Company, One Constitution Plaza, Hartford, Connecticut 06115, Attention: Corporate Trust Department;

(b) To the Lessee, Gulf States Utilities Company, 285 Liberty Avenue, Beaumont, Texas 77701, Attention: Treasurer;

(c) To the Security Trustee, Mercantile-Safe Deposit and Trust Company, Attention: Corporate Trust Department,

If by mail,

P. O. Box 2258  
Baltimore, Maryland 21203

If by hand,

Two Hopkins Plaza  
Baltimore, Maryland 20201

(d) To the Beneficiary,

Bancorp Leasing and Financial Corp.  
555 S. W. Oak Street  
Portland, Oregon 97204

Attention: President

(e) To the Note Purchaser, as set forth in Schedule I to the Participation Agreement.

or to such other address as may have been furnished in writing by such person to the other parties to this Agreement.

SECTION 23. Rental Adjustment. The Lessor and the Lessee agree to adjust the rental payments under the Lease under Section 3 to the extent necessary to preserve the Beneficiary's after tax yield and total after-tax cash flow as provided in and under the circumstances set forth in Section 7 of the Participation Agreement; provided that in no event shall any rental payment ever be less than the debt service on the Secured Notes due on the corresponding rental payment date.

SECTION 24. Mileage Allowance. It is contemplated that the Lessee shall receive insofar as applicable law and regulations allow, all mileage allowance rentals and/or other compensation (hereinafter referred to as "Mileage") payable by carriers by

reason of the use of the Units and if for any reason the Lessor shall receive any Mileage then (unless an Event of Default as defined in Section 13 shall have occurred and be continuing in which event such Mileage or portion thereof shall be retained by the Lessor until such Event of Default shall no longer be continuing) the Lessor shall remit such Mileage to the Lessee promptly after the Lessee shall furnish to the Lessor, at the Lessee's sole expense, either (i) a ruling of the Interstate Commerce Commission to the effect that the remittance thereof to the Lessee will not constitute a rebate within the meaning of 49 U.S.C. Section 41, as amended, or (ii) an opinion of counsel reasonably satisfactory to it to the same effect.

SECTION 25. Severability; Effect and Modification of Lease. Any provision of this Lease prohibited or unenforceable by any applicable law of any jurisdiction shall as to such jurisdiction be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Lessee to the full extent permitted by law, to the end that this Lease shall be enforced as written.

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

All Section headings are inserted for convenience only and shall not affect any construction or interpretation of this Lease.

SECTION 26. Limitations of Lessor's Liability. It is expressly understood and agreed by and between the Lessor, the Beneficiary and the Lessee and their respective successors and assigns, that this Lease is executed by The Connecticut Bank and Trust Company, not individually or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee (and The Connecticut Bank and Trust Company hereby warrants that it possesses full corporate power and authority to enter into and perform this Lease).

SECTION 27. Lessor's Right to Perform for the Lessee. It is expressly understood and agreed that upon the occurrence of a default described in clause (A) of the first paragraph of Section 13 of this Lease, and prior to the time that such default shall constitute an Event of Default hereunder, the Lessor may make

such payment to the Security Trustee as will cure such default under the Security Agreement, and the amount of all payments made by the Lessor on behalf of the Lessee, plus the amount of all reasonable expenses incurred in connection therewith, together with interest thereon at the rate of the lesser of 18% or the maximum legal interest rate, from the date of expenditure to the date of reimbursement, shall constitute additional rental payable hereunder from the Lessee directly to the Lessor on demand.

SECTION 28. Miscellaneous. This Lease shall inure to the benefit of and be binding upon the successors and assigns of the Lessor and the Lessee. The Lessee and Lessor acknowledge that the Security Trustee, in accordance with the Lessor's assignment of the Lease under the Security Agreement, shall be entitled to exercise the rights of the Lessor hereunder but shall not be required to take any action hereunder or to fulfill any of the obligations of the Lessor hereunder.

SECTION 29. Governing Law. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. §11303 and such additional rights arising out of the filing, recording, registering or depositing, if any, of this Lease as shall be conferred by the laws of the several jurisdictions in which this Lease shall be filed, recorded, registered or deposited.

SECTION 30. Execution. This Lease may be executed in any number of counterparts, but the counterpart delivered to the Security Trustee shall be marked "Original" and shall be deemed to be the original counterpart. Although this Lease is dated as of December 1, 1981 for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this Lease to be signed in their respective corporate names by duly authorized officers and their respective corporate seals to be hereunto affixed and duly attested, all in the City and State of New York as of the date first above written.

