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INTERSTATE COMMERCE COMMISSION

ANNEX C
to Conditional
Sale Agreement

LEASE OF RAILROAD EQUIPMENT

Dated as of September 1, 1994

Between

GEORGIA POWER COMPANY,
as Lessee,

And

FIRST BANK NATIONAL ASSOCIATION,
as Lessor.

The rights and interests of the Lessor under this Lease are subject to a security interest in favor of NationsBank of Georgia, National Association, as Agent for institutional investor or investors. The sole original of this Lease is held by said Agent.

Filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 on September __, 1994, at _____ _.m., recordation number _____.

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APPENDIX A Units of Railroad Equipment

LEASE OF RAILROAD EQUIPMENT dated as of September 1, 1994 between GEORGIA POWER COMPANY, a Georgia corporation ("Lessee"), and FIRST BANK NATIONAL ASSOCIATION, a national banking association ("Lessor").

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof ("CSA") with Trinity Industries, Inc., a Delaware corporation ("Builder"), pursuant to which the Builder has agreed to manufacture, sell and deliver to the Lessor the units of railroad equipment described in Appendix A hereto;

WHEREAS pursuant to an Agreement and Assignment dated as of the date hereof ("CSA Assignment") the Builder is assigning its interests in the CSA to NationsBank of Georgia, National Association, a national banking association, acting as agent (said bank, as so acting, together with its successors and assigns "Agent") under a Participation Agreement dated as of the date hereof ("Participation Agreement") among the Lessee, the Lessor, the Agent and State Farm Life Insurance Company (the "Investor") (capitalized terms used herein without definition having the meanings specified in the Participation Agreement);

WHEREAS the Lessee desires to lease such number of units of the railroad equipment as are delivered and accepted and settled for under the CSA ("Units") at the rentals and for the terms and upon the conditions hereinafter provided;

WHEREAS the Lessor will assign certain of its rights under this Lease for security to the Agent pursuant to an Assignment of Lease and Agreement dated as of the date hereof ("Lease Assignment"), and the Lessee will acknowledge and consent thereto pursuant to the Consent and Agreement ("Consent") in the form attached to the Lease Assignment;

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

SECTION 1. NET LEASE

This Lease is a net lease. The Lessee's obligation to pay all rentals and other amounts hereunder shall be absolute and unconditional and, except as herein specifically provided, the Lessee shall not be entitled to any abatement of rent, reduction thereof, recoupment or setoff against rent or such other amounts, including, but not limited to, abatements, reductions, recoupments or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or the CSA including the Lessee's rights (if any) by subrogation thereunder to the Builder or the Agent or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any Person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final, and the Lessee shall not seek to recover all or any part of such payment from the Lessor or the Agent for any reason whatsoever. Nothing in this Section 1 shall be construed as a waiver of or shall limit the Lessee's right of action against the Lessor or any other Person for damages which arise out of, whether in whole or part, any breach by the Lessor or such other Person of any provision of this Lease or any agreement relating hereto.

SECTION 2. DELIVERY

The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. Each delivery of a Unit to the Lessor under the CSA shall be deemed to be a delivery hereunder to the Lessee at the point or points within the United States of America at which such Unit is so delivered to the Lessor. Upon such delivery, the Lessee will cause an employee or agent of the Lessee to inspect the same and, if such Unit is found to be acceptable, to accept delivery of such Unit on behalf of the Lessor under the CSA and on behalf of itself hereunder and execute and deliver to the Lessor a certificate of acceptance ("Certificate of Acceptance") in accordance with the provisions of Section 3.4 of the CSA, stating, among other things, that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with Section 5.1 hereof, whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

