

1-350A010
GASTON SNOW BEEKMAN & BOGUE

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NEW YORK, NEW YORK 10005

WILLIAM GASTON (1844-1894)
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MORTON G. BOGUE (1903-1955)
JOSEPH B. ELY (1905-1956)
JOSEPH W. BARTLETT (1901-1960)

13361

212/227-8200
CABLE ADDRESS BEEKOM

13361
No.

DEC 16 1981 10 40 AM
DEC 16 1981

DEC 16 1981 10 40 AM
GASTON SNOW & ELY BARTLETT

ONE FEDERAL STREET
BOSTON, MASSACHUSETTS 02110

December 16, 1981
INTERSTATE COMMERCE COMMISSION

INTERSTATE COMMERCE COMMISSION

2801 PONCE DE LEON BOULEVARD
CORAL GABLES, FLORIDA 33134
305/445-1477

Secretary
Interstate Commerce Commission
Washington, D.C. 20423

ICC Washington, D.C.

13361
RECORDATION NO.

SUITE 550
TWO PALO ALTO SQUARE
PALO ALTO, CALIFORNIA 94304
415/856-2400

DEC 16 1981 10 40 AM

13361

Dear Sir:

INTERSTATE COMMERCE COMMISSION

RECORDATION NO. FILED 1981

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:

DEC 16 1981 10 40 AM

INTERSTATE COMMERCE COMMISSION

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

RECEIVED
DEC 16 10 29 AM '81

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

Charles Lyman
Robert H. Kaufman

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

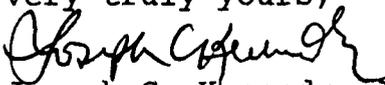
A short summary of the document to appear in the index follows:

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.

13361C

RECORDATION NO. _____ Filed 1428

DEC 16 1981 10 40 AM

INTERSTATE COMMERCE COMMISSION

PARTICIPATION AGREEMENT

Dated as of December 1, 1981

AMONG

GULF STATES UTILITIES COMPANY

LESSEE

THE CONNECTICUT BANK AND TRUST COMPANY

TRUSTEE

BANCORP LEASING AND FINANCIAL CORP.

BENEFICIARY

THE TRAVELERS INSURANCE COMPANY

NOTE PURCHASER

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY

SECURITY TRUSTEE

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. _____.

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ATTACHMENTS TO PARTICIPATION AGREEMENT:

- Schedule 1 - Name and Address of Note Purchaser
- Schedule 2 - Equipment List
- Exhibit A - Purchase and Sale Agreement
- Exhibit B - Lease of Railroad Equipment
- Exhibit C - Security Agreement-Trust Deed
- Exhibit D - Closing Certificate and Agreement of Lessee
- Exhibit E - Description of Opinion of Counsel for
the Lessee
- Exhibit F - Description of Opinion of Counsel for
the Trustee
- Exhibit G - Description of Opinion of Counsel
for the Beneficiary
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for the Guarantor
- Exhibit I - Description of Opinion of Special Counsel
for the Note Purchaser
- Exhibit J - Nonrecourse Promissory Note
- Exhibit K - Form of Guaranty

PARTICIPATION AGREEMENT

THIS PARTICIPATION AGREEMENT dated as of December 1, 1981 is among GULF STATES UTILITIES COMPANY, a Texas corporation, (the "Lessee"), BANCORP LEASING AND FINANCIAL CORP., an Oregon corporation (the "Beneficiary"), the INSTITUTIONAL INVESTOR named in Schedule 1 hereto (the "Note Purchaser"), THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as trustee (except as expressly otherwise provided herein) (the "Trustee") under the Trust Agreement, and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Trustee (the "Security Trustee"), under the Security Agreement. The Beneficiary and the Note Purchaser are herein sometimes referred to collectively as the "Participants" and individually as a "Participant".

R E C I T A L S:

A. Operative Agreements. The Trustee and the Beneficiary have entered into a Trust Agreement dated as of December 1, 1981 (the "Trust Agreement"), and pursuant to the authorizations and directions contained in the Trust Agreement, the Trustee has entered into or proposes to enter into:

(1) a Purchase and Sale Agreement substantially in the form attached hereto as Exhibit A (the "Purchase and Sale Agreement") between the Lessee and the Trustee providing for the purchase by the Trustee of the Units of certain Equipment owned by the Lessee and the assignment to the Trustee of the rights of the Lessee under a Contract Agreement dated January 30, 1981 as amended by Amendment dated as of September 10, 1981 between it and Bethlehem Steel Corporation, the Manufacturer of the Equipment (the "Manufacturer");

(2) a Lease of Railroad Equipment substantially in the form attached hereto as Exhibit B (the "Lease") between the Trustee, as lessor, and the Lessee, as lessee, providing for the lease of the Equipment to the Lessee for an interim period to March 1, 1982 and for a lease term thereafter of 20 years;

(3) a Security Agreement-Trust Deed substantially in the form attached hereto as Exhibit C (the "Security Agreement") between the Trustee and the Security Trustee, granting a security interest in and to the Trustee's interest in and to the Equipment (subject to the rights of the Lessee under the Lease), and assigning to the Security Trustee the Lease and the rents and other sums due and to become due thereunder (but excluding Excepted Rights in Collateral, as defined in the Security Agreement) as security for the Notes;

(4) the Notes of the Trustee to the Note Purchaser, described in Section 2.2(a) hereof;

This Participation Agreement, the Lease, the Trust Agreement, the Purchase and Sale Agreement, the Notes, the Closing Certificate and Agreement provided for in Section 3.2 hereof, and the Security Agreement are hereinafter sometimes referred to as the "Operative Agreements".

B. Investments of Participants. Subject to the limitations and on the terms and conditions hereinafter set forth:

On the First Closing Date, the Beneficiary will advance to the Trustee an amount equal to 44.290503% of the Purchase Price of the Units of Equipment referred to in Part I of Schedule 2 annexed hereto, the Note Purchaser will purchase from the Trustee, Notes in aggregate principal amount equal to 55.709497% of the Purchase Price of such Units and the Trustee will use such funds to purchase such Units from the Lessee pursuant to Section 1 of the Purchase and Sale Agreement.

On the Second Closing Date, the Beneficiary will advance to the Trustee an amount equal to 44.290503% of the Purchase Price of the Units of Equipment referred to in Part II of Schedule 2 annexed hereto and the Trustee will use such funds and issue its nonrecourse promissory note, substantially in the form attached hereto as Exhibit J and secured by an irrevocable letter of credit furnished by the Lessee to the Trustee, payable to the order of the Manufacturer in principal amount equal to 55.709497% of the Purchase Price of such Units (which promissory note will be issued by the Trustee to finance on an interim basis such 55.709497% of such Purchase Price) to purchase such Units from the Manufacturer pursuant to an assignment to the Trustee under Section 1 of the Purchase and Sale Agreement of the Lessee's rights under the Purchase Agreement.

On the Third Closing Date, the Note Purchaser will purchase from the Trustee, a Note in aggregate principal amount equal to 55.709497% of the Purchase Price of the Units of Equipment referred to in Part II of Schedule 2 annexed hereto and the Trustee shall apply the proceeds of such issuance and sale of such Note to pay and retire in full the outstanding principal amount of the above described nonrecourse promissory note held by the Manufacturer.

SECTION 1. INTERPRETATION OF THIS AGREEMENT.

1.1. Definitions. The following terms shall have the following meanings for all purposes of this Agreement:

"Beneficial Interest" shall mean the interest of the Beneficiary under the Trust Agreement.

"Bill of Sale" shall have the meaning specified in Section 1 of the Purchase and Sale Agreement.

"Closing Date" shall mean the First Closing Date, the Second Closing Date and the Third Closing Date.

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

"Collateral" shall have the meaning specified in Section 1 of the Security Agreement.

"Equipment" shall mean collectively those items of railroad rolling stock described in both Part I and Part II of Schedule 2 hereto, together with any and all accessions, additions, improvements and replacements from time to time incorporated or installed on any item thereof which are the property of the Trustee pursuant to the terms of the Trust Agreement and the Lease, and "Unit" or "Unit of Equipment" shall mean individually the various items thereof.

"Excepted Rights in Collateral" shall have the meaning specified in Section 1.5 of the Security Agreement.

"First Closing Date" is defined in Section 2.3 hereof.

"Lien" shall mean any mortgage, pledge, lien, charge, encumbrance, retention of title, security interest or claim.

"Lease" is defined in Recital A(2) hereof.

"Manufacturer's Bill of Sale" shall have the meaning specified in Section 1 of the Purchase and Sale Agreement.

"Notes" is defined in Section 2.2(a) hereof.

"Operative Agreements" is defined in Recital A hereof.

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

"Purchase Price" shall have the meaning specified in Section 4.1(f) hereof.

"Release" shall have the meaning specified in Section 3(c) of the Purchase and Sale Agreement.

"Rental" shall have the meaning specified in Section 3 of the Lease.

"Second Closing Date" is defined in Section 2.3 hereof.

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

"Security Agreement" is defined in Recital A(3) hereof.

"Third Closing Date" is defined in Section 2.3 hereof.

1.2. Directly or Indirectly. Where any provision in this Agreement refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

SECTION 2. COMMITMENTS OF THE PARTICIPANTS.

2.1. Funds Supplied by the Beneficiary. Subject to the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth, the Beneficiary will advance to the Trustee, toward the aggregate Purchase Price of the Units of Equipment to be delivered, in immediately available funds, \$4,562,164.21, on the First Closing Date and \$6,453,870.42 on the Second Closing date. The Beneficiary shall be personally liable for its obligations under this Section 2.1, subject to the provisions of Section 4, notwithstanding the provisions of Section 9.1 hereof.

2.2. Issue and Sale of Notes. (a) The Notes. In order to finance a portion of the aggregate Purchase Price of the Equipment, the Trustee will authorize and issue its 17% Secured Notes (the "Notes") in the original aggregate principal amount of \$13,856,192.81. The Notes are to be dated their respective dates of issue, to bear interest at the rate of 17% per annum prior to maturity, to be expressed to be payable in one installment of interest only for the period from and including the respective dates of issuance of the Notes to, but not including, March 1, 1982, payable on March 1, 1982, followed by 30 consecutive installments including principal and interest, payable semiannually thereafter on the first day of each September and March commencing September 1, 1982 to and including March 1, 1997 in accordance with the amortization schedule set forth in Schedule 1 to the Security Agreement, and to be otherwise substantially in the form attached as Exhibit A to the Security Agreement. The term "Notes" as used in this Agreement shall include each Note delivered pursuant to this Agreement or the Security Agreement (but shall not include the nonrecourse promissory note to be issued to the Manufacturer pursuant to Section 2.3(b) hereof), including any notes exchanged therefor pursuant to Sections 9.4 and 9.5 of the Security Agreement. The Notes delivered to the Note Purchaser will be in the form of three Notes registered in the name of the Note Purchaser or its nominees. Two Notes shall be delivered on the First Closing Date and one Note shall be delivered on the Third Closing Date, as set forth in the next paragraph. The Notes may be prepaid at the option of the Trustee under the conditions and subject to the limitations set forth in Section 5.3(b) of the Security Agreement.

(b) Commitment of Note Purchaser. Subject to the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth, the Trustee agrees to issue and sell to the Note Purchaser, and the Note Purchaser agrees to purchase from the Trustee, the Notes of the Trustee at a price of 100% of the principal amount thereof and in the aggregate principal amount of \$13,856,192.81. Two notes in the aggregate amount of \$5,738,383.10 (one in the principal amount of \$2,500,000 and the other for the balance thereof) (the "First Notes") will be issued and sold on the First Closing Date and one Note in the amount of \$8,117,809.71, (the "Second Note") will be issued and sold on the Third Closing Date.

(c) Security for the Notes. The Notes will be issued under and secured by the Security Agreement, creating a valid and perfected first security interest in the Equipment and in the Trustee's interest as lessor under the Lease and assigning the Lease, including the right, title and interest of the Trustee as lessor under the Lease (subject to the rights and interest of the Lessee under the Lease and excluding Excepted Rights in Collateral) and providing for a present assignment to the Security Trustee of the Lease and of the rentals and all other sums due and to become due under the Lease (but excluding Excepted Rights in Collateral) with the right and privilege to apply such rentals and other sums to the payment or prepayment of the Notes, all on the terms and conditions set forth herein and in the Security Agreement; provided, however, that prior to the issuance, sale and delivery of the Note to be delivered on the Third Closing Date, said security interest and assignments shall extend only to the Units of Equipment listed in Part I of Schedule 2 hereto and only to the right, title and interest of the Trustee as Lessor under the Lease and the rentals and all other sums due and to become due under the Lease which are attributable to such Units.

2.3. The Closings. All Closings hereunder will take place at the office of Gaston Snow Beekman & Bogue in New York, New York. (a) The First Closing. The funds to be provided on the First Closing Date will be supplied by the Beneficiary pursuant to Section 2.1 and the First Notes will be issued and sold by the Trustee to the Note Purchaser pursuant to Section 2.2 on such date which will be on or before December 16, 1981, or as shall be agreed upon by the Beneficiary, the Note Purchaser, the Lessee, the Trustee and the Security Trustee. Payment by the Beneficiary shall be made to the Trustee in New York, New York and payment for the Notes shall be made to the Trustee by the Note Purchaser in Hartford, Connecticut not later than 1:00 P.M., New York time, on the First Closing Date in immediately available funds.

The funds received by the Trustee on the First Closing Date as hereinabove set forth will be used by the Trustee simultaneously with the receipt thereof to purchase from the Lessee, in accordance with the Purchase and Sale Agreement, the Units of Equipment referred to in Part I of Schedule 2 annexed hereto.

(b) The Second Closing. The funds to be provided on the Second Closing Date will be supplied by the Beneficiary pursuant to Section 2.1 on December 31, 1981 (the "Second Closing Date"). Also on the Second Closing Date, the Trustee will apply the funds so supplied by the Beneficiary and the nonrecourse promissory note referred to in the next sentence to purchase from the Manufacturer in accordance with Section 1 of the Purchase and Sale Agreement the Units of Equipment referred to in Part II of Schedule 2 annexed hereto and to obtain the release and discharge of any and all security interests of the Manufacturer in such Units. On the Second Closing Date the Trustee will issue and deliver to the Manufacturer its nonrecourse, noninterest bearing promissory note payable to the order of the Manufacturer on January 4, 1982 in the principal amount of \$8,117,809.71, substantially in the form attached hereto as Exhibit J, which promissory note is to be paid by the Trustee with the proceeds of the purchase of the Second Note by the Note Purchaser, subject to the terms and conditions, hereinafter set forth, on the Third Closing Date and which promissory note shall be secured by the irrevocable letter of credit referred to in Recital B hereof issued by a "bank" (as such term is defined in Section 3(a)(2) of the Securities Act of 1933, as amended) having a place of business in New York, New York or in Pittsburgh, Pennsylvania and having a combined capital, surplus and undivided profit of at least \$100,000,000 and issued for the account of the Trustee in favor of the Manufacturer in an amount at least equal to the principal amount of said nonrecourse promissory note and by the Note Purchaser's agreement subject to the conditions contained herein to purchase the Second Note at the Third Closing.

(c) The Third Closing. On January 4, 1982 (the "Third Closing Date") the Second Note will be issued and sold to the Note Purchaser pursuant to Section 2.2 hereof and the Note Purchaser will pay for the same in the same manner as specified for the First Closing Date in subsection (a) of this Section 2.3. The funds received by the Trustee in payment for the Second Notes will be used by the Trustee simultaneously with receipt thereof for the payment and retirement in full of the nonrecourse promissory note issued to the Manufacturer pursuant to subsection (b) of this Section 2.3.

2.4. Expiration of Commitments. Unless otherwise agreed by all of the parties hereto, the several commitments of the Participants hereunder shall expire at the closing of business on January 4, 1982.

SECTION 3. WARRANTIES AND REPRESENTATIONS.