LESSOR:

THE CONNECTICUT BANK AND  
TRUST COMPANY, as Trustee  
as aforesaid

By   
Assistant Vice President

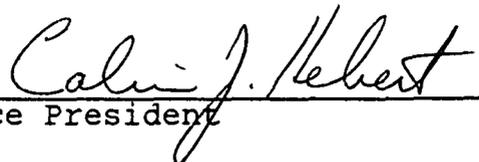
(Corporate Seal)

Attest:

  
~~Corporate Trust Officer~~  
Assistant Secretary

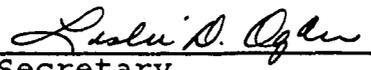
LESSEE:

GULF STATES UTILITIES  
COMPANY

By   
Vice President

(Corporate Seal)

Attest:

  
Secretary

STATE OF NEW YORK )  
 ) SS  
COUNTY OF NEW YORK )

On this 15th day of December, 1981, before me personally appeared Donald E. Smith, to me personally known, who, being by me duly sworn, said that he is an Assistant Vice President of The Connecticut Bank and Trust Company, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and 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.

Carlton R. Asher, Jr.  
Notary Public

(Notarial Seal)

My commission expires:

March 30, 1982

CARLTON R. ASHER, JR.  
Notary Public, State of New York  
No. 31-4672237  
Qualified in New York County  
Commission Expires March 30, 1982

STATE OF NEW YORK )  
 ) SS  
COUNTY OF NEW YORK )

On this 15th day of December, 1981, before me personally appeared Calvin J. Hebert, to me personally known, who, being by me duly sworn, said that he is Vice President of Gulf States Utilities Company, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and 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.

Carlton R. Asher, Jr.  
Notary Public

(Notarial Seal)

My commission expires:

March 30, 1982

CARLTON R. ASHER, JR.  
Notary Public, State of New York  
No. 31-4672237  
Qualified in New York County  
Commission Expires March 30, 1982

## ANNEX A

<u>Type</u>	<u>Builder's Specifications</u>	<u>Builder's Plant</u>	<u>Quantity</u>	<u>Car Numbers (Both Inclusive)</u>	<u>Unit Base Price</u>	<u>Maximum Purchase Price</u>	<u>Estimated Time and Place of Delivery</u>
<u>Part I:</u>							
Beth Gon Coalporter	100-Ton Double Rotary	Bethlehem, PA	4	60-63	\$41,878.82	\$ 167,515.28	December 16, 1981
Beth Gon Coalporter	100-Ton Single Rotary	Bethlehem, PA	244	100-343	\$41,528.82	\$10,133,032.03	December 16, 1981
TOTAL PART I						<u>\$10,300,547.31</u>	
<u>Part II:</u>							
Beth Gon Coalporter	100-Ton Double Rotary	Bethlehem, PA	3	64-66	\$41,164.09	\$ 123,492.27	December 31 1981
Beth Gon Coalporter	100-Ton Single Rotary	Bethlehem, PA	354	344-697	\$40,814.09	\$14,448,187.86	December 31, 1981
TOTAL PART II						<u>\$14,571,680.13</u>	
AGGREGATE TOTAL						<u>\$24,872,227.44</u>	

ANNEX B - LEASE OF RAILROAD EQUIPMENT

Schedule of Casualty Values

The Casualty Value of each Unit as of the rental payment date on which payment is to be made as stated in Section 7 shall be that percentage of the Purchase Price of such Unit as is set forth in column (E) of the following schedule opposite the applicable casualty occurrence period set forth in column (A).

(A)	(B)	(C)	(D)	(E)
<u>Date of Casualty Occurrence (inclusive)</u>	<u>Rental Payment Date</u>	<u>Basic Casualty Value</u>	<u>ITC Recapture</u>	<u>Total Casualty Value</u>
12/81	3/1/82	83.538372	8.208208	88.398871
1/82-2/82	3/1/82	83.538372	20.020020	100.210683
3/82-8/82	9/1/82	86.355329	20.020020	106.375349
9/82-12/82	3/1/83	88.717017	20.020020	108.737037
1/83-2/83	3/1/83	88.717017	16.016016	104.733033
3/83-8/83	9/1/83	90.519954	16.016016	106.535970
9/83-12/83	3/1/84	91.876252	16.016016	107.892268
1/84-2/84	3/1/84	91.876252	12.012012	103.888264
3/84-8/84	9/1/84	92.634485	12.012012	104.646497
9/84-12/84	3/1/85	92.889096	12.012012	104.901100
1/85-2/85	3/1/85	92.889096	8.008008	100.897104
3/85-8/85	9/1/85	92.487531	8.008008	100.495539
9/85-12/85	3/1/86	91.516757	8.008008	99.524765
1/86-2/86	3/1/86	91.516757	4.004004	95.520761
3/86-8/86	9/1/86	90.213681	4.004004	94.217685
9/86-12/86	3/1/87	88.786688	4.004004	92.790692
1/87-2/87	3/1/87	-	-	88.786688
3/87-8/87	9/1/87	-	-	87.286306
9/87-2/88	3/1/88	-	-	85.699877
3/88-8/88	9/1/88	-	-	84.038366
9/88-2/89	3/1/89	-	-	82.283923
3/89-8/89	9/1/89	-	-	80.452121
9/89-2/90	3/1/90	-	-	78.520175
3/90-8/90	9/1/90	-	-	76.508116
9/90-2/91	3/1/91	-	-	74.390416
3/91-8/91	9/1/91	-	-	72.217464
9/91-2/92	3/1/92	-	-	69.963124
3/92-8/92	9/1/92	-	-	67.664944
9/92-2/93	3/1/93	-	-	65.292446
3/93-8/93	9/1/93	-	-	62.892436
9/93-2/94	3/1/94	-	-	60.429011