SECTION 3. RENTALS

3.1. Amount and Date of Payment. (1) As rental for each Unit subject to this Lease, the Lessee agrees to pay to the Lessor the rental payments in the amounts and on the dates shown in Appendix A to the Participation Agreement. The foregoing rental payments, as the same may be adjusted as provided in this Section 3.1, are herein called "Basic Rents". The Lessee also agrees to pay, promptly on the date when due or, if no due date is specified, on demand, all amounts constituting "Supplemental Rents". "Supplemental Rents" shall mean Casualty Values, Termination Values, any premium payable with respect to the CSA Indebtedness, indemnities, interest on any overdue installment of rent and other sums due from the due date until paid in full at the Overdue Rate (as defined in Section 4.6 of the CSA), to the extent permitted by applicable law, any insurance premium paid by the Lessor in respect of insurance required to be carried by Lessee under this Lease, damages for breach of any covenants, representations or warranties of the Lessee under any of its Documents and all other amounts, liabilities and obligations (other than Basic Rent or any periodic rent payable during any Renewal Term) which the Lessee assumes or agrees to pay under this Lease or under any other of its Documents to Lessor or any other Person.

(2) The Basic Rents and the related Casualty Values and Termination Values set forth in Appendix B to the Participation Agreement have been calculated on the assumptions

set forth in Appendix A thereto. If for any reason those assumptions prove to be incorrect, then, such Basic Rents (and the related Casualty Values and Termination Values) payable by the Lessee hereunder in respect of such Units shall be increased or decreased, as the case may be, by such amount as shall cause the Lessor's nominal monthly net after-tax economic multiple investment sinking fund yield, total after-tax cash flow and ratio of after-tax cash flow to total investment, otherwise computed on the same pricing bases, including tax rates, as were utilized by the Lessor in originally evaluating the transaction with respect to such Units (such yield, cash flow and ratio being hereinafter called "Net Economic Return"), to be approximately equal to but not less than the Net Economic Return that would have been realized by the Lessor if such assumptions had proved to be correct. The amount of any such increase or decrease will be calculated by the Lessor, and the Lessor shall provide a schedule of adjusted Basic Rents, Casualty Values and Termination Values to the Lessee and the Agent promptly after the calculations have been made, together with a certificate of a responsible officer of the Lessor to the effect that such calculations were made in good-faith compliance with the terms hereof. If requested by the Lessee, such calculations shall be reviewed by Arthur Andersen & Co. (or such other independent third party upon which the Lessor and the Lessee may agree) to determine compliance by the Lessor with the foregoing terms, and the determinations made pursuant to such review shall be conclusive and binding on the Lessor and the Lessee with respect to any disagreement they may have concerning any such calculations. The cost of such review shall be borne by the Lessee; provided, however, that if the final adjustment to Basic Rents resulting from such review differs, in the aggregate, from the adjustment set out in the calculations provided by the Lessor by an amount equal to or greater than 5% of such final adjustment, the cost of such review shall be borne by the Lessor.

(3) In the event that any dispute should arise as to the recalculation of such Basic Rents under Section 3.1(2) (or the related Casualty Values and Termination Values), the Lessee agrees, pending resolution of such dispute, to pay on account of such rentals (or such Casualty Values and Termination Values), on the dates due hereunder, amounts determined pursuant to the calculations provided by the Lessor; and, upon resolution of any such dispute as provided in Section 3.1(2), the party owing any amounts to the other as the result of such resolution shall promptly make payment thereof, together with interest thereon at the Overdue Rate (as defined in Section 4.6 of the CSA).

(4) Anything in the foregoing provisions of this Section 3.1 to the contrary notwithstanding, each installment of the Basic Rents, and the amount of the Casualty Value or

Termination Value, as the case may be, hereunder shall not be less than amounts which are sufficient to satisfy the obligations of the Lessor under the CSA to pay when due (determined without regard to any acceleration thereof) the CSA Indebtedness.

3.2. Payments on Nonbusiness Days. If any of the rental payment dates referred to in Section 3.1 or Casualty Payment Dates referred to in Section 7.1 is not a business day, the payment otherwise payable on such date shall be payable on the next business day, and no interest shall be payable thereon for the period from and after the scheduled date for payment thereof to such next business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, Minneapolis, Minnesota, or Atlanta, Georgia are authorized or obligated to remain closed.

3.3. Payment in Immediately Available Funds. The Lessee agrees to make each payment provided for herein as contemplated by Section 3.1 in immediately available funds at or prior to 11:00 a.m. in the city where such payment is to be made.