3.1. Warranties and Representations of the Trustee. The Trustee warrants and represents to the Participants and the Lessee that:

(a) Trustee's Organization and Authority. The Trustee (i) is a Connecticut banking corporation duly organized, validly existing and in good standing under the laws of the State of Connecticut, (ii) has all requisite corporate power and authority and all necessary licenses and permits under Connecticut law and under the federal laws of the United States governing banking or trust powers to enter into and carry out, as Trustee, the terms and provisions of the Trust Agreement and of the other Operative Agreements, (iii) the Trust Agreement has been duly authorized, executed and delivered by the Trustee and, assuming due authorization, execution and delivery thereby by the Beneficiary, constitutes the legal, valid and binding agreement of the Trustee enforceable against the Trustee in accordance with its terms, and the Trustee has caused each of the other Operative Agreements to be executed by one of its officers duly authorized for such purpose. Performance by the Trustee of its obligations under the Operative Agreements will not violate the provisions of the charter or by-laws of the Trustee or of any agreement to which it is a party or by which it is bound, and (iv) the Purchase and Sale Agreement, the Lease, the Security Agreement and the Notes have each been duly authorized, and have been, or will be on or before the First Closing Date (except for the Second Note which will be executed and delivered by the Trustee on or before the Third Closing Date), duly executed and, assuming due authorization, execution and delivery thereof by the other parties thereto constitute, or will then constitute, legal, valid and binding agreements of the Trustee enforceable against the Trustee in accordance with their respective terms.

(b) Pending Litigation. There are no proceedings pending, or to the knowledge of the Trustee threatened, and to the knowledge of the Trustee there is no existing basis for any such proceedings, against or affecting the Trustee in any court or before any governmental authority or arbitration board or tribunal which, if adversely determined, would materially and adversely affect the Trust Estate created by the Trust Agreement or would question the right, power or authority of the Trustee to enter into or perform the Operative Agreements.

(c) Title to the Trust Estate. (i) The Equipment is free and clear of any liens or encumbrances which result from claims against the Trustee not related to the ownership of the Equipment or the administration of the Trust Estate under the Trust Agreement or the other Operative Agreements. The Trustee has not by affirmative act conveyed title to the Equipment to any Person or subjected the Equipment to any lien or encumbrance other than the rights of the Lessee under the Lease and the rights of the Security Trustee under the Security Agreement and (ii) The Trustee's right, title

and interest in and to the Trust Estate is subject to no Liens other than that created under the Security Agreement.

(d) No Defaults. To the knowledge of the Trustee, no Event of Default or event which with the passing of time or the giving of notice, or both, would constitute an event of default under any Operative Agreement to which the Trustee is a party has occurred and is continuing. The Trustee is not in violation in any material respect of any term of any of the Operative Agreements.

(e) Governmental Consent. Neither the nature of the Trust Estate under the Trust Agreement nor any relationship between the Trustee and any other Person, nor any circumstance in connection with the offer, issue, sale or delivery of the Notes or the execution and delivery of the Trust Agreement, this Agreement or the Security Agreement, nor the consummation of the transactions contemplated herein or therein is such as to require a consent, approval or authorization of, or filing, registration or qualification with, any governmental authority on the part of the Trustee in connection with the execution and delivery of the Trust Agreement, this Agreement or the Security Agreement or the offer, issue, sale or delivery of the Notes.

(f) Use of Proceeds. The Trustee will apply the entire proceeds from the sale of the Notes and the entire amount of the funds to be supplied by the Beneficiary pursuant to Section 2.1 hereof to the payment to the Lessee and to the Manufacturer (either directly or by payment of the nonrecourse promissory note referred to in Section 2.3(b) above) in such manner as the Beneficiary shall direct in accordance with the Operative Agreements in order to pay the aggregate Purchase Price of the Equipment.

(g) ERISA. The Trustee is not entering into this Participation Agreement, the Lease, the Trust Agreement or the Security Agreement, or any other transaction contemplated hereby, directly or indirectly, in connection with any arrangement by it in any way involving any employee benefit plan or related trust (other than a governmental plan) with respect to which it in its individual capacity or, to its knowledge, any of the other parties hereto or the Lessee or any of its or their affiliates, is a party-in-interest, all within the meaning of the Employee Retirement Income Security Act of 1974 and the Code.

(h) Disclosure of Information. The Trustee has provided the Security Trustee and the Note Purchaser through the Operative Agreements or otherwise with all information it deems relevant to its participation in the transactions contemplated by this Agreement and the other Operative Agreements.

The warranties and representations made by the Trustee in paragraphs (a)(i to iii), (b), (c)(i), (f) and (g) of this Section 3.1 and in paragraph (c) of Section 3.3 shall be binding upon the Trustee both as trustee and in its individual corporate capacity notwithstanding the provisions of Section 9.1 hereof.

The Trustee acknowledges that it has received the Private Placement Documents as set forth in Exhibit D hereto, and the Trustee further acknowledges that, pursuant to the next sentence, the Lessee has agreed, upon request given on or prior to the First Closing Date, the Second Closing Date or the Third Closing Date, to make available any additional information that would be provided in a registration statement filed under the Securities Act of 1933 and to grant reasonable access to any additional information reasonably necessary to verify the accuracy of all information furnished to the Trustee. Upon request given on or prior to the First Closing Date, the Second Closing Date or the Third Closing Date, the Lessee hereby agrees to furnish to the Trustee any such additional information or to grant such reasonable access, all as provided in the preceding sentence.

3.2. Warranties and Representations of the Lessee. The Lessee warrants and represents to the Participants and the Trustee that the warranties and representations set forth in the form of Closing Certificate and Agreement of the Lessee attached hereto as Exhibit D are true and correct on and as of the date hereof, which warranties and representations together with all other covenants and understandings of Lessee therein are by this reference incorporated in and made a part of this Agreement as if fully set forth herein and shall be construed for all purposes of the Operative Agreements as having been set forth herein.

3.3. Private Offering. (a) The Beneficiary warrants and represents to the Lessee, the Trustee and the other Participant that neither the Beneficiary, nor any Person or Persons authorized or employed by the Beneficiary as agent or otherwise, other than Kidder, Peabody & Co. Incorporated, in connection with the placement of the Notes or any other debt Security issued or proposed to be issued in connection with financing of the Equipment, or the Lease has offered any of the Notes or any such other debt Security for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with, any prospective purchaser other than the Note Purchaser and 48 other institutional investors, each of whom was offered the Notes at private sale for investment. The Beneficiary agrees that neither it nor any Person acting on its behalf will offer the Notes or any part thereof or any other debt Security issued or to be issued in connection with the financing of the Equipment for issue or sale to, or solicit any offer to acquire any thereof from, anyone so as to bring the issuance and sale of the Notes or any part thereof within the provisions of Section 5 of the Securities Act of 1933, as amended.

(b) The Lessee warrants and represents to the Participants and the Trustee that neither the Lessee, nor any Person or Persons authorized or employed by the Lessee as agent or otherwise, other than Kidder, Peabody & Co. Incorporated in connection with the placement of the Notes or any debt Security issued or proposed to be issued in connection with the financing of the Equipment or the Lease has offered any of the Notes or any such other debt Security for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with any prospective purchaser, other than the Note Purchaser and 48 other institutional investors, each of whom was offered the Notes at private sale for investment. The Lessee agrees that neither it nor any Person acting on its behalf will offer the Notes or any part thereof or any other debt Security issued or to be issued in connection with the financing of the Equipment for issue or sale to, or solicit any offer to acquire any thereof from, anyone so as to bring the issuance and sale of the Notes or any part thereof within the provisions of Section 5 of the Securities Act of 1933, as amended.

(c) The Trustee warrants and represents to the Lessee and the Participants that neither the Trustee nor any Person or Persons authorized or employed by the Trustee as agent or otherwise in connection with the placement of the Notes or any other debt Security issued or proposed to be issued in connection with the financing of the Equipment has offered the Notes or any such other debt Security for sale to or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with any prospective purchaser. The Trustee agrees that neither it nor any Person authorized to act on its behalf will offer the Notes or any part thereof or any other debt Security issued or to be issued in connection with the financing of the Equipment for issue or sale to, or solicit any offer to acquire any thereof from, anyone so as to bring the issuance and sale of the Notes or any part thereof within the provisions of Section 5 of the Securities Act of 1933, as amended.

3.4. Representations of the Participants; Transfer of Interest.

(a) Purchase for Investment. Each Participant represents to the other Participants, the Trustee and the Lessee that such Participant is purchasing the Interest (as hereinafter defined) to be acquired by it for the account of such Participant for investment and with no present intention of distributing or reselling such Interest or any part thereof (except that the Note Purchaser may transfer the Notes to one or more of its wholly-owned subsidiaries), but subject, nevertheless to any requirement of law that the disposition of its property shall at all times be within its control but without prejudice, however, to the right of such Participant at all times to sell or otherwise dispose of all or any part of such Interest under a registration under the Securities Act of 1933, as amended, or under an exemption from such registration available under such Act. Each Participant

acknowledges that it shall be responsible for its own costs in registering its Interests under the federal securities laws. Each Participant acknowledges that none of the Interests has been registered under the Securities Act of 1933, as amended, and that neither the Trustee nor the Lessee contemplates filing, or is legally required to file, any such registration; each Participant has been advised that each Interest may not be sold or otherwise disposed of unless such Interest is subsequently registered under said Securities Act or an exemption from such registration is available.

The Beneficial Interest and the Notes are sometimes referred to in this Section 3.4 collectively as the "Interests" and individually as an "Interest".

(b) Employee Retirement Income Security Act of 1974. Each Participant represents and warrants that no part of the purchase by it of an Interest will be made out of the assets of any separate account maintained by the Participant (unless the Participant shall have otherwise notified each other Participant in writing and shall have disclosed to each other Participant the names of each employee benefit plan whose assets in such separate account or accounts exceed 5% of the total assets of such account or accounts). As used in this Section 3.4(b), the term "separate account" shall have the meaning specified in Section 3 of ERISA and all employee benefits plans maintained by the same employer or employee organization are deemed to be a single plan.

(c) Representations of the Note Purchaser. The Note Purchaser represents to the Beneficiary, the Lessee and the Trustee that:

(i) it has full power and authority to execute and deliver this Agreement and carry out its terms; and

(ii) the Note Purchaser agrees that it will not claim any tax benefits attributable to an owner of equipment under the Lease.

The Note Purchaser acknowledges that it has received the Private Placement Documents (as defined in Exhibit D hereto) and the Note Purchaser further acknowledges that, pursuant to the next sentence, the Lessee has agreed, upon request given on or prior to the First Closing Date, the Second Closing Date or the Third Closing Date, to make available any additional information that would be provided in a registration statement filed under the Securities Act of 1933 and to grant reasonable access to any additional information reasonably necessary to verify the accuracy of all information furnished to the Note Purchaser. Upon request given on or prior to the First Closing Date, the Second Closing Date or the Third Closing Date, the Lessee hereby agrees to furnish to the Note Purchaser any such additional information or to grant such reasonable access, all as provided in the preceding sentence.

(d) Representations of the Beneficiary. The Beneficiary represents and warrants to the Note Purchaser, the Trustee and the Lessee that:

(i) it has full right, power and authority to enter into and perform the Trust Agreement and this Agreement;

(ii) the Trust Agreement and this Agreement have each been duly authorized and have been, or will be on or before the First Closing Date, duly executed and delivered and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute, or will then constitute, legal, valid and binding agreements of the Beneficiary, enforceable against the Beneficiary in accordance with their respective terms, and performance of its obligations thereunder will not conflict with the provisions of its charter or bylaws or any agreement to which it is a party or by which it is bound;

(iii) no consent, approval or authorization of, or filing, registration or qualification with, any governmental authority is necessary in connection with its execution or performance of the Trust Agreement or this Agreement or to the extent such approval, consent or other action is necessary, the same has been obtained and is in full force and effect;

(iv) the Beneficiary is an Oregon corporation duly organized, validly existing and in good standing under the laws of the State of Oregon;

(v) there are no proceedings pending, or to the knowledge of the Beneficiary threatened, and to the knowledge of the Beneficiary there is no existing basis for any such proceedings, against or affecting the Beneficiary in any court or before any governmental authority or arbitration board or tribunal which, if adversely determined, would materially and adversely affect the Trust Estate created by the Trust Agreement or would question the right, power and authority of the Beneficiary to enter into or perform the Operative Agreements;

(vi) the Equipment is free and clear of any liens or encumbrances which result from any claims against or through the Beneficiary and not related to the ownership of the Equipment or the administration of the Trust Estate under the Trust Agreement or the Operative Agreements. The Beneficiary has not by affirmative act conveyed its interest in the Equipment to any Person or subjected its interest in the Equipment to any lien or encumbrance other than the rights of the Lessee under the Lease Agreement and the rights of the Security Trustee under the Security Agreement;

(vii) To the knowledge of the Beneficiary no Event of Default or event which with the passing of time or the giving of notice, or both, would constitute an event of default under any Operative Agreement to which the Beneficiary is a party has occurred and is continuing. The Beneficiary is not in violation in any material respect of any term of any of the Operative Agreements;

(viii) The Beneficiary is not entering into this Participation Agreement, the Lease, the Trust Agreement or the Security Agreement, or any other transaction contemplated hereby, directly or indirectly, in connection with any arrangement in any way involving any employee benefit plan or related trust (other than a governmental plan) with respect to which it is in its individual capacity or any of the other parties hereto or the Lessee or any of its or their affiliates, is a party-in-interest, all within the meaning of the Employee Retirement Income Security Act of 1974 and the Code;

The Beneficiary acknowledges that it has received the Private Placement Documents (as defined in Exhibit D hereto) and the Beneficiary further acknowledges that, pursuant to the next sentence, the Lessee has agreed, upon request given on or prior to the First Closing Date or the Second Closing Date, to make available any additional information that would be provided in a registration statement filed under the Securities Act of 1933 and to grant reasonable access to any additional information reasonably necessary to verify the accuracy of all information furnished to the Beneficiary. Upon request given on or prior to the First Closing Date or the Second Closing Date, the Lessee hereby agrees to furnish to the Beneficiary any such additional information or to grant such reasonable access, all as provided in the preceding sentence.

(e) Representations and Undertakings of the Beneficiary Relative to Section 168(f)(8) of the Code. The Beneficiary represents that the Lease does not fail to qualify as a lease under Section 168(f)(8) of the Code as a result of any failure of the Beneficiary to comply with the provisions of clauses (i) - (vi) set forth below. Prior to a sale or assignment of its interest in the Lease, the Equipment or its beneficial interest in the Trust as provided in the last paragraph of this subsection (e), the Beneficiary will take the following action necessary to obtain and maintain such qualification:

(i) The Beneficiary will timely file or use its best efforts to cause the Trustee to file a properly completed and executed information return concerning the election. The Beneficiary will provide to the Lessee any information regarding the Beneficiary or the Trustee required by the Lessee to complete the Lessee's information return and will execute the Lessee's information return.

(ii) The Beneficiary will refrain and use its best efforts to cause the Trustee to refrain from any use of the Equipment or any other action which would cause the Equipment to cease to be Section 38 property as defined in Treasury Regulations §1.48-1.

(iii) The Beneficiary agrees to remain a "qualified lessor" within the meaning of Temporary Regulation §5c.168(f)(8)-3.

(iv) The Beneficiary will cause and use its best efforts to cause the Trustee not to permit the Equipment to become subject to any lease for which an election under Section 168(f)(8) of the Code has been or may be made, other than the Lease.

(v) The Beneficiary has, and will at all times maintain throughout the term of the Lease, an "at risk" investment in the Equipment of not less than 10 percent of the adjusted basis thereof. The Beneficiary is not now and will not become during the term of the Lease a taxpayer described in Section 465(a)(1) of the Code.

(vi) The Beneficiary will cause the Trustee to account for rental payments under the Lease and interest payments with respect to the Equipment in accordance with Temporary Regulation §5c.168(f)(8)-7.

To the extent that the above-mentioned Temporary Regulations are amended or replaced with permanent Treasury Regulations or amendments to the Temporary Regulations, such amendments or replacements shall be deemed to be incorporated hereinabove.