3/94-8/94	9/1/94	-	-	57.958477
9/94-2/95	3/1/95	-	-	55.438526
3/95-8/95	9/1/95	-	-	52.935955
9/95-2/96	3/1/96	-	-	50.402115
3/96-8/96	9/1/96	-	-	47.916632
9/96-2/97	3/1/97	-	-	45.424947
3/97-8/97	9/1/97	-	-	42.909989
9/97-2/98	3/1/98	-	-	40.184682
3/98-8/98	9/1/98	-	-	37.318135
9/98-2/99	3/1/99	-	-	34.224961
3/99-8/99	9/1/99	-	-	30.968867
9/99-2/00	3/1/00	-	-	27.461341
3/00-8/00	9/1/00	-	-	23.764188
9/00-2/01	3/1/01	-	-	19.787175
3/01-8/01	9/1/01	-	-	15.590287
9/01-2/02	3/1/02	-	-	11.000022

ANNEX C - LEASE OF RAILROAD EQUIPMENT

Schedule of Termination Values

The Termination Value of each Unit as of the rental payment number on which payment is to be made as stated in Section 9 shall be that percentage of the Purchase Price of such Unit as is set forth in the following schedule opposite such rental payment number.

<u>Date</u>	<u>No.</u>	<u>Percentage</u>
3/1987	11	88.786688
9/1987	12	87.286306
3/1988	13	85.699877
9/1988	14	84.038366
3/1989	15	82.283923
9/1989	16	80.452121
3/1990	17	78.520175
9/1990	18	76.508116
3/1991	19	74.390416
9/1991	20	72.217464
3/1992	21	69.963124
9/1992	22	67.664944
3/1993	23	65.292446
9/1993	24	62.892436
3/1994	25	60.429011
9/1994	26	57.958477
3/1995	27	55.438526
9/1995	28	52.935955
3/1996	29	50.402115
9/1996	30	47.916632
3/1997	31	45.424947
9/1997	32	42.909989
3/1998	33	40.184682
9/1998	34	37.318135
3/1999	35	34.224961
9/1999	36	30.968867
3/2000	37	27.461341
9/2000	38	23.764188
3/2001	39	19.787175
9/2001	40	15.590287
3/2002	41	11.000022

CERTIFICATE OF ACCEPTANCE

TO: Connecticut Bank and Trust Company, as Trustee ("Lessor").

I, a duly appointed and authorized representative of GULF STATES UTILITIES COMPANY (the "Lessee") under the Lease of Railroad Equipment dated as of December 1, 1981 (the "Lease") between the Lessor and the Lessee, do hereby certify that I have inspected, received, approved and accepted under the Lease of the following Units:

TYPE OF EQUIPMENT: 100-Ton BethGon Coalporter Car

DATE ACCEPTED:

NUMBER OF UNITS:

NUMBERED:

I do further certify that each Unit described above is in good order and condition, and appears to conform to the specifications applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, and that each Unit has been marked in accordance with Section 5 of the Lease.

I do further certify that each Unit described above has been labeled by means of a plate or stencil printed in contrasting colors upon each side of the Unit in letters not less than one inch in height as follows:

"Owned by a Bank or Trust Company as trustee and subject to a security agreement filed with the Interstate Commerce Commission.

The execution of this Certificate will in no way relieve or decrease the responsibility of the vendor of the Equipment for any warranties, express or implied, it has made with respect to the Equipment.

Dated: \_\_\_\_\_, 1981

Inspector and Authorized Representative of the Lessee and the Lessor