3.4. Instructions to Pay Agent and Lessor. Until the Agent notifies the Lessee that the CSA is no longer in effect, the Lessor irrevocably instructs the Lessee to make all the payments due the Lessor provided for in this Lease (other than Excluded Payments and Rights as defined in the Lease Assignment) to the Agent, for the account of the Lessor in care of the Agent. The Lessor has instructed the Agent (a) first to apply such payments to satisfy the obligations of the Lessor under the CSA and (b) second, so long as no event of default under the CSA, or event which with the lapse of time and/or demand provided for in the CSA could constitute an event of default thereunder, shall have occurred and be continuing, to pay any balance promptly to the Lessor or to the order of the Lessor in immediately available funds at such place as the Lessor shall specify in writing at least one day in advance.

3.5. Prepaid Rent. In addition to its obligations to pay Basic Rents and Supplemental Rents, if and to the extent that on July 1, 1995 the Lessor shall fail to pay the Deferred Amount (as defined in the Participation Agreement) or any portion thereof, the Lessee shall prepay, as Rent, to the Lessor, on such date an amount equal to the unpaid portion of the Deferred Amount. For purposes of this paragraph, the sum of (x) any Deferred Amount paid by the Lessee under this Lease plus (y) accrued interest on the unreimbursed portion thereof at a rate equal to the Overdue Rate (as defined in the CSA) plus 4% per annum (calculated on the basis of a 360-day year of twelve 30-day months) from, but excluding, the date such amount is paid to and including the date

it is reimbursed, by the Lessor or pursuant to the following sentence, shall be referred to as the "Reimbursement Amount." The Lessee shall be entitled to offset, without duplication, against any Rent (other than Rent constituting the Deferred Amount and other than as limited by the proviso to this sentence) due from the Lessee to the Lessor under the Documents, until the Lessee has been fully reimbursed for the Reimbursement Amount whether by cash payments, offsets as herein provided or any combination thereof; provided, however, that no such offset or aggregate combined effect of separate offsets shall reduce the amount of any payment of Rent then due to an amount insufficient to pay in full the payments then required to be made on account of the principal of and interest and premium, if any, on the CSA Indebtedness then outstanding. Payment of the Deferred Amount made by the Lessee shall be deemed to be a prepayment of Basic Rent made in the order in which installments of such Basic Rent become due.

SECTION 4. TERM OF LEASE

4.1. Beginning and Termination; Survival. The term of this Lease as to each Unit shall begin on the date of delivery of a Certificate of Acceptance pursuant to Section 2 hereof in respect of such Unit and, subject to the provisions of Sections 7, 13 and 16 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to Section 3.1 hereof. All obligations of the Lessee hereunder shall survive the expiration of the term of this Lease.

4.2. Rights and Obligations of Lessee Subject to CSA. Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights and obligations of the Agent under the CSA. If an event of default should occur under the CSA, the Agent may terminate this Lease without affecting the indemnities which by the provisions of this Lease survive the termination of its term (or rescind its termination), all as provided therein; provided, however, that so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Agent is entitled to apply the Payments as defined in the Lease Assignment in accordance therewith, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use, sublease and assignment provided under Section 15 hereof. The Lessor covenants that so long as an Event of Default hereunder or an event which, with the passage of time or the giving of notice, or both, would constitute an Event of Default hereunder shall not have occurred and be continuing, it will not interfere in the Lessee's quiet enjoyment or possession of any Unit and agrees

that the Lessee shall not be deprived of its right of quiet enjoyment and possession of any Unit as a result of any act of, or claim against, the Lessor.

SECTION 5. IDENTIFICATION MARKS

5.1. Identifying Numbers; Legend; Changes. The Lessee will cause each Unit to be kept numbered with the identification number set forth in Appendix A hereto, or in the case of any Unit not there listed such identification number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION", or other appropriate words designated in writing by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be designated in writing by the Lessor as required by law in order to protect the Lessor's and the Agent's title to and interest in such Unit and the rights of the Lessor under this Lease and of the Agent under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace promptly any such words which may be removed, obliterated, defaced or destroyed. The Lessee will not change the identification number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Agent and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Agent and the Lessor an opinion of counsel to the effect that such statement has been so filed, recorded and deposited, such filing, recordation and deposit will protect the Agent's and the Lessor's interests in such Units and no filing, recording, deposit or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interests of the Agent and the Lessor in such Units.