Notwithstanding the foregoing, Beneficiary reserves the full right and power, within its sole discretion, but subject always to clause (g) of this Section 3.4, to dispose of its interest in the Trust Agreement, Lease or the Equipment. Unless required by any applicable law or regulation, the Beneficiary will not sell any such interests without first consulting with Lessee for the purpose of enabling Lessee to propose a transaction which is most consistent with the interests of Lessee. Beneficiary will consider any proposals by Lessee in light of Beneficiary's own interests, but Beneficiary shall not be obligated to accept any such Lessee proposals. In the event of a transfer in a nontaxable transaction, Beneficiary will cause its assignee to agree to comply with this subsection (e).

(f) Reaffirmation on Closing Dates. The providing of funds by the Beneficiary on the Closing Dates shall constitute a reaffirmation by the Beneficiary of the representations of the Beneficiary contained in the foregoing paragraphs (a), (b), (d) and (e) as of the Closing Dates. The purchase of the Notes by the

Note Purchaser on the First and Third Closing Dates shall constitute reaffirmation by such Note Purchaser of the representations of the Note Purchaser contained in the foregoing paragraphs (a), (b) and (c) as of such Closing Dates.

(g) Restrictions on Transfer of Beneficial Interest. The Beneficiary agrees that it will not transfer or assign its Beneficial Interest in the Trust Agreement or sell or assign its interest in the Lease or the Equipment unless (w) its entire interest is being transferred or assigned to a single transferee or assignee, provided that in the case of the initial Beneficiary it may transfer or assign its interest to not more than two such transferees or assignees, each of whom shall own at least a 50% interest in the Trust Estate; (x) the transferee or assignee is either the parent of, or a subsidiary of or a corporation otherwise affiliated (through Ownership of not less than a majority of common stock) with, the Beneficiary or an "institutional investor"; (y) the transferee or assignee shall execute and deliver an agreement in form and content reasonably satisfactory to the Beneficiary, the Note Purchaser, the Lessee, the Trustee and the Security Trustee whereby the transferee or assignee agrees to be bound by all of the terms of and to undertake all of the obligations of the Beneficiary hereunder and under the Trust Agreement, and makes representations of the scope provided for in this Sub-section 3.4, and, if such assignee or transferee is a subsidiary of, or a corporation otherwise affiliated (through ownership of not less than a majority of common stock) with, the Beneficiary, the parent of the Beneficiary shall guarantee all obligations of the assignee or transferee. The term "institutional investor" means any one of the following Persons existing under the laws of the United States of America or any state thereof which (in the case of any banking institution) has capital, surplus and undivided profits, or (in the case of any other Person) has a net worth, of at least \$100,000,000: (i) any bank, bank holding company, savings institution, finance company, credit company, trust company or national banking association acting for its own account or in a fiduciary capacity as trustee or agent under any pension, retirement, profit sharing or similar trust or fund (provided that any such finance company or credit company must be rated "double A" by Standard & Poor's or Moody's rating service, (ii) any insurance company or fraternal benefit society, or (iii) any corporation all of whose capital stock and other securities are beneficially owned by any of the foregoing but only if such beneficial owner unconditionally guarantees the obligations of such corporation, and (z) such transfer or assignment will not violate the Beneficiary's undertakings under paragraph (e) of this Subsection 3.4 and shall in all events be subject to the terms of the third paragraph of Section 15 of the Lease. In the case of each such transferee or assignee referred to above, if such transferee or assignee is not an institutional investor, the transferor or assignor shall remain liable for the obligations of the Beneficiary hereunder and under the Trust Agreement and shall enter into a tax indemnification agreement

(in form and substance satisfactory to the remaining Beneficiaries and, if the Security Agreement shall then be in effect, the Security Trustee) for the benefit of the Note Purchaser and all remaining Beneficiaries, pursuant to which such transferor or assignor will indemnify and hold harmless all present and future Note Purchasers and all present and future Beneficiaries from and against any reduction in the amount payable out of the Trust Estate to such Note Purchasers in respect of indebtedness under this Agreement and to all present and future Beneficiaries and any other losses, costs or expenses incurred by the Note Purchasers and all present and future Beneficiaries as a result of the imposition of enforcement of any lien or claim against the Trust Estate by any taxing authority because of the non-payment by such transferee or assignee of taxes imposed on or measured by its income or gross receipts by such taxing authority. In addition, prior to transferring its Beneficial Interest the Beneficiary shall give the Security Trustee, the Note Purchaser, the Trustee and the Lessee written notice specifying the name and address of the intended transferee and such additional information as may be required to demonstrate compliance with the preceding provisions of this Section 3.4(g). Upon any such transfer or assignment of the Beneficial Interest as above provided, the transferee or assignee shall be deemed a "Beneficiary" for all purposes of the Operative Agreements and shall be deemed to have made all payments previously made by the transferring or assigning Beneficiary; and each reference in the Operative Agreements to the Beneficiary shall thereafter be deemed to mean such transferee or assignee. Any transfer or assignment of the Equipment or any interest therein in violation of this Section shall be void and of no effect.

(h) Personal Obligations. The Beneficiary shall be personally liable for its representations and agreements contained in paragraphs (a), (b), (d), (e), (f) and (g) of this Section 3.4 notwithstanding the provisions of Section 9.1 hereof.

SECTION 4. CLOSING CONDITIONS

4.1. Conditions Precedent to Investment by Each Participant. The obligations of each Participant to make the investment specified with respect to such Participant in Section 2 hereof shall be subject to the following conditions:

(a) Execution of Operative Agreements. On or before the First Closing Date, the Operative Agreements (except for the Second Note which shall be executed and delivered on or before the Third Closing Date) shall have been duly authorized, executed and delivered by the parties thereto and shall be in full force and effect and there shall be no default thereunder.

(b) Recordation and Filing.

(i) On or before the First Closing Date, the Lessee will, at its sole expense, cause the bill of sale from the Manufacturer to the Lessee, heretofore delivered by the Manufacturer to the Lessee, and the Bill of Sale from the Lessee to the Trustee with respect to the Units to be purchased by the Trustee on such Closing Date pursuant to Section 1 of the Purchase and Sale Agreement, the Lease, the Security Agreement, the Release with respect to the Units to be purchased on such Closing Date and this Agreement, and

(ii) on or before the Second Closing Date the Lessee will, at its sole expense, cause the Manufacturer's Bill of Sale with respect to the Units to be purchased by the Trustee on the Second Closing Date pursuant to Section 1 of the Purchase and Sale Agreement, the supplement to the Lease provided for in Section 3(d) of the Purchase and Sale Agreement and the Release with respect to the Units to be purchased on such date, and

(iii) on or before the Third Closing Date the Lessee will, at its sole expense, cause any supplement to the Security Agreement appropriate to evidence the fact that the Units listed in Part II of Schedule 2 annexed hereto have become part of the Collateral under the Security Agreement;

Said documents in each case to be duly filed, recorded and deposited in conformity with 49 U.S.C. §11303 and in such other places within the United States as any Participant may reasonably request for the protection of the title of the Trustee and Beneficiary to, or the security interest of the Security Trustee in, the Equipment and the Lease and will furnish the Trustee, the Security Trustee and each Participant proof thereof. All taxes, fees and other charges in connection with the execution, delivery, recording, publication and filing of all such instruments shall have been duly paid in full by the Lessee. On or prior to each Closing Date, the Lessee shall cause to be released any Lien then existing on the Units to be financed on such Closing Date.

(c) Certificate of Lessee. On each Closing Date, each Participant and the Trustee shall have received a Certificate dated the Closing Date, signed by the Lessee to the effect that (a) the representations and warranties of the Lessee contained in this Agreement and the Lease are true in all material respects on such Closing Date with the same effect as though made on and as of the Closing Date and that the Lessee has performed and complied with all agreements and conditions herein contained which are required to be performed or complied with by the Lessee, except that on the Third Closing Date no representation and warranty need be made with respect to the matters set forth in the last two sentences in paragraph (2) of the Closing Certificate and

Agreement of the Lessee attached hereto as Exhibit D, and (b) no Event of Default or other event which, with notice or lapse of time or both, would become an Event of Default shall have then occurred and be continuing under the Operative Agreements.

(d) Certificate of Acceptance. On each of the First and Second Closing Dates, each Participant and the Trustee shall have received a Certificate of Acceptance covering the Units to be purchased on such Closing Date, executed by a duly authorized representative of the Lessee pursuant to Section 2 of the Lease.

(e) Bill of Sale. Each such Participant and the Trustee shall have received on the First Closing Date executed copies of the bill of sale from the Manufacturer to the Lessee and of the Bill of Sale, and on the Second Closing Date the Manufacturer's Bill of Sale transferring to the Trustee title to the Units of Equipment delivered on such dates, as provided for in Section 1 of the Purchase and Sale Agreement and warranting to the Trustee, the Beneficiary and the Security Trustee that the Lessee in the case of the First Closing Date, and the Manufacturer in the case of the Second Closing Date, has legal title thereto and good and lawful right to sell the same and title thereto is free and clear of all claims, liens and encumbrances of any nature except only the rights of the Lessee under the Lease and except as created by the Security Agreement and covenanting to defend the title to the Equipment against the demands of all Persons whomsoever based on claims originating prior to the deliveries of the Equipment by the Lessee pursuant to the Bill of Sale and by the Manufacturer pursuant to the Manufacturer's Bill of Sale.

(f) Certification of Purchase Price. On the First and Second Closing Dates, each Participant and the Trustee shall have received from the Lessee a certificate stating the Purchase Price of the Units of Equipment delivered on such day, in accordance with Schedule 2 hereto, accompanied by the Manufacturer's invoice for such Equipment. The term "Purchase Price" shall mean with respect to any number of Units of Equipment the sum of the Purchase Prices of such Units of Equipment, and with respect to the Equipment, shall mean the sum of the Purchase Price of all of the Units of Equipment. The Purchase Price of each Unit shall include the charges for prepaid freight, switching at Bethlehem, inspection during manufacturing, and engineering services to the extent properly includable in Lessee's adjusted tax basis. The Lessee shall further certify that its adjusted tax basis in the Units for federal income tax purposes is not less than the Purchase Price thereof.

(g) Opinions of Counsel. On each Closing Date, each Participant and the Trustee shall have received the favorable written opinions of counsel for the Lessee, counsel to the Trustee and of counsel to the Beneficiary and Guarantor described in Exhibits E1 and E2, F, G and H hereto, respectively, and on the First and Third Closing Dates the Note Purchaser shall have received the favorable written opinion of Messrs. Gaston Snow Beekman & Bogue, who are acting as special counsel for the Note Purchaser in connection with the transaction contemplated by this Agreement, described in Exhibit I hereto.

(h) Certificate of Trustee. On each Closing Date, each Participant shall have received a Certificate dated the Closing Date, signed by the Trustee, to the effect that the representations and warranties of the Trustee contained in Section 3.1 hereof are true in all material respects on the Closing Date with the same effect as though made on and as of the Closing Date and that the Trustee has performed and complied with all agreements and conditions herein contained which are required to be performed or complied with by the Trustee on or before the Closing Date.

(i) Certificate of Beneficiary. On each Closing Date, each Participant shall have received a Certificate dated the Closing Date, signed by the Beneficiary, to the effect that the representations and warranties of the Beneficiary contained in this Agreement are true in all material respects on the Closing Date with the same effect as though made on and as of the Closing Date and that the Beneficiary has performed and complied with all agreements and conditions herein contained which are required to be performed or complied with by the Beneficiary on or before the Closing Date.

(j) Proceedings Satisfactory as of Closing Dates. All proceedings taken in connection with the transactions contemplated hereby and all documents and papers relating thereto shall be satisfactory as of each Closing Date to each Participant and its special counsel, if any, and such Participant and such special counsel, shall have received copies of such documents and papers as such Participant or such special counsel may reasonably request in connection therewith or as a basis for such special counsel's closing opinion, all in form and substance satisfactory to such Participant and such special counsel.

4.2. Additional Condition Precedent to Advance by the Beneficiary. The obligation of the Beneficiary to make the investment specified in Section 2.1(a) hereof on each Closing Date shall be subject to the conditions specified in Section 4.1 hereof and the additional condition that on the First Closing Date, the Note Purchaser shall have purchased the First Notes, as

contemplated by Section 2.2 hereof and on the Second Closing Date the Manufacturer shall have delivered its Bill of Sale.

4.3. Additional Conditions Precedent to Purchase by Note Purchaser. The obligation of the Note Purchaser to purchase and pay for the Notes pursuant to Section 2.2 hereof shall be subject to the conditions specified in Section 4.1 hereof and, in addition, (A) on the First and Second Closing Dates, (1) the Beneficiary shall have (a) made its payments as contemplated by Section 2.1 hereof, and (b) have provided to the Note Purchaser a Certificate dated the First or the Second Closing Date, as the case may be, signed by the Beneficiary, to the effect that the representations and warranties of the Beneficiary contained in Section 3.4 hereof are true in all material respects on said Closing Date with the same effect as though made on and as of said Closing Date and that the Beneficiary has performed and complied with all agreements and conditions herein contained which are required to be performed or complied with by the Beneficiary on or before said Closing Date, (2) on each of the First and Second Closing Dates, the Trustee shall have purchased and paid for the Units to be purchased by it on such Closing Date as provided in Section 2.3, (3) the Lessee shall have certified that the insurance contemplated by the Lease is in full force and effect, (4) the investment by the Note Purchaser in the Notes shall be a legal investment for the Note Purchaser under New York insurance law without regard to the so-called "basket" provision in §81(17), (5) a search of the records maintained by the Interstate Commerce Commission under 49 U.S.C. 11303 shall not reveal any lien or encumbrance on file against the Equipment except those created by the Operative Agreements, and (6) United States National Bank of Oregon shall have unconditionally guaranteed to the Note Purchaser the performance of the obligations of the Beneficiary under the Operative Agreements pursuant to the form of Guaranty attached hereto as Exhibit K and (B) on the Third Closing Date (i) the Beneficiary shall have performed and complied with all agreements and conditions herein contained which are required to be performed or complied with by it on or before said Closing Date and the Beneficiary shall have furnished the Note Purchaser with a Certificate signed by the Beneficiary to such effect, (ii) simultaneously with the purchase of the Second Note by the Note Purchaser, the Trustee shall have paid and retired in full the nonrecourse promissory note to the Manufacturer, as provided in Section 2.3, (iii) a search of the records maintained by the Interstate Commerce Commission under 49 U.S.C. §11303 shall not reveal any lien or encumbrance on file against the Equipment except those created by the Operative Agreements, (iv) the guaranty referred to in Clause (A)(6) above shall be in full force and effect, (v) the investment by the Note Purchaser in the Notes shall be a legal investment for the Note Purchaser under New York insurance law without regard to the so-called "basket" provision in §81(17), (vi) the purchase and sale of the Second Notes was consummated prior to the close of business on January 4, 1982 and (vii) the

Beneficiary shall have provided to the Note Purchaser a Certificate dated the Third Closing Date signed by the Beneficiary to the effect that the representations and warranties of the Beneficiary contained in Section 3.4 hereof are true in all material respects on said Closing Date with the same effect as though made on and as of said Closing Date and that the Beneficiary has performed and complied with all agreements and conditions herein contained which are required to be performed or complied with by the Beneficiary on or before said Closing Date.

SECTION 5. HOME OFFICE PAYMENT OF NOTES.

Notwithstanding any provision to the contrary in this Agreement, the Security Agreement or the Notes, the Beneficiary and the Trustee will direct all amounts payable to the Note Purchaser or its permitted assigns with respect to any Notes held thereby or a nominee thereof to be paid to the Note Purchaser or its permitted assigns (without any presentment thereof and without any notation of such payment being made thereon) by wire transfer of immediately available funds to the credit of such holder in such bank or trust company unless otherwise instructed by the Note Purchaser in writing. The Note Purchaser agrees that if it shall sell or transfer all or any of its interest in any Note it will present such Note to the Security Trustee for transfer and notation as provided in Sections 9.4 and 9.5 of the Security Agreement. The Note Purchaser further agrees that any transfer of all or any part of its interest in a Note shall be upon the express condition that the transferee thereof shall be bound by the terms of this Agreement and that such transfer does not subject this transaction to the registration provisions of the Securities Act of 1933.

SECTION 6. FINANCIAL REPORTS AND INSPECTION RIGHTS.

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 and as to the items in paragraphs (e), (i) and (k) below, to the Lessor two copies of the following:

(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 annual financial statements 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 the 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 the 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 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 auditors pursuant to Sub-section (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.