5.2. Insignia of Lessee. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or any of its affiliates, but the Lessee will not allow the name of any other Person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership. At the expiration of this Lease or any extension hereof, the Lessor will promptly remove, at the Lessee's expense, the Lessee's names, initials or other insignia

and will not allow the Units to be used or operated without first removing the same.

SECTION 6. TAXES

6.1. Indemnification for Nonincome Taxes. Whether or not any of the transactions contemplated hereby are consummated, the Lessee agrees to pay, and to indemnify and hold the Lessor, the Investor and the Agent (in its corporate capacity and as Agent hereunder) and their respective officers, directors, affiliates, successors, assigns, agents and servants ("Indemnified Persons") harmless on an after-tax basis from, all taxes, assessments, withholdings, fees and charges of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon, howsoever imposed, whether levied or imposed upon the Lessor, the Investor, the Lessee, the Agent or otherwise, by any Federal, state or local government or governmental subdivision in the United States or by any foreign country or subdivision thereof, upon or with respect to any of the Units or any part thereof; the manufacture, purchase, ownership, delivery, leasing, subleasing, possession, use, operation, transfer of title, sale, return or other disposition thereof; the indebtedness with respect thereto; the rentals, receipts or earnings arising therefrom; this Lease, the Participation Agreement, the CSA, the CSA Assignment, the Lease Assignment or any other Document, or any payment made pursuant to any such agreement or otherwise with respect to or in connection with the transactions contemplated by the Documents (all such taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed as aforesaid being hereinafter called "Taxes"); excluding, however, with respect to each Indemnified Person: (i) Taxes (other than Taxes in the nature of sales or use taxes or value-added taxes) based or imposed on, or measured by, the net or gross income or gross receipts of such Indemnified Person (or franchise taxes imposed on such Indemnified Person to the extent that they are taxes in lieu of net income taxes) by the United States or by any state or political subdivision thereof in which such Indemnified Person's principal place of business is located or in which such Indemnified Person is subject to net income tax by reason of engaging in business in such jurisdiction (other than the leasing of Units located therein); provided that Taxes of any foreign country or subdivision thereof incurred as a result of the Indemnified Person being taxed by such foreign country or subdivision on its world-wide income without regard to the transactions contemplated by this Lease shall be excluded in all cases, whether or not the Indemnified Person is entitled to a credit against its United States Federal income taxes; (ii) Taxes on any items of tax preference or any minimum tax; (iii) any Taxes imposed as a direct result of a voluntary or involuntary transfer or other

disposition by the Lessor, the Investor or the Agent (other than in connection with a transfer to a successor Agent as permitted pursuant to the Documents or the exercise of any remedy for an Event of Default which shall have occurred and be continuing at the time of such transfer or other disposition) or any transfer or disposition by the Lessor, the Investor or the Agent resulting from bankruptcy or other proceedings for the relief of debtors in which the Lessor, the Investor or the Agent is the debtor, whether voluntary or involuntary, of any interest in any Unit or interest in rentals under this Lease or payments under the CSA; (iv) Taxes imposed by any jurisdiction to the extent that such Taxes would not have been imposed on such Indemnified Person but for activities in such jurisdiction by such Indemnified Person commencing after the Closing Date and unrelated to the transactions contemplated hereby; (v) Taxes to the extent resulting from the willful misconduct or gross negligence of such Indemnified Person; (vi) Taxes in the nature of franchise taxes, value added taxes (other than in the nature of sales or use taxes), capital stock taxes, net worth taxes or taxes on doing business, except to the extent such Taxes are related to or result from the transactions contemplated by the Documents; (vii) Taxes incurred by such Indemnified Person as a result of its own bankruptcy; (viii) any Taxes (other than Taxes in the nature of sales or use taxes) based or imposed on or measured by any fees or compensation received by the Lessor, the Investor or the Agent; (ix) Taxes which are imposed with respect to any period, or with respect to any act, occurring after the termination of this Lease and the return of the Units to the Lessor in accordance herewith; and (x) Taxes for which the Lessee is obligated to indemnify the Lessor pursuant to the Indemnity Agreement; provided, however, that the Lessee shall not be required to pay any Taxes during the period it may be contesting the same in the manner provided in Section 6.2 hereof. The Lessee further agrees to pay on or before the time or times prescribed by law any tax imposed on or measured solely by the net income, gross income or gross receipts of the Lessee under the laws of the United States or of any state or political subdivision thereof, or of any foreign country or subdivision thereof which, if unpaid, might result in a lien or other encumbrance upon any Unit; provided, however, that the Lessee shall not be required to pay any such tax during the period it may be contesting the same in good faith by appropriate proceedings if (i) in the reasonable opinion of the Lessor and the Agent such contest or the nonpayment of such tax would not materially and adversely affect the title, property or rights of the Lessor hereunder or of the Agent under the CSA or (ii) the Lessee provides a bond or other security reasonably satisfactory to the Lessor and the Agent.