Each Participant and any holder of 10% or more of the unpaid principal amount of the Notes shall have the right (through its officers or employees or any other persons designated by such Participant and any such holder) 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, each Participant may disclose or disseminate such information to: (a) its 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 each Participant 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 or 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 Participant of any portion of its Interest; (d) any Person holding the Participant'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 Participant's debt or equity securities for sale to the public or to report to the public concerning the industry of which the Participant 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 effecting the Lease and the 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 such Participant and any such holder may desire.

SECTION 7. EXPENSES.

Payment of Expenses. If the transactions contemplated by the Operative Agreements are consummated, the Beneficiary, without waiving any rights it might otherwise have, will pay all expenses relating to the transactions contemplated by this Agreement, including without limitation:

- (a) the cost of reproducing and distributing the Operative Agreements;
- (b) the disbursements and the reasonable fees of Messrs. Gaston Snow Beekman & Bogue, special counsel for the Note Purchaser;
- (c) the reasonable out-of-pocket expenses of the Note Purchaser;
- (d) the disbursements and the reasonable fees of Kidder, Peabody & Co. Incorporated;
- (e) the disbursements and the reasonable fees of special counsel for the Lessee;
- (f) the disbursements and the reasonable fees of special counsel for the Beneficiary and Guarantor;
- (g) all fees and expenses of the Trustee including the disbursements and reasonable fees of its special counsel; and
- (h) all fees and expenses, incurred on or prior to the Third Closing Date, of the Security Trustee and the Note Purchaser under the Security Agreement.

(h) all fees and expenses, incurred on or prior to the Third Closing Date, of the Security Trustee and the Note Purchaser under the Security Agreement.

Without limiting the foregoing, it is understood that if expenses to be borne by the Beneficiary are other than 1.1% of the Purchase Price of the Equipment, rental payments under the Lease will be increased or decreased in accordance with Section 3 of the Lease to the extent necessary to preserve the Beneficiary's after tax yield and total after-tax cash flow; provided that in no event shall any rental payment be less than the debt service on the Secured Notes due on the corresponding rental payment date.

The obligation imposed upon the Beneficiary to pay any expense pursuant to this Section shall survive the termination of any of the Operative Agreements.

The Lessee shall pay all of the expenses (i) described in clauses (a)-(h) above, provided the transactions contemplated by the Operative Agreements are not consummated, and (ii) any fees and expenses of the Security Trustee and the Note Purchaser incurred in connection with any amendment, waiver or consent to any Operative Agreement or the enforcement or other protection of the Lease or the Security Agreement or the Lien and security interest provided therein, or (iii) the costs and expenses of providing security and indemnity to the Secured Trustee and the Note Purchaser pursuant to Section 6.3(i) of the Security Agreement.

SECTION 8. BENEFICIARY'S AGREEMENT TO KEEP FREE OF LIENS.

The Beneficiary agrees to pay all charges, including without limitation, taxes and assessments, levied or assessed against the Beneficiary in its individual capacity and which are unrelated to the transactions contemplated by the Operative Agreements and which if unpaid would constitute a lien on the Trust Estate under the Trust Agreement or any portion thereof; provided, however, that the Beneficiary 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, the nonpayment thereof does not adversely affect the security interest of the Security Trustee, in the Security Trustee's reasonable opinion, in and to the Equipment or otherwise adversely affect the Security Trustee's rights under this Agreement or the Security Agreement or the interest of the Lessee under the Lease and the Beneficiary shall have established adequate reserves for such charges. This covenant will not be breached by reason of the existence of (a) liens for taxes, assessments, charges or other governmental levies either not yet delinquent or being contested in good faith by appropriate proceedings conducted with due diligence so long as such proceedings do not involve any material risk of the sale, forfeiture or loss of any item of

Equipment, or any interest of the Security Trustee therein or in the Lease, (b) materialmen's, mechanic's, carrier's, workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business for amounts the payment of which is not overdue or is being contested in good faith by appropriate proceedings so long as such proceedings do not involve any material risk of the sale, forfeiture or loss of any item of Equipment, or any interest of the Security Trustee therein or in the Lease, and (c) Liens arising out of judgments or awards against the Beneficiary with respect to which an appeal or proceeding for review is being prosecuted in good faith and with respect to which a stay of execution shall have been secured or an appeal bond shall have been filed pending such appeal or proceeding for review, but only so long as such proceedings do not involve any material risk of the sale, forfeiture or loss of any item of Equipment, or any interest of the Security Trustee therein or in the Lease. The Beneficiary shall be personally liable for its obligations under this Section 8 notwithstanding any limitation of liability set forth in Section 9.1 hereof and such liability shall survive the termination of the Lease and any of the other Operative Agreements.

SECTION 9. MISCELLANEOUS.

9.1. Limitations of Liability. It is expressly understood and agreed by and between the Trustee, the Beneficiary, the Lessee, the Note Purchaser, the Security Trustee and the holder of any Note and their respective successors and assigns, that, except as otherwise provided in this Agreement, this Agreement 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 therein conferred and vested in it as such Trustee; and it is expressly understood and agreed that, except as otherwise expressly provided herein or in the Security Agreement, nothing herein contained shall be construed as creating any liability on The Connecticut Bank and Trust Company, and except as otherwise expressly provide herein, nothing herein contained shall be construed as creating any liability on the Beneficiary, individually or personally, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Security Trustee, the Lessee, the Note Purchaser and the holders of the Notes and by each and every Person now or hereafter claiming by, through or under the Security Trustee, the Lessee, the Note Purchaser or the holder of any Note; and that so far as The Connecticut Bank and Trust Company or the Beneficiary, individually or personally is concerned, the Security Trustee, the Note Purchaser and the holder of any Note and any Person claiming by, through or under the Security Trustee, the Note Purchaser or the holder of any Note shall except as otherwise provided look solely to the Trust Estate for payment of the indebtedness evidenced by any Note and the performance of any obligation under any of the instruments referred to herein. The Security Trustee, the Note

Purchaser, the Lessee, and their respective successors and assigns, agree that in the event it and/or they shall obtain a judgment against the Trustee and/or the Beneficiary for an amount in excess of the amounts payable by the Trustee and/or the Beneficiary pursuant to the limitations set forth in this Section (except with respect to matters which are specifically designated as personal obligations of said Trustee and/or the Beneficiary herein or in any other Operative Agreement), it and/or they will, accordingly, limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this Section.

9.2. Amendments. Any term, covenant, agreement or condition of this Agreement may be amended or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively) by an instrument or instruments in writing executed by the Security Trustee, the Beneficiary, the Lessee and the Note Purchaser; provided that without the written consent of the holders of all of the Notes then outstanding, no such waiver, modification, alteration or amendment shall (i) impair or affect the right of any holder to receive payments or prepayments of the principal of and payments of interest on the Notes as therein or herein or in the Security Agreement provided or (ii) reduce the aforesaid percentage of the aggregate principal amount of the Notes then outstanding which are required to consent to any such modification, alteration or amendment pursuant to this Section.

9.3. Security Trustee. The Security Trustee confirms to the parties hereto all of its representations and agreements contained in Section 6 of the Security Agreement, which representations and agreements are by this reference incorporated herein and made a part of this Agreement.

9.4. Notices. Any notice provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or otherwise actually received or five business days after being deposited in the United States mail, certified, postage prepaid, addressed as follows:

If to the Trustee: The Connecticut Bank and Trust Company
One Constitution Plaza
Hartford, Connecticut 06115
Attention: Corporate Trust Department

If to the Beneficiary: Bancorp Leasing and Financial
Corp.
555 S.W. Oak Street
Portland, Oregon 97204
Attention: President

If to the Security
Trustee:

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

Attention: Corporate Trust Department

If to the Lessee:

Gulf States Utilities Company
P.O. Box 2951
Beaumont, Texas 77704

Attention: Treasurer

If to the Note
Purchaser:

The Travelers Insurance Company
One Tower Square
Hartford, Connecticut 06115
Attention: Securities Department
- Private Placement Division

or at such other place as any such party may designate by notice given in accordance with this Section.

9.5. Reaffirmation of Lessee's Obligations Under The Lease. The Lessee covenants and agrees that all of the indemnity provisions contained in Section 12 of the Lease, which by their terms confer indemnification rights in favor of any Participant, Trustee or Security Trustee, shall be deemed incorporated in full herein and shall constitute, subject to the provisions of such Section 12, the direct contractual obligations of the Lessee to each of the Participants, the Trustee and the Security Trustee and that the obligations of the Lessee under Section 20 of the Lease shall also be deemed incorporated herein in full and shall constitute, subject to the provisions of Section 20, the direct contractual obligations of the Lessee to each of the Participants, the Trustee and the Security Trustee. Without limiting the generality of the foregoing, the Lessee agrees to make all recordings and filings required by Section 2.4 of the Security Agreement.

9.6. Survival. All warranties, representations and covenants made by the parties hereto herein or on any certificate or other instrument delivered hereunder shall be considered to have been relied upon by each Participant and shall survive the consummation of the transactions contemplated hereby on the Closing Date regardless of any investigation made by such Participant or on the behalf of such Participant. All statements in any such certificate or other instrument shall constitute warranties and representations by the party so making the same.

9.7. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of, and shall be

enforceable by, the parties hereto and their respective successors and assigns including each successive holder of any Note issued and delivered pursuant to this Agreement or the Security Agreement whether or not an express assignment to any such holder of rights under this Agreement has been made.

9.8. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York in which it is being delivered by or on behalf of each of the parties hereto.

9.9. Counterparts. This Agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one Agreement.

9.10. Headings and Table of Contents. The headings of the sections of this Agreement and the Table of Contents are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Participation Agreement to be executed and delivered, all as of the date first above written.

LESSEE:

GULF STATES UTILITIES COMPANY

By Calvin J. Helbert
Vice President

ATTEST:

Leslie D. Ogden

TRUSTEE:

THE CONNECTICUT BANK AND TRUST COMPANY, as Trustee as aforesaid

By [Signature]
Its **ASSISTANT VICE PRESIDENT**

ATTEST:

[Signature]

BENEFICIARY:

BANCORP LEASING AND FINANCIAL CORP.

By _____

Its _____

ATTEST:

SECURITY TRUSTEE:

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY

By _____

Its _____

ATTEST:

IN WITNESS WHEREOF, the parties hereto have caused this Participation Agreement to be executed and delivered, all as of the date first above written.

LESSEE:

GULF STATES UTILITIES COMPANY

By _____
Vice President

ATTEST:

TRUSTEE:

THE CONNECTICUT BANK AND TRUST COMPANY, as Trustee as aforesaid

By _____
Its _____

ATTEST:

BENEFICIARY:

BANCORP LEASING AND FINANCIAL CORP.

By _____
Its _____

ATTEST:

SECURITY TRUSTEE:

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY

By  _____
Its **ASSISTANT VICE PRESIDENT**

ATTEST:

 _____
ASS'T. CORPORATE TRUST OFFICER

IN WITNESS WHEREOF, the parties hereto have caused this Participation Agreement to be executed and delivered, all as of the date first above written.

LESSEE: GULF STATES UTILITIES COMPANY

By _____
Vice President

ATTEST:

TRUSTEE: THE CONNECTICUT BANK AND TRUST COMPANY, as Trustee as aforesaid

By _____
Its _____

ATTEST:

BENEFICIARY: BANCORP LEASING AND FINANCIAL CORP.

By *Thomas J. ...*
Its *President*

ATTEST:

Robert H. Huntington

SECURITY TRUSTEE: MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY

By _____
Its _____

ATTEST:

NOTE PURCHASER:

THE TRAVELERS INSURANCE COMPANY

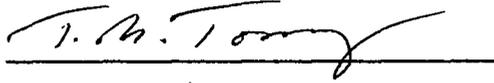
By



Its

Investment Officer

ATTEST:



Assistant Investment Officer

STATE OF New York)
)
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:

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)
)
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:

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 _____)
)
COUNTY OF _____)

On this ____ day of _____, 1981, before me personally appeared _____, to me personally known, who, being by me duly sworn, said that he is a _____ of BANCORP LEASING AND FINANCIAL CORP., 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.

Notary Public

(Notarial Seal)

My commission expires:

STATE OF CONNECTICUT)
)
COUNTY OF Hartford)

On this 8th day of December, 1981, before me personally appeared J. Hugh Cobrain, to me personally known, who, being by me duly sworn, said that he is a Investment Officer of THE TRAVELERS INSURANCE 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.

Clifford H. Hollings
Notary Public

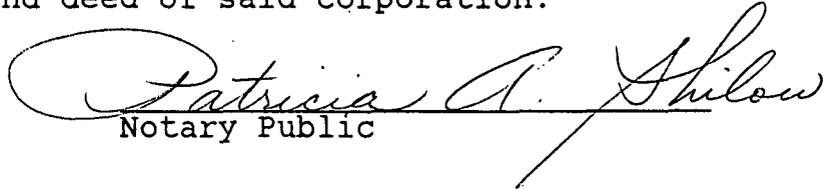
(Notarial Seal)

My commission expires:

March 31, 1984

STATE OF MARYLAND)
COUNTY OF Baltimore)

On this 8th day of December, 1981, before me personally appeared R. E. SCHREIBER, to me personally known, who, being by me duly sworn, said that he is Assistant Vice President of MERCANTILE-SAFE DEPOSIT 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.


Notary Public

(Notarial Seal)

My commission expires:

7-1-82

STATE OF OREGON)
COUNTY OF Multnomah)

On this 14th day of December, 1981, before me personally appeared MERLE K. BUCK, to me personally known, who, being by me duly sworn, said that he is a President of BANCORP LEASING AND FINANCIAL CORP., 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.

Robert H. Huntington
Notary Public

(Notarial Seal)

My commission expires:

9-9-84

STATE OF CONNECTICUT)
COUNTY OF _____)

On this ____ day of _____, 1981, before me personally appeared _____, to me personally known, who, being by me duly sworn, said that he is a _____ of THE TRAVELERS INSURANCE 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.

Notary Public

(Notarial Seal)

My commission expires:

SCHEDULE 1

Name and Address of Note Purchaser

THE TRAVELERS INSURANCE COMPANY

- (1) All payments on account of the Secured Notes shall be made by wire transfer of immediately available funds to its Account No. 910-1-163393 at:

The Chase Manhattan Bank, N.A.
One Chase Manhattan Plaza
New York, New York 10015

with notation as to the amount of principal and interest represented by such funds and as to the source of payment.

- (2) All notices of payment and written confirmations of such wire transfers:

The Travelers Insurance Company
One Tower Square
Hartford, Connecticut 06115

Attention: Securities Department --
Cashier

- (3) All other communications:

The Travelers Insurance Company
One Tower Square
Hartford, Connecticut 06115

Attention: Securities Department--
Private Placement
Division

SCHEDULE 2
(to Participation Agreement)

<u>Type</u>	<u>Builder's Specifications</u>	<u>Builder's Plant</u>	<u>Quantity (Units)</u>	<u>Car Numbers (Both Inclusive)</u>	<u>Unit Base Price</u>	<u>Aggregate 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	<u>\$10,133,032.03</u>	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	<u>\$14,448,187.86</u>	December 31, 1981
Total Part II						<u>\$14,571,680.13</u>	
Aggregate Total						<u>\$24,872,227.44</u>	

PURCHASE AND SALE AGREEMENT

Dated as of December 1, 1981

Between

THE CONNECTICUT BANK AND TRUST COMPANY, as Trustee
as Buyer

And

GULF STATES UTILITIES COMPANY,
as Seller

Relating to:
605 One-Hundred Ton
Unit Train
Steel Coal Porter Cars

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ATTACHMENTS TO PURCHASE AND SALE AGREEMENT

- Schedule A - Units To Be Purchased At First Closing
- Schedule B - Units To Be Purchased At Second Closing
- Exhibit A - Purchase Agreement

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (the "Purchase and Sale Agreement") dated as of December 1, 1981 between The Connecticut Bank and Trust Company, not in its individual capacity but solely as Trustee, (the "Buyer") and GULF STATES UTILITIES COMPANY, a Texas corporation (the "Seller").