6.2. Claims, Contests; Refunds. If claim is made against any Indemnified Person for any Taxes indemnified against under this Section 6, such Indemnified Person shall promptly notify the Lessee in writing. If reasonably requested by the Lessee in writing, such Indemnified Person shall, upon receipt of any indemnity satisfactory to it for all its reasonable charges for its services rendered in connection therewith and for all costs, expenses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Lessee, contest (or at such Indemnified Person's election and if permitted by law, permit the Lessee to contest in the name of such Indemnified Person) in good faith the validity, applicability or amount of such Taxes by (a) resisting payment thereof if possible, (b) not paying the same except under protest, if protest is necessary and proper, or (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. The Lessee shall be entitled at its expense to assume control of and responsibility for any contest pursuant to this Section 6.2 in the name of the Lessee. In no event shall the Lessee have any responsibility in connection with the settlement or other compromise of any claim effected without its prior written consent. Notwithstanding the foregoing, no proceeding or actions relating to such contest shall be commenced (nor shall any pleading, motion, brief or other paper be submitted or filed in the name of the Lessor, the Investor or the Agent in any such proceeding or action) unless (i) in the reasonable opinion of the Lessor or the Agent, such contest or the nonpayment of the Taxes would not materially and adversely affect the title, property or rights of the Lessor hereunder or of the Agent under the CSA or, if there would be such an adverse effect, the Lessee provides a bond or other security reasonably satisfactory to the Lessor and the Agent, and (ii) if the Indemnified Person contests the Tax by making payment thereof and conducting a refund proceeding, the Lessee has advanced to such Indemnified Person as an interest-free loan and with no additional tax cost to such Indemnified Person an amount equal to the Taxes so paid. The Lessee agrees to give the Lessor and the Agent reasonable notice of such contest prior to the commencement thereof. Notwithstanding the foregoing, the Indemnified Person shall not be required to contest, or to continue to contest, the Tax if such Indemnified Person waives its right to indemnification hereunder with respect to the Tax in issue. If the Lessor or the Agent shall obtain a refund of all or any part of such Taxes previously reimbursed by the Lessee in connection with any such contest or an amount representing interest thereon, the Lessor or the Agent, as the case may be, shall pay the Lessee the amount of such refund or interest net of expenses; provided, however, that no such payment shall be required if an Event of Default or an event which with notice or lapse of time or both would constitute an Event of

Default shall have occurred and be continuing and the amount of such payment shall in no event exceed all amounts previously paid by the Lessee to the appropriate Indemnified Person under this Section 6 reduced by all prior payments by such Indemnified Person to the Lessee pursuant to this sentence. Any disallowance or reduction of such refund subsequent to the year of realization by the Lessor or the Investor shall be treated as a Tax subject to indemnification pursuant to the provisions of this Section 6.

6.3. Reports or Returns. In case any report or return is required to be made with respect to any obligation of the Lessee under or arising out of this Section 6 (except obligations resulting from the last sentence of Section 6.1), the Lessee will, where permitted to do so under applicable rules and regulations, make and timely file such reports and returns, including exemption certificates or affidavits with respect to any sales or use tax, in such manner as to show the interest of the Lessor and the Agent in the Units as shall be satisfactory to the Lessor and the Agent or, where not so permitted, will notify the Lessor and the Agent of such requirement and will prepare and deliver such reports to the Lessor and the Agent within a reasonable time prior to the time such reports are to be filed. All costs and expenses (including reasonable legal and accountants' fees and disbursements) of preparing any such return or report shall be borne by the Lessee.