R E C I T A L S

A. Seller, as buyer, has entered into a certain purchase contract with Bethlehem Steel Corporation, as seller, (the "Manufacturer") providing for the construction and delivery of the railroad cars more fully described in Schedules A and B hereto (the "Schedule A Units" and the "Schedule B Units" respectively). The Contract Agreement, as amended to date, a copy of which is attached hereto as Exhibit A, and as the same may from time to time hereafter, with the consent of the Buyer and the Security Trustee (as hereinafter defined) be amended, is hereinafter referred to as the "Purchase Agreement". The Schedule A Units and the Schedule B Units are also hereinafter referred to collectively as the "Equipment" or "Units" and individually as a "Unit".

B. The Seller desires to lease rather than own the Equipment. The Schedule A Units have heretofore been delivered by Manufacturer to and accepted by Seller and Seller is the owner of full and clear title thereto free of all liens and encumbrances. The Schedule B Units have been accepted by Seller but have not yet been delivered by Manufacturer and title thereto has not been transferred to Seller.

C. Buyer is willing to purchase the Schedule A Units from the Seller, and to purchase the Schedule B Units from Manufacturer on the terms and conditions hereinafter set forth.

D. At the respective times of the purchases by Buyer of the Schedule A Units and the Schedule B Units, the Seller shall thereupon lease the same back from the Buyer under a Lease of Railroad Equipment dated as of December 1, 1981 (the "Lease") between the Buyer, as lessor, and the Seller, as lessee, substantially in the form attached as Exhibit B to the Participation Agreement hereinafter referred to.

E. Contemporaneously with the making of this Agreement, the Buyer intends to enter into a Participation Agreement dated as of December 1, 1981 (the "Participation Agreement") with the Seller, the institutional investor named therein (the "Note Purchaser") and Mercantile-Safe Deposit and Trust Company, as security trustee (the "Security Trustee"), and Bancorp Leasing and Financial Corp., as beneficiary (the "Beneficiary") providing for the commitments of the Beneficiary to furnish certain equity funds to the Buyer and of the Note Purchaser to purchase the

secured notes (the "Notes") of the Buyer referred to in the Participation Agreement, to provide funds to the Buyer to be used to purchase the Equipment. The Notes will be secured by an assignment of the Buyer's right, title and interest in and to the Lease and in and to the Equipment subject to the Lease pursuant to a Security Agreement-Trust Deed dated as of December 1, 1981 (the "Security Agreement") from the Buyer to the Security Trustee, substantially in the form attached as Exhibit C to the Participation Agreement.

IN CONSIDERATION OF THE MUTUAL COVENANTS HEREIN CONTAINED, THE BUYER AND THE SELLER HEREBY AGREE:

SECTION 1. SALE AND ASSIGNMENT.

Seller hereby agrees to assign and set over to Buyer all of Seller's right, title and interest in and to the Purchase Agreement including the right to purchase the Schedule B Units, and all rights under Manufacturer's warranties of the Equipment, express or implied. By acceptance of the assignment and transfer Buyer shall not undertake any obligations enforceable by Manufacturer under the Purchase Agreement.

Upon satisfaction of the conditions set forth herein and in the Participation Agreement, Seller agrees to sell to the Buyer and the Buyer agrees to purchase from the Seller, on the First Closing Date as defined in the Participation Agreement the Schedule A Units and on the Second Closing Date as defined in the Participation Agreement Buyer agrees to purchase from the Manufacturer the Schedule B Equipment.

At the closing on the First Closing Date the Seller shall execute and deliver to Buyer a warranty bill of sale (the "Bill of Sale") covering all of the Schedule A Units then to be sold. The Bill of Sale shall transfer full and clear title to the Schedule A Units free from any security interest, lien or encumbrance, and Seller shall accept delivery of the Schedule A Units on behalf of Buyer. At the closing on the First Closing Date, this instrument shall constitute the assignment and transfer to Buyer of all of Seller's right and interest in the Purchase Agreement pursuant to the first paragraph of this Section 1.

At the closing on the Second Closing Date the Buyer shall receive a bill of sale from the Manufacturer (the "Manufacturer's Bill of Sale") transferring full and clear title to the Schedule B Units free from any security interest, lien or encumbrance, and Seller shall accept delivery of the Schedule B Units on behalf of Buyer.

The purchase price for the Schedule A Units shall be \$10,300,547.31 and the purchase price for the Schedule B Units

shall be \$14,571,680.13. The purchase price for the Schedule A Units shall be paid to the Seller, or as otherwise directed by the Seller, by bank cashier's check or by wire transfer of immediately available funds, as determined by Seller, when the Schedule A Units and the Bill of Sale are delivered and title passes to Buyer. The purchase price for the Schedule B Units shall be paid by Buyer to Manufacturer by cash in the amount of \$6,453,870.42 by cashier's check or by wire transfer of immediately available funds as determined by Manufacturer and by the issuance of a non-recourse, non-interest bearing promissory note of Buyer to Manufacturer for the balance of the purchase price in the amount of \$8,117,809.71. Said non-recourse, non-interest bearing promissory note shall be paid in full by the Buyer simultaneously with the closing on the Third Closing Date, as defined in the Participation Agreement.

The closings under this Agreement shall take place at the time of and concurrent with the closings as set forth in Section 2.3 of the Participation Agreement.

SECTION 2. CONTINUING LIABILITY OF SELLER; EXCLUDED EQUIPMENT

It is expressly agreed, anything herein to the contrary notwithstanding, that the execution of this Purchase and Sale Agreement shall not modify any liabilities or obligations of the Manufacturer to the Seller under the Purchase Agreement and such liabilities and obligations, to the extent transferable, shall be deemed to have passed to Buyer with the Units sold and, subject to the terms of the Lease to Seller as lessee under the Lease, all to the same extent as if this Agreement had not been executed and, so long as Seller is not in default under the Lease, Seller may take any action against the Manufacturer in either its name, in the name of Buyer, or in the name of both Seller and Buyer as provided in the Lease.

The Buyer, the Note Purchaser and the Security Trustee shall not, either severally or jointly, have any obligation hereunder or under the Participation Agreement to the Seller or any other person in respect of Units not sold to Buyer hereunder on or before December 31, 1981 (the "Outside Delivery Date") or for Units with respect to which payment therefor would cause the aggregate purchase price for all Units to exceed \$24,872,227.44. Any such Unit for which such obligations are so terminated shall be immediately excluded from the terms and provisions of this Agreement, the Participation Agreement and all other Operative Agreements referred to therein.

SECTION 3. DELIVERY OF DOCUMENTS

At, and in connection with the closings hereunder and as conditions precedent to Buyer's obligations hereunder:

- (a) Seller, with respect to the Schedule A Units, and Manufacturer with respect to the Schedule B Units, shall execute and deliver to Buyer the Bill of Sale and the Manufacturer's Bill of Sale, respectively, covering the Schedule A Units and the Schedule B Units, respectively. Seller shall record the same together with the Lease, the Security Agreement and any Releases with the Interstate Commerce Commission. Manufacturer shall execute and deliver to Buyer and Seller its Consent to the assignment herein of the Purchase Agreement.
- (b) Seller shall deliver the Schedule A Units and Manufacturer shall deliver the Schedule B Units to Buyer on the respective closing dates and Buyer shall accept such Units, such delivery and acceptance to be evidenced by the delivery and acceptance by Buyer of the Bill of Sale and the Manufacturer's Bill of Sale, respectively.
- (c) Buyer shall pay Seller and Manufacturer, respectively, the prices for the Schedule A Units and the Schedule B Units as provided in Section 1 above on the respective closing dates and Buyer shall receive from Seller or Manufacturer any requisite releases (the "Releases") of any security interests of Seller and Manufacturer in such Units; provided, however, that such amounts shall be reduced, pro rata, for any Units not then in good and operating condition and acceptable to Seller as equipment to be leased under the Lease.
- (d) At the closing on the First Closing Date, Seller and Buyer shall execute and deliver, under appropriate arrangements for recording the same with the Interstate Commerce Commission, the Lease; at the closing on the First Closing Date such Lease shall provide for a lease of the Schedule A Units and at the closing on the Second Closing Date an appropriate supplement to the Lease shall be effected, under appropriate arrangements for recording the same with the Interstate Commerce Commission, to provide for a lease of the Schedule B Units, and at the closing on the Third Closing Date the Buyer shall join the Security Trustee in executing and delivering under appropriate arrangements for filing the same with the Interstate Commerce Commission, an appropriate supplement to the Security Agreement evidencing the fact that the Schedule B Units have become part of the Collateral under the Security Agreement.
- (e) Buyer shall deliver the Units then to be leased to Seller as lessee under the Lease, which shall be deemed to be effected by execution and delivery by Seller of a Certificate of Acceptance in the form provided for in the Lease.

- (f) Seller shall deliver to Buyer a Certificate of Insurance as to the Units then made subject to the Lease as required by Section 8 of the Lease.
- (g) Seller shall deliver to Buyer such legal opinion or opinions and such documents, instruments and correspondence as to the Equipment and Lease as Buyer may reasonably request.
- (h) Seller, as lessee under the Lease, shall execute and deliver to Buyer such UCC-1 financing statements as Buyer may reasonably require.
- (i) There shall also be executed and/or delivered such additional documents as may be reasonably requested by the parties.

SECTION 4. FURTHER ASSURANCE.

The Seller agrees that at any time and from time to time, upon the written request of the Buyer, the Seller will promptly and duly execute and deliver any and all such further instruments and documents and take such further actions as the Buyer may reasonably request in order to obtain the full benefits of this Agreement and of the rights and powers herein granted.

SECTION 5. WARRANTIES AND INDEMNITIES OF SELLER.

The Seller hereby represents and warrants that:

(a) The Purchase Agreement is in full force and effect and is enforceable in accordance with its respective terms, and neither the Manufacturer nor the Seller is in default thereunder.

(b) None of the Schedule A Units nor any interest in the Purchase Agreement, including the right to purchase the Schedule B Units, has been sold or otherwise assigned by the Seller prior to the closing dates, except as provided herein, and the Seller hereby covenants that it will not assign or pledge so long as this Agreement shall remain in effect, the whole or any part of the rights hereby sold and assigned to anyone other than the Buyer. The Seller agrees to warrant and defend the right, title and interest of the Buyer to the Equipment against the rights or claims of any persons arising on or before the date of delivery of the Equipment by the Manufacturer to the Seller and to the Buyer respectively, excepting only the rights of the Seller under the Lease and the rights of the Security Trustee under the Security Agreement.

(c) Full payment has been made to the Manufacturer for the Schedule A Units. The Seller is the lawful owner of the Schedule A Units and of its rights under the Purchase Agreement, including the right to purchase the Schedule B Units, free from all claims, liens, security interests and encumbrances, and the Seller has the right to sell and assign the Schedule A Units and the Purchase Agreement as set forth herein and the Seller will warrant and defend this assignment against the lawful claims and demands of all persons.

SECTION 6. GOVERNING LAW.

This Purchase and Sale Agreement has been executed and delivered in the State of New York, and all of the rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by the laws of the State of New York.

SECTION 7. COPIES OF NOTICES AND OTHER DOCUMENTS TO SECURITY TRUSTEE.

If any notice, report or other document shall be provided to the Buyer relating to any matter contained in this Agreement, a copy thereof shall also be provided to the Security Trustee in the manner required for the giving of notices thereto in Section 9.4 of the Participation Agreement.

SECTION 8. MODIFICATIONS OF THE PURCHASE AGREEMENT.

No variation or modification of the Purchase Agreement and no waiver of any provisions or conditions thereof shall be valid with respect to any Unit unless in writing and signed by a duly authorized signatory of the Buyer, the Security Trustee and the Seller.

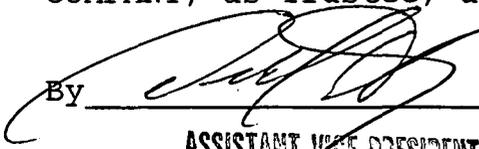
SECTION 9. LIMITATIONS OF BUYER'S LIABILITY.

It is expressly understood and agreed by and between the Buyer and the Seller and their respective successors and assigns, that this instrument is executed by The Connecticut Bank and Trust Company, not individually or personally but solely in the exercise of the power and authority conferred and vested in it as Trustee under a Trust Agreement of even date between it and Bancorp Leasing and Financial Corp. and that nothing herein shall be construed as creating any liability on The Connecticut Bank and Trust Company, individually or personally.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

BUYER:

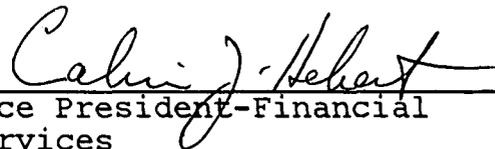
THE CONNECTICUT BANK AND TRUST COMPANY, as Trustee, as aforesaid

By  _____

ASSISTANT VICE PRESIDENT

SELLER:

GULF STATES UTILITIES COMPANY

By  _____

Vice President-Financial Services

SCHEDULE A
(to Purchase and Sale Agreement)

<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>
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						<u>\$10,300,547.31</u>	

SCHEDULE B
(Purchase and Sale Agreement)

<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>
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						<u>\$14,571,680.13</u>	

CLOSING CERTIFICATE AND AGREEMENT

Bancorp Leasing and Financial Corp. (the "Beneficiary")
555 S. W. Oak Street
Portland, Oregon 97204
Attention: President

The Travelers Insurance Company (the "Note Purchaser")
One Tower Square
Hartford, Connecticut 06115
Attention: Securities Department -- Private Placement Division

The Connecticut Bank and Trust Company (the "Trustee")
1 Constitution Plaza
Hartford, Connecticut 06103
Attention: Corporate Trust Department

Re: Gulf States Utilities Company Unit Train Financing

Gentlemen:

Reference is made to the Participation Agreement dated as of December 1, 1981 (the "Participation Agreement") among the undersigned (the "Company"), the Beneficiary, the Note Purchaser, the Trustee and Mercantile-Safe Deposit and Trust Company, as security trustee. The terms which are capitalized herein and not otherwise defined shall have the same meanings as in the Participation Agreement. As an inducement to and as part of the consideration for your execution and delivery of the Participation Agreement and the advance of funds by the Beneficiary and Note Purchaser on the dates set forth in and pursuant to the provisions of the Participation Agreement and the execution and delivery of the Lease by the Trustee, the Company hereby represents and warrants to, and agrees, covenants and undertakes with each of you as follows:

1. Corporate Organization and Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of Texas; has all requisite power and authority and all necessary licenses and permits to own or lease and operate its respective properties, to carry on its business as now conducted, to enter into all of the Operative Agreements to which it is a party and to carry out the terms of the Operative Agreements; and is duly licensed or qualified and is in good standing as a foreign corporation in each jurisdiction in which

the business conducted by it or the assets owned or leased by it makes such qualification necessary, or in which such qualification is necessary to own its properties, to carry on its business and to carry out the terms of the Operative Agreements.

2. Private Placement Documents. The Company has delivered to the Note Purchaser, the Beneficiary and the Trustee (i) a copy of the Annual Report of the Company on Form 10-K for its fiscal year ended December 31, 1980, as filed with the Securities and Exchange Commission (hereinafter called the Commission), (ii) a copy of the Company's Current Reports on Form 8-K, as filed in January, April and October, 1981, with the Commission, (iii) copies of the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1981, June 30, 1981 and September 30, 1981, as filed with the Commission, (iv) a private placement memorandum dated November 2, 1981 and revised as of November 6, 1981, (v) the balance sheet of the Company as of December 31 in each of the years 1976 to 1980, inclusive, and the statements of income and retained earnings and source of funds invested in Utility Plant for the fiscal years ended on said dates prepared and certified by Coopers & Lybrand (vi) a copy of the Company's Prospectus dated July 9, 1981 relating to 5,000,000 shares of its Common Stock and (vii) a copy of the Company's Prospectus dated December 1, 1981 relating to 3,000,000 shares of its Common Stock (all such documents set forth in (i) through (vii) above being hereinafter called collectively the Private Placement Documents). The financial statements of the Company contained in the Private Placement Documents (including in each case the related schedules, if any, and notes) fairly present the financial condition of the Company as of the respective dates of the balance sheets included in said financial statements and the results of the operations of the Company for the respective periods covered by the statements of income included in said financial statements. Except as set forth in the notes to said financial statements, said financial statements have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved. Except as disclosed in the Private Placement Documents, there have been no changes in the assets, liabilities or financial condition of the Company from that set forth in the balance sheet of the Company as at December 31, 1980, included in said financial statements, other than changes in the ordinary course of business which are not, either in any case or in the aggregate, materially adverse to the Company. Except as disclosed in the Private Placement Documents, since December 31, 1980 neither the business, operations, properties, prospects nor financial condition of the Company has been affected by any occurrence or development (whether or not insured against) which, either in any case or in the aggregate, is materially adverse to the Company.

3. Full Disclosure. The Private Placement Documents referred to in Section 2 do not, nor does any other written statement furnished by the Company to you in connection with the

Operative Agreements or the transactions contemplated thereby, contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein, in light of the circumstance under which they were made, not misleading. There is no fact known to the Company which is not set forth or disclosed in the Private Placement Documents or the Operative Agreements which materially adversely affects or, so far as Company can now reasonably foresee, will materially adversely affect the properties, business, profits, prospects or condition (financial or otherwise) of the Company or the Company's ability to perform its obligations under the Operative Agreements.

4. Pending Litigation. There are no actions, suits, investigations or proceedings pending or, to the knowledge of the Company, threatened, against or affecting the Company in any court or before any governmental authority or arbitration board or tribunal which if adversely determined would materially and adversely affect the properties, business, prospects, profits or condition (financial or otherwise) of the Company or its ability to perform its obligations under the Operative Agreements except as disclosed in the Private Placement Documents or the Operative Agreements. The Company is not in violation of any order, writ, judgment, injunction, decree, determination or award of any court or governmental authority or arbitration board or tribunal except for such violations which will not individually or in the aggregate materially and adversely affect the Company's ability to perform its obligations under the Operative Agreements.

5. Transactions are Legal and Authorized. The execution and delivery by the Company of the Operative Agreements to which it is a party and compliance by the Company with all of the provisions of said instruments -

(a) are within the corporate powers of the Company and have been duly authorized; and

(b) will not violate any provisions of any law, regulation, order, judgment or decree of any court or governmental authority or agency and will not conflict with or result in any breach of any of the terms, conditions or provisions of, or constitute a default under, the Articles of Incorporation or By-laws of the Company or any indenture or other agreement or instrument to which the Company is a party or by which it or its assets may be bound or result in the imposition of any liens or encumbrances on any property of the Company.

The Operative Agreements to which the Company is a party constitute the legal, valid and binding obligations of the Company, enforceable in accordance with their terms.

6. No Defaults. No Event of Default as defined in the Lease has occurred and is continuing and no event has occurred and is continuing which with the lapse of time, demand or the giving of notice, or both, would constitute an Event of Default as therein defined. The Company is not in default under any other of the Operative Agreements. At no time from January 1, 1977 through the date hereof has the Company been in default in the payment of principal or interest on any indebtedness for borrowed money, nor at any time during such period has the Company been in default in the payment of rentals under any equipment leases. The Company is not in default under any instrument or instruments or agreements under and subject to which any indebtedness for borrowed money (including amounts owed as the deferred price of property under capitalized leases or similar instruments used to finance the use of property) has been issued and no event has occurred and is continuing under the provisions of any such instrument or agreement which with the lapse of time or the giving of notice, or both, would constitute an event of default thereunder.

7. Governmental Consent. No approval, consent, withholding of objection or other action on the part of any regulatory body, state, Federal or local, is necessary in connection with the execution, delivery and performance by the Company of the Operative Agreements to which it is a party or compliance by the Company with any of the provisions of any of said instruments.

The Order of the Federal Energy Regulatory Commission (the "FERC") issued December 9, 1981 (Docket No. ES 81-59), disclaiming jurisdiction with respect to the Company's application for authority in connection with certain aspects of the transaction contemplated by the Purchase Agreements, has been duly and validly issued and is in full force and effect on the date hereof. There were no parties to or participants in the proceedings before the FERC in which said Order was issued except the Company and the staff of the FERC, and no application for a rehearing of, or petition to review, the Order has been made or filed or to the knowledge of the Company is pending or contemplated, nor are there any grounds therefor. The Company agrees that it will not make any application for such a rehearing. Neither the validity of the Notes or the Security Agreement or of the Lease nor the Lien of the Security Agreement as security for the Notes would be affected by any such application for rehearing or petition which may occur after the issuance of the Notes.

8. Taxes. All Federal income tax returns and all state and local tax returns required to be filed by the Company have been filed, and all taxes which are shown to be due and payable in such returns have been paid. The Federal income tax liability of the Company has been finally determined by the Internal Revenue Service and satisfied for all taxable years up to and including the taxable year ended December 31, 1975 and no material controversy in respect of additional income taxes due

since said date or in respect of any state or local taxes is pending or, to the knowledge of the Company, threatened. The provision for taxes on the books of the Company is adequate for all open years, and for its current fiscal period.

9. Private Offering. The representations of the Company set forth in Section 3.3(b) of the Participation Agreement are true and correct on the date hereof as if made on and in respect to the date hereof.

10. ERISA. The Company represents that the execution and delivery of the Operative Agreements to which the Company is a party will not involve any transaction which is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975 of the Code. The representation by the Company in the preceding sentence is made in reliance upon and subject to the accuracy of the representation of the Note Purchaser and the Beneficiary in Section 3.4(b) of the Participation Agreement as to the source of the funds used to purchase interests pursuant to the Participation Agreement. The Company is not a party in interest with respect to any employee benefit plan whose name has been disclosed to the Company pursuant to Section 3.4(b) of the Participation Agreement, and securities of the Company are not employer securities with respect to any such plan. As used in this Agreement, the terms "employee benefit plan" and "party in interest" have the respective meanings specified in section 3 of ERISA and the term "employer securities" has the meaning specified in section 407(d)(1) of ERISA.

The Company further represents that it has not incurred any material "accumulated funding deficiency" within the meaning of ERISA, nor has it incurred any material liability to the Pension Benefit Guaranty Corporation ("PBGC") established under ERISA in connection with any employee benefit plan, nor any tax or penalty in respect of a transaction prohibited under ERISA or under Section 4975 of the Code. There has been no "reportable event" with respect to any such plan (as such term is defined in Section 4043 of ERISA) other than a reportable event as to which regulations PBGC require notice in the annual report of the Lessee, nor has there been any notification by PBGC of any intent to institute proceedings to terminate any such plan. The Company has not incurred any material withdrawal liability in connection with any "multiemployer plan" (as such term is defined in Section 4001 of ERISA) and has not received notice of the reorganization of any such plan.

11. Use of Proceeds; Federal Reserve Board Regulations. All funds received directly or indirectly by the Company in connection with the transactions contemplated in the Operative Agreements will be applied by the Company as reimbursement for items set forth on the Lessee's certificate of purchase price

provided to the Beneficiary, the Note Purchaser and the Trustee pursuant to Section 4.1(f) of the Participation Agreement. No part of such funds will be used, directly or indirectly, by the Company for the purpose of purchasing or carrying any margin security within the meaning of Regulation G of the Board of Governors of the Federal Reserve System (12 C.F.R. 207, as amended) or for any other purpose which might constitute the provision of such funds a "purpose credit" within the meaning of said Regulation G, or for the purpose of purchasing or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 C.F.R. 224, as amended), or any broker or dealer in violation of Regulation T of said Board (12 C.F.R. 220, as amended), or any bank in violation of Regulation U of said Board (12 C.F.R. 221, as amended), and no part of the expenditure being reimbursed with such funds was used, directly or indirectly, by the Company for any such purpose. The Company does not own or hold any margin security within the meaning of said Regulation G, and the Company has no present intention of acquiring any such margin security.

12. Representations and Undertakings Relative to Section 168(f)(8) of the Code.

(a) Except for matters within the control of the Beneficiary or the Trustee, about which the Company has no knowledge, there are no circumstances in existence on the date hereof which would preclude an election to characterize the Lease as a lease qualifying under section 168(f)(8) of the Code.

(b) The Company will timely file a properly completed and executed information return concerning the election. The Company will provide to the Trustee any information regarding the Company required by the Trustee to complete the Trustee's information return and will execute the Trustee's information return.

(c) The Company will not permit the Equipment to become subject to any lease for which an election is made under section 168(f)(8) of the Code other than the Lease.

(d) The Beneficiary is, as of the date of execution of this Closing Certificate and Agreement, the owner for Federal income tax purposes of the Units of Equipment (the "Units of Equipment") described in the Bill of Sale dated and delivered to Trustee the date of this Closing Certificate and Agreement.

(e) Except after occurrence of an event disqualifying the Lease as a lease qualifying under Section 168(f)(8) of the Code, neither the Company nor any other person other than the Beneficiary has claimed or will claim, on its Federal income tax returns or otherwise, investment credit

or cost recovery deductions with respect to any costs incurred by the Company through the date of this Closing Certificate and Agreement in respect of the Units of Equipment.

(f) The Units of Equipment are qualified leased property (as defined in Section 168(f)(8)(D)(ii) of the Code), which were placed in service (within the meaning of Section 46(c)(1) of the Code and the regulations thereunder and Temp. Reg. §5c.168(f)(8)(b)(2)) by the Company within three (3) months prior to the date hereof and not later than December 31, 1981;

(g) The adjusted basis (within the meaning of Section 168(f)(8)(D)(ii)(III) of the Code) of the Company in the Units of Equipment at the date hereof is not less than the purchase price of the Units of Equipment set forth in the Company's Certification of Purchase Price dated and delivered to Trustee the date of this Closing Certificate and Agreement.

(h) The present class life of the Units of Equipment in the hands of the Beneficiary and the Trustee is 15-years and the recovery class under Section 168(c)(2) of the Code for the Units of Equipment is 5-year property;

(i) During the term of the Lease, the Company will not sell, assign or sublease (collectively "Transfer") its interest in the Units of Equipment or in the Lease with respect to the Units of Equipment unless (i) the transferee takes the Units of Equipment subject to the Lease and assumes the Company's interest and obligations under the Lease and all rental and other obligations thereunder, without relieving the Company of any of its obligations under this Closing Certificate and Agreement or any of the Operative Agreements, and (ii) the transferee furnishes a written consent and the transferee and the Beneficiary file statements, in both cases at the time and in the manner provided in Section 5c.168(f)(8)-2(a)(5) of the Temporary Regulations; and (iii) in all cases, the Transfer is accomplished in such a manner as to cause the Lease to remain qualified as a lease under Section 168(f)(8) of the Code and regulations promulgated thereunder; provided that in the case of a sublease made by the Company in accordance with the Lease, the Company shall only be required to comply with the provisions of clause (ii) and (iii) above;

(j) During the term of the Lease and other than as a result of acts or omission to act on the part of the Trustee or the Beneficiary, the Units of Equipment will not cease to be Section 38 property within the meaning of Section 48(a)

of the Code with respect to the Trustee, the Beneficiary, the Company or any transferee, assignee or sublessee of the Company.

(k) The amount of the investment credit and cost recovery deductions that the Beneficiary shall be allowed with respect to the Units of Equipment will not be limited by the application to the Company of the at-risk rules under Section 46(c)(8) or Section 465 of the Code;

(l) At all times during the term of the Lease, the Units of Equipment will be used in a manner which will entitle the Beneficiary to treat, for Federal income tax purposes, each amount of income, deduction, and credit relating to the Units of Property as being derived from, or allocable to, sources within the United States;

(m) Except after occurrence of an event disqualifying the Lease, the Company will not capitalize any costs of the Equipment in such a manner as would cause the Beneficiary's original basis to differ from the basis of the Company.

(n) The Company will account for rental payments under the Lease and interest payments with respect to the Equipment in accordance with Temporary Regulation §5C.168(f)(8)-7.

(o) Except in the case of acts or omissions by the Trustee or the Beneficiary, the Company will take all action necessary to obtain and maintain qualification of the Lease under the provisions of Section 168(f)(8) of the Code.

To the extent that the above-mentioned Treasury Regulations are amended, or replaced with permanent Treasury Regulations, such amendments or replacements shall be deemed to be incorporated hereinabove.

13. Insurance. The property and public liability insurance required to be maintained by the Company, as lessee under Section 8 of the Lease is in full force and effect.

14. Recording. Filing and recording, pursuant to Section 4.1(8) of the Participation Agreement, with the Interstate Commerce Commission is the only filing and recording which is necessary in order to preserve the Security Trustee's interest and the Beneficiary's interest in the Lease and the Equipment, and such filing and recording to the extent they can be effected on or prior to the date hereof has been made.

15. No Violation of Foreign Assets Control Regulations, Etc. Neither the Company's performance of its obligations under the Operative Agreements nor its use of funds received directly or indirectly in connection with the transactions contemplated

therein will violate the Trading with the Enemy Act, as amended, or the International Emergency Economic Powers Act or any of the Executive Orders of the President of the United States issued pursuant to said Acts, or any regulations issued under such Acts or Orders, including, without limitation, the Foreign Assets Control Regulations and the Cuban Assets Control Regulations of the United States Treasury Department (31 C.F.R., Subtitle B, Chapter V). The Company is not, and is not directly or indirectly controlled by, or acting on behalf of any person which is, an investment company within the meaning of the Investment Company Act of 1940. The Company is not regulated under the Interstate Commerce Act.

16. Public Utility Status. The Company is subject to regulation by the Public Utility Commission of Texas, the Louisiana Public Service Commission, the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission and other Federal, state and local agencies. The Company is not a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935. The Company has duly filed all reports required by all governmental bodies having jurisdiction over the Company.

Neither the Trustee, the Beneficiary, the Security Trustee, the Note Participant nor any of their respective affiliates shall, on the date hereof or at any time during the term of the Lease by reason of (a) the ownership of the Equipment or any part thereof by the Trustee or (b) the lease of the Equipment to the Company under the Lease or (c) the use of the Equipment during the term of the Lease or (d) any other transaction contemplated by the Participation Agreement or any of the other Operative Agreements, be deemed by any governmental authority having jurisdiction to be characterized, or be subject to regulation, as an "electric utility", "public utility" or "public utility holding company" or "carrier" or "common carrier" under any existing or subsequently effective law, rule or regulation of the federal government or any state or subdivision thereof, and if and to the extent required, any consents, orders or provisions of, or filings with, all governmental authorities necessary to accomplish this result have been duly obtained or made and are in full force and effect and are not the subject of any pending or threatened administrative or judicial proceedings, and all such consents, orders or provisions of, or filings with, all governmental authorities necessary to avoid such characterization or regulation have been obtained or in the case of subsequently effective law, shall be duly obtained or made and be in full force and effect throughout the term of the Lease or any remaining portion thereof.

17. Title; Encumbrances. Upon deliveries to the Trustee of the Bill of Sale and the Manufacturer's Bill of Sale, respectively, the Trustee will acquire full and clear title to

the Units of Equipment, respectively, therein described, free and clear of all liens and encumbrances, but subject to the rights of the Security Trustee under the Security Agreement and the rights of the Lessee under the Lease.

GULF STATES UTILITIES COMPANY

By _____
Vice President

Dated: December , 1981

Opinion of Counsel for Lessee

The opinion of Orgain, Bell & Tucker, counsel for the Lessee (and of Taylor, Porter, Brooks and Phillips, Louisiana counsel for the Lessee) which are called for under Section 4.1(g) of the Participation Agreement shall be addressed to the Trustee, the Beneficiary and Note Purchaser and shall be to the effect that:

1. No approval of (a) the Interstate Commerce Commission or (b) based on the Order of the Federal Energy Regulatory Commission (FERC), referred to below, of the FERC or (c) the Securities and Exchange Commission, or (d) the Public Utility Commission of Texas, nor any approval, consent, withholding of objection or other action on the part of any regulatory body of the federal government, the State of Texas or any subdivision thereof, or on the part of the Louisiana Public Service Commission or any subdivision of the State of Louisiana is necessary for the valid execution, delivery and performance by the Lessee of the Purchase and Sale Agreement, the Participation Agreement, the Closing Certificate or the Lease. On August 31, 1981, the Lessee filed an application with the FERC (Docket No. ES81-59) pursuant to Section 204(a) of the Federal Power Act seeking an Order authorizing the assumption of an obligation or liability pursuant to a proposed lease of 605 coal cars and thereafter amended said application. On December 9, 1981 the FERC issued an Order in the proceedings on the Lessee's said application disclaiming jurisdiction on the ground that the proposed lease transaction does not constitute a transaction requiring FERC authorization pursuant to Section 204 of the Federal Power Act. To our knowledge, no application for rehearing or petition for review with respect to said order has been made or filed. Neither the validity of the Notes, the Security Agreement or of the Lease, nor the lien of the Security Agreement as security for the Notes would be affected by any such rehearing or petition which may occur or be filed after the issuance of the Notes.