6.4. Withholding. Notwithstanding anything herein to the contrary, all amounts received by the Agent or the Lessor which are furnished by the Lessee shall be free of withholdings of any nature whatsoever, and in the event that any withholding is required, the Lessee shall pay an additional amount such that the net amount actually received by the Agent or the Lessor (or such other Person entitled to receive such amounts under the Documents) after such withholding will equal the full amount of the payment then due. If the Lessee has paid any such additional amount and the corresponding withholding tax is not indemnifiable by the Lessee pursuant to Section 6.1, the Lessee shall notify the Indemnified Person in writing of the amount of such additional payment and provide the Indemnified Person a receipt or other document appropriately evidencing the payment of such withholding tax. Within thirty (30) days of receipt of such notice and documentation, the Indemnified Person shall repay to the Lessee such additional amount together with interest thereon from the date of the Lessee's payment to the date of repayment at a rate equal to the Debt Rate (as defined in the CSA) during such period.

6.5. Survival. All the obligations of the Lessee under this Section 6 shall survive and continue notwithstanding payment in full of all amounts due under the CSA or the termination of

this Lease. Payments due from the Lessee to the Lessor or the Agent under this Section 6 shall be made directly to the party indemnified.

SECTION 7. PAYMENT FOR CASUALTY OCCURRENCES; INSURANCE; ECONOMIC OBSOLESCENCE

7.1. Definition of Casualty Occurrence; Payments. In the event that any Unit shall be or become lost, stolen, destroyed or, in the Lessee's good faith opinion, irreparably damaged from any cause whatsoever during the term of this Lease or any renewal term hereof or until such Unit is returned pursuant to Section 14 or Section 17 hereof, or any Unit shall be taken or requisitioned by condemnation or otherwise by the United States Government for a period which shall exceed the then remaining term of this Lease or by any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days during the term of this Lease or during any renewal term hereof ("Casualty Occurrence"), the Lessee shall within 15 days after it shall have reasonably determined that such Unit has suffered a Casualty Occurrence notify the Lessor and the Agent with respect thereto. On the semiannual rental payment date next succeeding the delivery of such notice (said such date being hereinafter called a "Casualty Payment Date"), the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of any such Unit due and payable on such date plus an amount equal to the Lessor's Casualty Value (as hereinafter defined) of any such Unit as of such Casualty Payment Date; provided, however, that in the event of a Casualty Occurrence during the period any Unit is required to be returned pursuant to Section 14 or Section 17 hereof and the 10 days prior thereto, the Lessee shall make such payment of the Lessor's Casualty Value, and any earnings or rentals accrued pursuant to Section 14 or Section 17 hereof, to the Lessor on a date not later than 30 days after delivery of notice thereof. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue as of the date of such payment, the term of this Lease as to such Unit shall terminate and the Lessee shall, without further act or deed, be entitled to ownership and possession of such Unit. Notwithstanding the foregoing, if the Casualty Occurrence is a taking or requisition by the United States Government, the Lessor may, by giving written notice to the Lessee and the Agent prior to the Casualty Payment Date, and with the prior written consent of the Agent, waive receipt of the Lessor's Casualty Value, in which event the rental for the affected Units shall cease to accrue as of such Casualty Payment Date, the term of this Lease as to such Units shall terminate and the Lessee shall have no further rights or obligations with respect to such Units.