2. Neither the execution and delivery by the Lessee of the Participation Agreement, the Purchase and Sale Agreement, the Closing Certificate or the Lease, nor the Lessee's consummation of the transactions therein contemplated or its fulfillment of the terms thereof, will conflict with or result in a breach of any of the terms, conditions or provisions of the Restated Articles or the Bylaws of the Lessee.

3. The Lessee is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Texas and is duly qualified to do business as a foreign corporation and is in good standing under the laws of every state in which the Lessee is required to be qualified to do business, with full power to deliver, perform and enter into the Participation Agreement, the Purchase and Sale Agreement, the Closing Certificate and the Lease and to own or lease its properties and to carry on its business or operations as now conducted.

4. The Lessee has the legal right to operate as a public utility in the State of Texas.

5. Assuming the Lease remains in effect, neither the Trustee, the Beneficiary, the Security Trustee, the Note Purchaser nor any of their respective affiliates shall, by reason of (a) the ownership of the Equipment or any part thereof by the Trustee or (b) the lease of the Equipment to the Lessee under the Lease, (c) the use of the Equipment under the Lease, or (d) any other transaction contemplated by the Participation Agreement or any of the other Operative Agreements, be deemed by any governmental authority having jurisdiction to be characterized, or subject to regulation, as an "electric utility," "public utility," "public utility holding company," "carrier," or "common carrier" under any existing law, rule or regulation of the federal government or the State of Texas or any subdivision thereof, and if and to the extent required, any consents, orders or provisions of, or filings with, all such governmental authorities necessary to avoid such characterization or regulation have been duly obtained or made and are in full force and effect and are not the subject of any pending or threatened administrative or judicial proceedings.

6. Neither the execution and delivery by the Lessee of the Participation Agreement, the Purchase and Sale Agreement, the Closing Certificate or the Lease, nor the Lessee's consummation of the transactions therein contemplated or its fulfillment of the terms thereof, will violate any provisions of any law, regulation, order, judgment or decree of any court or governmental authority or agency having jurisdiction over the Lessee, and will not conflict with, result in a breach of, or constitute a default under any of the terms, conditions or provisions, of any indenture or other agreement or instrument to which the Lessee is a party or by which it or its assets may be bound and which is known to such counsel or result in the imposition of any liens or encumbrances on any property owned by the Lessee except as stated in Paragraph 7 below.

7. Neither the Mortgage nor the Debenture Indenture nor, to the best of our knowledge, any other existing mortgage, deed of trust, credit agreement, loan agreement, contract, indenture, lien or other agreement or instrument of any nature whatsoever which now covers or affects any property (or interests therein) owned by the Lessee now attached or hereafter will attach to any Units of the Equipment, or to the Security Trustee's right, title and interest in such Units, other than such liens as may attach to the leasehold rights of the Lessee under the Lease in and to such Units.

8. The Participation Agreement, the Purchase and Sale Agreement, the Closing Certificate and the Lease, assuming the due authorization, execution and delivery thereof by the other parties thereto, have each been duly authorized, executed and delivered by the Lessee and each is a legal, valid and binding instrument, enforceable against the Lessee in accordance with its terms, and none of them require approval or consent of any holder (or trustee for holder) of any indebtedness of the Lessee.

9. To the best of such counsel's knowledge, the Lessee is not in default under the Mortgage, the Debenture Indenture, or any indenture, mortgage, deed of trust, credit agreement, loan agreement, contract, lien or other agreement or instrument known to us to which the Lessee is a party or by which the Lessee may be bound as of the date hereof.

10. Except as to such easements, leases, contracts, covenants, liens and other encumbrances and defects as are customarily encountered in comparable utility systems and are not of a character to interfere materially with the use and operation of such properties by the Lessee and except as described in Paragraph 12 below, the Lessee has good and marketable title to all of its properties (except certain properties having an aggregate cost to the Lessee of not exceeding \$2,500,000 acquired prior to December 1, 1981, on which final title clearance has not been completed and the properties excepted from the lien of the Mortgage, as to which we express no opinion as to the title), subject to no liens other than (i) the lien of the Mortgage, (ii) "permitted encumbrances" as defined in the Mortgage, (iii) the lien of the trustee under the Mortgage for its compensation, expenses and liability, and (iv) other liens and encumbrances which are of a minor nature and which do not secure the payment of money. In rendering the foregoing opinion as to properties outside of the State of Texas, such counsel may rely solely upon opinions from Messrs. Taylor, Porter, Brooks & Phillips and Messrs. Stockwell, Vicellio, Clements & Shaddock each dated December 9, 1981, issued in connection with the sale of the Lessee's \$100,000,000 First Mortgage Bonds 17 1/2% Series A due 1992.

11. The Lessee has all franchises, rights and permits necessary for its business and operations as presently conducted, except that certain rights-of-way are held by virtue of easements from the apparent holder of record title to the land involved without examination as to the title of such holder. However, certain additional permits and licenses must be obtained from various state and federal regulatory agencies prior to construction and operation of certain new facilities or modification of existing facilities (with respect to certain of which facilities material sums are being expended prior to obtaining such permits and licenses as described in the Private Placement Documents), but such counsel does not know of any reason why the Lessee will not be able to obtain or pur itself in a position to be able to obtain such permits and licenses as may be necessary. In rendering the foregoing opinion as to franchises, rights and permits outside of the State of Texas, such counsel may rely solely upon the attached opinions from Messrs. Taylor, Porter, Brooks & Phillips and Messrs. Stockwell, Vicellio, Clements & Shaddock each dated December 9, 1981, issued in connection with the sale of the Lessee's \$100,000,000 First Mortgage Bonds 17 1/2% Series A due 1991.

12. The transactions contemplated by the Lease, the Purchase and Sale Agreement, the Closing Certificate and the Participation Agreement will not subject the Trustee, the Beneficiary, the Security Trustee or the Note Purchaser to the restrictions of any usury laws of the State of Texas.

13. Except as disclosed in the Private Placement Documents, there are no actions, suits, investigations or proceedings pending or, to the knowledge of counsel, threatened against or affecting the Lessee in any court or before any governmental authority or arbitration board or tribunal which if adversely determined would materially and adversely affect the properties, business, prospects, profits or condition (financial or otherwise) of the Lessee or its ability to perform its obligations under the Operative Agreements. To the best of such counsels' knowledgfe, after having made due inquiry with respect thereto, the Lessee is not in violation of any final order, writ, judgment, injunction, decree, determination or award of any court or governmental authority or arbitration board or tribunal.

14. Assuming compliance by all of the parties thereto with the Operative Agreements, none of the transactions contemplated in the Participation Agreement will violate or result in a violation of Section 7 of the Securities Exchange Act of 1934 as amended (15 U.S.C. 78g) or any regulations issued pursuant thereto, including, without limitation, Regulations G, T, U, and X of the Board of Governors of the Federal Reserve System

(12 C.F.R., Chapter II, as amended).

15. Filing and recording of the Bill of Sale, the Release, the Bill of Sale, the Lease, the Security Agreement with the Interstate Commerce Commission is the only filing and recording which is necessary to make the Security Trustee's interest and the Beneficiary's interest in the Equipment and the Lease enforceable against all persons, and such filing and recording has been made.

16. Neither the Lessee's performance of its obligations under the Operative Agreements nor its use of funds received directly or indirectly in connection with the transactions contemplated therein will violate the Trading with the Enemy Act, as amended, or the International Emergency Economic Powers Act or any of the Executive Orders of the President of the United States issued pursuant to said Acts, or any regulations issued under such Acts or Orders, including, without limitation, the Foreign Assets Control Regulations and the Cuban Department Control Regulations of the United States Treasury Department (31 C.F.R., Subtitle B, Chapter V). The Lessee is not, and is not directly or indirectly controlled by, or acting on behalf of, any person which is, an investment company within the meaning of the Investment Company Act of 1940. The Lessee is not regulated under the Interstate Commerce Act.

17. The Lessee is subject to regulation by the Public Utility Commission of Texas, the Louisiana Public Service Commission, the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission and other Federal, state and local agencies. The Lessee is not a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935.

18. The Bill of Sale and the Bill of Sale are in form sufficient to convey all right, title and interest in the Equipment to the Trustee as a result of the transactions contemplated by the Participation Agreement. The Trustee is the owner of full and clear title in and to the Equipment subject only to the rights of the Lessee under the Lease, the interest of the Trustee and the Beneficiary under the Trust Agreement and the interest of the Note Purchaser and the Security Trustee under the Security Agreement, and is subject to no other liens or encumbrances.

19. The offer, issue, sale and delivery of the Notes to the Note Purchaser and the participation by the Beneficiary in accordance with the Operative Agreements constitute exempted transactions under the Securities Act of

1933, as amended, and neither the registration under such act of any of such securities or the qualification of an indenture in respect of any of such securities under the Trust Indenture Act of 1939, as amended, is required in connection with the offer, issue, sale and delivery of such securities under the circumstances contemplated by the Participation Agreement.

The opinion set forth in Paragraph 8 above may be subject to the qualification that the enforceability of the participation Agreement, the Purchase and Sale Agreement, and the Lease, in accordance with their respective terms, may be subject, as to the availability of legal remedies, to bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application and subject to the availability of the remedy of specific performance.

In rendering its opinion, such counsel may refrain from passing upon the laws of any jurisdiction other than (i) the laws of the State of Texas and (ii) the federal laws of the United States of America (excluding federal laws regulating national banks). Said counsel shall provide an opinion of Messrs. Taylor, Porter, Brooks & Phillips Louisiana counsel for the Lessee, as to all matters of Louisiana law. Orgain, Bell & Tucker shall provide its opinion that the Trustee, the Beneficiary and the Note Purchaser are justified in relying upon said opinion of Taylor, Porter, Brooks & Phillips.

Opinion of Counsel to Trustee

The opinion of Day, Berry & Howard, counsel to The Connecticut Bank and Trust Company ("CBT"), as Trustee (the "Trustee") under a Trust Agreement dated December 1, 1981 with the Beneficiary, which is called for under Section 4.1(g) of the Participation Agreement, shall be addressed to the Lessee and the Note Purchaser and shall be to the effect that:

1. CBT is a banking corporation duly incorporated, validly existing and in good standing under the laws of the State of Connecticut and has the corporate power and authority to enter into and perform its obligations under the Trust Agreement and, acting as trustee thereunder, under the Participation Agreement, the Purchase and Sale Agreement, the Notes, the Security Agreement and the Lease;

2. The Trust Agreement has been duly authorized, executed and delivered by CBT and is a legal, valid and binding obligation of CBT enforceable against CBT in accordance with its terms, and the Participation Agreement, the Purchase and Sale Agreement, the Security Agreement, and the Lease have been duly authorized, executed and delivered by the Trustee and, assuming due authorization, execution and delivery by the other parties thereto, are the legal, valid and binding obligations of the Trustee enforceable against the Trustee in accordance with their terms;

3. The Notes in an aggregate principal amount of \$5,738,383.10 have been duly authorized, executed and delivered by the Trustee against payment therefor in accordance with the terms of the Participation Agreement and are the legal, valid and binding obligations of the Trustee, enforceable against the Trustee in accordance with their terms;

4. The Trustee has such title to the Equipment as was conveyed to it pursuant to the Purchase and Sale Agreement, and the Equipment is free and clear of any liens, charges or encumbrances resulting from claims against CBT unrelated to the ownership of the Equipment or the administration of the Trust Estate;

5. No consent, approval or authorization of any governmental authority of the State of Connecticut or of any governmental authority of the United States regulating the activities of banks or trust companies, as such, is required

on the part of CBT or the Trustee in connection with the execution, delivery and performance of the Trust Agreement, the Participation Agreement, the Purchase and Sale Agreement, the lease and the Security Agreement or the offer, issue, sale, delivery or payment of the Notes;

6. Neither the execution and delivery of the Trust Agreement, the Participation Agreement, the Security Agreement, the Purchase and Sale Agreement, the Lease or the Notes, nor the consummation of the transactions thereby contemplated or the fulfillment of the terms thereof will conflict with, or result in a default under or a breach of any of the terms, conditions or provisions of the charter or bylaws of CBT.

The opinions set forth above as to the legality, validity, binding effect and enforceability of various agreements and instruments, the governing law of which is expressly stated to be of a state other than the State of Connecticut, shall be subject to each such agreement or instrument being legal, valid and binding and enforceable in accordance with its terms under the laws of such other state (as to which such counsel may refrain from expressing an opinion).

Opinions of Special Counsel for Beneficiary

The opinions of Stoel, Rives, Boley, Fraser & Wyse, special counsel for the Beneficiary, which is called for under Section 4.1(g) of the Participation Agreement, shall be addressed to the Lessee, the Trustee, the Security Trustee and the Note Purchaser and shall be to the effect that

- (i) the Beneficiary is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Oregon and has the power and authority to own or lease its properties and to carry on its business as now conducted, and to execute, deliver and perform the Participation Agreement and the Trust Agreement,
- (ii) the Participation Agreement, and the Trust agreement have been duly authorized, executed and delivered by the Beneficiary and, assuming the due authorization, execution and delivery thereof by the other parties thereto, are legal, valid and binding instruments enforceable against the Beneficiary in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting the rights of creditors generally; and the Trust Agreement duly provides for the issuance of the Notes,
- (iii) the Security Trustee is vested with all the rights, title and interests of the Beneficiary under the Lease to the extent assigned to the Security Trustee by the Security Agreement,
- (iv) such Units are free from all claims, liens, security interests and other encumbrances created by the Beneficiary (other than its rights to the Equipment arising under the Operative Agreements) or resulting from claims against the Beneficiary (except only the rights of the Security Trustee under the Security Agreement and the rights of the Lessee under the Lease),
- (v) no consent, approval or authorization of the Stockholders of the Beneficiary or any governmental authority is required on the part of the Beneficiary in connection with the execution and delivery of the Trust Agreement and

the Participation Agreement or the offer,
issue, sale or delivery of the Notes,

- (vi) to the best of such counsel's knowledge after reasonable investigation, there are no legal or governmental proceedings pending to which the Beneficiary is a party or of which any property of the Beneficiary is the subject which individually or in the aggregate are material or would adversely affect the Beneficiary's power to validly execute or perform its obligations under the Trust Agreement or the Participation Agreement,
- (vii) neither the execution and delivery of the Trust Agreement or the Participation Agreement, nor the consummation of the transactions thereby contemplated or the fulfillment of the terms thereof will conflict with or result in a default under or a breach of any of the terms, conditions or provisions of the Charter or Bylaws of the Beneficiary or any contracts to which, to the knowledge of such counsel, it is a party.

STOEL, RIVES, BOLEY, FRASER AND WYSE

(DAVIES BIGGS STRAYER STOEL AND BOLEY)

(RIVES, BONYHADI & SMITH)

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December 16, 1981

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The Travelers Insurance Company
One Tower Square
Hartford, Connecticut 06115

Gentlemen:

We have acted as special counsel for Bancorp Leasing and Financial Corp., an Oregon corporation (the "Beneficiary") in connection with the transactions contemplated by the Participation Agreement dated as of December 1, 1981 (the "Participation Agreement") among Gulf States Utilities Company (the "Lessee"), Bancorp Leasing and Financial Corp. (the "Beneficiary"), The Travelers Insurance Company (the "Note Purchaser"), The Connecticut Bank and Trust Company (the "Trustee"), and Mercantile-Safe Deposit and Trust Company (the "Security Trustee"). Capitalized terms used herein and not defined herein shall have the respective meanings assigned thereto in the Participation Agreement.

We have also acted as special counsel for United States National Bank of Oregon, a national banking association (herein called the "Guarantor") which is delivering to you a guaranty (herein called the "Guaranty") dated December 16, 1981 on the closing date, a copy of which is attached to this letter.

In this connection we have examined originals, or copies certified or otherwise identified to our satisfaction, of such records, documents, certificates and other instruments as we have considered necessary or appropriate for purposes of this opinion, including the Operative Agreements.

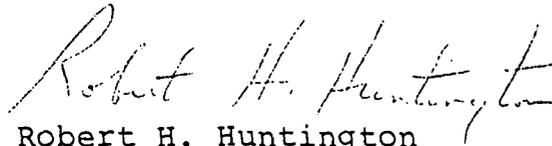
The Travelers Insurance Company
December 16, 1981
Page 2

Based upon the foregoing and subject to the qualification stated below in this letter, we are of opinion as follows:

1. The Guarantor has been duly formed as a national banking association and is validly existing as such in good standing under the laws of the United States, and has all requisite corporate power under such law to execute, deliver and perform the Guaranty;
2. The execution and delivery of the Guaranty has been duly authorized by all necessary corporate action on the part of the Guarantor, has been duly executed and delivered by the Guarantor, and is a legal, valid, binding and enforceable obligation of the Guarantor subject to applicable bankruptcy, insolvency and similar laws affecting the rights of creditors generally;
3. The execution, delivery and performance by the Guarantor of the Guaranty are not in violation of the charter documents or bylaws of the Guarantor or to our best knowledge, of any indenture, mortgage, credit agreement, license or other agreement or instrument to which it is a party or by which it is bound or any loan or governmental regulation applicable to Guarantor; and
4. Neither the execution and delivery nor the performance by the Guarantor of the Guaranty requires the consent or approval of, the giving of notice to, or the registration with, or the taking of any other action with respect to or by, any Federal governmental authority or any governmental agency of the State of Oregon.

The foregoing opinion is qualified in its entirety in that we express no opinion as to laws other than the laws of the State of Oregon and the Federal laws of the United States.

Very truly yours,



Robert H. Huntington
for

STOEL, RIVES, BOLEY, FRASER AND WYSE

Opinion of Special Counsel for Note Purchaser

The opinions of Gaston Snow Beekman & Bogue, special counsel for the Note Purchaser, which are called for under Section 4.1(g) of the Participation Agreement, shall be dated the First and Third Closing Dates, shall be addressed to the Note Purchaser and shall be, to the effect that

- (i) the Participation Agreement, assuming the due authorization, execution and delivery thereof by the Note Purchaser, has been duly authorized, executed and delivered by the respective parties thereto and is a legal, valid and binding instrument, enforceable in accordance with its terms,
- (ii) the Purchase and Sale Agreement has been duly authorized, executed and delivered by the respective parties thereto and is a legal, valid and binding instrument enforceable in accordance with its terms,
- (iii) the Security Agreement has been duly authorized executed and delivered by the respective parties thereto and is a legal, valid and binding instrument, enforceable in accordance with its terms,
- (iv) the Lease has been duly authorized, executed and delivered by the respective parties thereto and is a legal, valid and binding instrument, enforceable in accordance with its terms,
- (v) the Notes to be purchased by the Note Purchaser on such Closing Date have been duly authorized, executed and delivered by the Trustee and are legal, valid and binding instruments enforceable in accordance with their terms,
- (vi) the Security Trustee is vested with a valid perfected first security interest in all the right, title and interest of the Trustee as lessor under the Lease and the rents and other amounts payable thereunder being assigned to the Security Trustee by the Security Agreement on such Closing Date,
- (vii) the Security Trustee is vested with a valid perfected first security interest in the Units of Equipment, being assigned to the Security Trustee on such Closing Date pursuant to the Security Agreement,
- (viii) subject to the security interest created in favor of the Security Trustee and the rights of the Lessee under the Lease, the Trustee is vested with all rights of ownership in and to the Units of Equipment being as-

signed to the Security Trustee on such Closing Date pursuant to the Security Agreement,

- (ix) no approval of (a) the Interstate Commerce Commission or (b) based on the Order of the Federal Energy Regulatory Commission (FERC), referred to below, of the FERC or (c) any other governmental authority is necessary for the valid execution and delivery of the Participation Agreement, the Purchase and Sale Agreement, the Security Agreement, the Lease or the Notes. On August 31, 1981, the Lessee filed an application with the FERC (Docket No. ES81-59) pursuant to Section 204(a) of the Federal Power Act seeking an Order authorizing the assumption of an obligation or liability pursuant to a proposed lease of 605 coal cars and thereafter amended said application. On December 9, 1981 the FERC issued an Order in the proceedings on the Lessee's said application disclaiming jurisdiction on the ground that the proposed lease transaction does not constitute a transaction requiring FERC authorization pursuant to Section 204 of the Federal Power Act. To our knowledge, no application for rehearing or petition for review with respect to said order has been made or filed. Neither the validity of the Notes, the Security Agreement or the Lease, nor the lien of the Security Agreement as security for the Notes would be affected by any such rehearing or petition which may occur or be filed after the issuance of the Notes,
- (x) the Security Agreement, the Participation Agreement, the Lease, the bill of sale heretofore delivered by the Manufacturer to the Lessee with respect to the Units to be purchased by the Trustee on the First Closing Date, the Bill of Sale (or Manufacturer's Bill of Sale) and the Release with respect to the Units being purchased by the Trustee on or before the date of such opinion have been duly filed and recorded with the Interstate Commerce Commission in accordance with 49 U.S.C. §11303, the filing is in full force and effect, the Security Trustee is in possession of the "original" of each of the Lease, the Participation Agreement and the Security Agreement, and no other filing or recordation is necessary for the perfection of the rights of the Security Trustee in the Collateral in any state of the United States of America or in the District of Columbia,
- (xi) such counsel has reviewed all entries shown in the index of the Interstate Commerce Commission under the names of the Lessee, the Trustee and the Manufacturer. Such review has not shown any filing with respect to the Units of Equipment except for a filing naming the Manufacturer as secured party under an agreement with

the Lessee. However, such security interest of the Manufacturer in the Units of Equipment being assigned to the Security Trustee as of such Closing Date has been released pursuant to an instrument filed and recorded with the Interstate Commerce Commission.

- (xii) registration of the Notes delivered pursuant to the Participation Agreement is not required under the Securities Act of 1933, as amended, and qualification of the Security Agreement is not required under the Trust Indenture Act of 1939, as amended, and
- (xiii) the opinions delivered to the Note Purchaser by counsel for the Lessee, Louisiana counsel for the Lessee, counsel to the Trustee and special counsel for the Beneficiary and Guarantor pursuant to Section 4.1(g) of the Participation Agreement have been examined by and are satisfactory in form and scope to such counsel and in their opinion the Security Trustee, the Note Purchaser and such special counsel are justified in relying upon such opinions,

Gaston Snow Beekman & Bogue may refrain from passing upon the power and authority of any party other than the Trustee and the Lessee to enter into and execute and deliver the instruments and documents referred to herein or to effect the transactions contemplated thereby, or upon the application to such other parties' authority to do so of any federal or state law or regulation, and for the purposes of their opinion, Gaston Snow Beekman & Bogue may assume that such other parties have all requisite authority and have taken all necessary corporate action to enter into such agreements and execute such instruments and documents.

Any opinions hereinabove set forth that the instruments referred to in paragraphs (i) to (v) inclusive are valid and legally binding obligations and as to their enforceability may be subject (i) to the effect of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors rights in general, (ii) to general principles of equity regardless of whether such enforceability is considered in a proceeding in equity or at law, and (iii) to the discretion of a court before which any proceeding therefor is brought in ordering equitable relief such as specific performance or injunctive relief.

In rendering such opinions Gaston Snow Beekman & Bogue may (1) rely as to all matters of Texas, Louisiana, Connecticut and Oregon law involved in the conclusions set forth therein upon the opinions of Texas, Louisiana, Connecticut and Oregon counsel delivered to the Note Purchaser pursuant to Section 4.1(g) of the Participation Agreement, (2) assume the genuineness of all signatures and the authenticity of all documents submitted to them as originals and the conformity with the originals of all documents

submitted to them as copies thereof, (3) rely upon advices and certificates of public officials as to the issuance of orders, the recording and filing of documents and other public matters, (4) rely on representations and warranties contained in the instruments referred to in clauses (i) to (v), inclusive, above, and (5) rely upon certificates of officers or employees of parties to the instruments referred to in clauses (i) to (v), inclusive, above, with respect to relevant factual matters which were not independently established or verified by them.

and covering such other matters as may reasonably be requested by the Note Purchaser.

NON-RECOURSE PROMISSORY NOTE

\$8,117,809.71

New York, New York
December 31, 1981

FOR VALUE RECEIVED, the undersigned, THE CONNECTICUT BANK AND TRUST COMPANY ("Debtor") a Connecticut banking corporation with its principal place of business at One Constitution Plaza, Hartford, Connecticut 06115 solely as trustee under Trust Agreement dated as of December 1, 1981 between itself and Bancorp Leasing and Financial Corp. as Beneficiary promises to pay to

BETHLEHEM STEEL CORPORATION
or registered assigns,
the principal sum of

EIGHT MILLION, ONE HUNDRED SEVENTEEN THOUSAND EIGHT HUNDRED NINE AND SEVENTY-ONE ONE HUNDREDTHS DOLLARS (\$8,117,809.71)

without interest in one installment as follows:

one (1) installment of principal in the amount of
\$8,117,809.71 payable on January 4, 1982;

and to pay interest on overdue principal at the rate of 20% per annum after maturity ("Late Payment Rate"), whether by acceleration or otherwise, until paid. All payments hereunder will be applied first to interest due hereunder, if any, and then to principal. Both the principal hereof and interest, if any, hereon are payable to the registered holder hereof at the office of _____ in _____, in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debt.

As security for the payment and performance of the obligation under this Non-Recourse Promissory Note, Debtor hereby gives the registered holder hereof named above a security interest in and lien on all of the Debtor's rights in the following described property now owned by the Debtor or to be supplied to the Debtor (hereinafter called the "Collateral"):

<u>Nature Of Collateral</u>	<u>Opening Bank</u>	<u>Letter of Credit Number</u>	<u>Issuance Date</u>	<u>Principal Amount</u>	<u>Final Negotiation Date</u>
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Irrevocable
Bank Letter
of Credit

The Collateral is to be held by the registered holder hereof until payment of this Note in full.

If the Debtor shall fail to make any payment due hereunder by the close of business on the day such payment shall become due, or if the Debtor shall suffer the imposition upon the Collateral of any claim, lien, security interest, encumbrance or charge which is prior to or on a parity with the security interest granted herein, all of the payments due hereunder shall become immediately due and payable, without notice or demand, and the holder of this Note may (and the Debtor hereby authorizes and empowers the holder of this Note) to foreclose its security interest in the Collateral and to draw on the letter of credit deposited as collateral for its obligation hereunder to the exclusion of the Debtor or anyone else and to apply the proceeds thereof to the obligations payable hereunder all to the extent permitted by and in accordance with law.

Debtor hereby waives a trial by jury and the right to interpose (i) any counterclaims or offsets of any nature or description in any litigation between the Debtor and the holder with respect to this Note, or (ii) claims arising out of or relating to or connected with the debt secured hereby or the Collateral or disposition thereof.

The Debtor will reimburse the holder for all fees of attorneys or collection agencies and all expenses, costs and charges paid or payable to third persons or suffered or incurred by the holder in attempting or effecting protection or preservation of its security interest in the Collateral or the enforcement of any provision hereof or the enforcement of this Note or in the collection of the amounts secured hereby or in the exercise of any authority, right or remedy conferred upon the holder herein or by law, together with interest thereon at the Late Payment Rate from the date of the holder's request for reimbursement until the date of reimbursement.

All rights, remedies and options conferred upon the holder hereunder or by law shall be cumulative and may be exercised successively or concurrently and are not alternative or exclusive of any other such rights, remedies or options. No express or implied waiver by the holder of any default or event of default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent default or event of default. The failure or delay of the holder in exercising any rights granted it hereunder shall not constitute a waiver of any such right in the future and any single or partial exercise of any particular right by the holder shall not exhaust such rights or constitute a waiver of any other right provided herein.

This Note has been executed and delivered in, and is governed by and construed in accordance with the laws of, the State of New York.

It is expressly understood and agreed by and between the Debtor, and the holder hereof and their respective successors

and assigns, that this Note is executed by the Debtor solely in its capacity as Trustee, and it is expressly understood and agreed that nothing herein contained shall be construed as creating any liability on the Debtor, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the holder hereof and by each and every person now or hereafter claiming by, through or under the holder hereof; and that so far as the Debtor, individually or personally, is concerned, the holder hereof shall look solely to the Collateral for payment of the indebtedness evidenced by this Note and the performance of any obligation hereunder.

This Note is transferable by the holder hereof in person or by his duly authorized attorney.

IN WITNESS WHEREOF, the Debtor has caused this Note to be duly executed under seal as of the above date.

THE CONNECTICUT BANK AND TRUST
COMPANY, as Trustee aforesaid

By: _____

Its _____



UNITED STATES NATIONAL BANK OF OREGON

HEAD OFFICE

309 S.W. SIXTH AVENUE

P.O. Box 4412, PORTLAND, OREGON 97208

December 16, 1981

The Travelers Insurance Company
One Tower Square
Hartford, Conn. 06115

Dear Sirs:

We refer to the Participation Agreement dated as of December 1, 1981 (the "Participation Agreement") among Gulf States Utilities Company ("Gulf States"), The Travelers Insurance Company ("Travelers"), Bancorp Leasing and Financial Corp. ("Bancorp"), The Connecticut Bank and Trust Company, as Owner Trustee, and Mercantile-Safe Deposit and Trust Company, as Security Trustee.

In consideration of the execution and delivery of the Participation Agreement by Travelers with Bancorp, a wholly-owned subsidiary of United States National Bank of Oregon, the undersigned hereby absolutely and unconditionally guarantees, for the benefit of Travelers the performance by Bancorp of each and every obligation of Bancorp contained in the Participation Agreement and the Operative Agreements ("Operative Agreements") defined therein ("Bancorp's Obligations") in accordance with the terms thereof (including, without limiting the foregoing, the prompt payment when due (whether at maturity, upon acceleration or otherwise) of any amounts specified therein). The undersigned hereby agrees that if Bancorp shall fail to perform any of Bancorp's Obligations in accordance with the terms of the Participation Agreement and other Operative Agreements, the undersigned will forthwith perform the same and will pay any and all damages that may be incurred or suffered by Travelers as a consequence of Bancorp's failure to perform.

This Guaranty shall continue in effect until all of Bancorp's Obligations including any extensions or modifications to which Bancorp has agreed have been performed.

The undersigned intends and agrees that its liability hereunder shall at all times be coextensive with, but neither greater nor lesser than, the liability of Bancorp for performance of Bancorp's Obligations. The liability of the undersigned shall be that of one primarily liable on Bancorp's Obligations and not

The Travelers Insurance Company
December 16, 1981

merely that of a surety. Accordingly, in the event Bancorp fails to perform Bancorp's Obligations, Travelers, upon giving the undersigned written notice of Bancorp's failure and written demand for performance by the undersigned, shall be entitled, without first suing Bancorp, to immediate direct performance of Bancorp's Obligations by the undersigned, to the same extent (but to no greater or lesser extent) that Travelers shall then be entitled to performance of Bancorp's Obligations by Bancorp. If called upon to perform Bancorp's Obligations the undersigned shall be entitled to raise those defenses, if any, which Bancorp shall then be entitled to raise, and no other defenses.

The undersigned shall pay all reasonable costs, fees and expenses (including attorneys' fees) incurred by Travelers in successfully collecting or enforcing this Guaranty.

The Guaranty shall (i) bind the undersigned and the successors and assigns of the undersigned, (ii) inure to the benefit of Travelers, and its successors and assigns and (iii) be governed by the internal laws of the State of New York.

Very truly yours,

UNITED STATES NATIONAL BANK
OF OREGON

By



Senior Vice President