In addition to the occurrences constituting a Casualty Occurrence under the preceding paragraph, if any Unit shall have been taken or requisitioned by the United States Government or any other governmental entity (collectively "Government") and such taking or requisition shall not theretofore constitute a Casualty Occurrence as aforesaid, such taking or requisition shall be deemed a Casualty Occurrence if the same shall be continuing at the end of the original or any renewal term of this Lease, in which event the Lessee shall promptly and fully notify the Lessor with respect thereto and pay the Lessor an amount equal to the Lessor's Casualty Value of such Unit as of the end of such term. Following such payment, the Lessee shall be entitled to receive condemnation payments in respect of such Unit up to an amount equal to such Lessor's Casualty Value and any balance of such payments shall be the property of the Lessor. In the event such Unit shall be returned by a Government prior to the time the Lessee shall have been reimbursed by such application of condemnation payments in an amount equal to such Lessor's Casualty Value, then the Lessee shall dispose of such Unit as agent for the Lessor and shall retain the proceeds of such disposition to the extent that the aggregate of the amounts so retained and the condemnation payments theretofore received by the Lessee shall equal such Lessor's Casualty Value plus the expenses of the disposition, and the balance of such proceeds shall be promptly paid to the Lessor. In the event such Unit shall be returned by a Government following the time the Lessee shall have been reimbursed by such application of condemnation payments in an amount equal to such Lessor's Casualty Value, such Unit shall be returned by the Lessee to the Lessor in the manner provided in Section 17 hereof.

The Lessee hereby agrees that, as soon as practicable after its payment of the Lessor's Casualty Value pursuant to this Section 7.1, as long as the CSA Indebtedness remains outstanding the Lessee will prepare and furnish to the Agent a revised Schedule I to the CSA (amortization of the CSA Indebtedness) giving effect to such payment.

Notwithstanding the foregoing provisions of this Section 7.1, the Lessee shall not be required to make any Casualty Payment in respect of any Unit suffering a Casualty Occurrence ("Casualty Unit") if (i) at least 30 days prior to the Casualty Payment Date, the Lessee shall give written notice to the Lessor and the Agent that the Lessee will transfer to the Lessor for lease hereunder other aluminum railcar equipment which is, in the reasonable opinion of the Lessor, similar to the Casualty Unit ("Substitute Equipment"), in the condition required by Section 11.1 hereof, with a Fair Market Sale Value (as defined in Section 16.1 hereof) at least equal to the Fair Market Sale Value of such Casualty Unit and with a coal carrying capacity substantially the

same as, and a remaining useful life at least equal to, that of such Casualty Unit and (ii) prior to the Casualty Payment Date (a) the Lessee shall have transferred to the Lessor, by bill of sale free of all liens, claims and other encumbrances, such Substitute Equipment, (b) an appropriate supplement to this Lease and the CSA adding such Substitute Equipment shall have been executed by the Lessee, the Lessor and the Agent and filed, recorded and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited and (c) the Lessee shall have furnished the Lessor an opinion of counsel (reasonably satisfactory to the Lessor) to the effect that (x) the Lessee has the corporate power to deliver such bill of sale and the execution and delivery thereof have been duly authorized and (y) such supplement to this Lease and the CSA have been so duly filed, recorded and deposited. The Purchase Price of the Substitute Equipment shall be deemed to be the same as the Purchase Price of the Casualty Unit.

7.2. Requisition by the United States Government. In the event of the requisition for use by the United States Government of any Unit for a period which does not exceed the then remaining term of this Lease (except where deemed a Casualty Occurrence pursuant to Section 7.1 hereof), all of the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred. All payments received at any time by the Lessor or the Lessee from the United States Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee, provided that no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received at any time by the Lessor or the Lessee from the United States Government for the use of such Unit after the term of this Lease or any renewal term thereof shall be paid over to or retained by the Lessor, except as provided in Section 7.1 hereof.

7.3. Payments After Expiration of Lease. If the date upon which the making of the payment by the Lessee in Section 7.1 hereof in respect of any Unit is required as aforesaid shall be after the term of this Lease or any renewal term thereof in respect of such Unit has expired, no Basic Rent for such Unit shall accrue after the end of such term.

7.4. Amount of Lessor's Casualty Value. The "Lessor's Casualty Value" of each Unit as of the Lessor's Casualty Payment Date on which payment is made shall be an amount equal to that percentage of the Purchase Price of such Unit as is set forth in Appendix B to the Participation Agreement opposite such Casualty Payment Date, but in no event shall such amount be less than the

"Casualty Value" payable by the Lessor to the Agent on such date pursuant to Article 7 of the CSA.

7.5. No Release. Except as hereinabove in this Section 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder until expiration or termination of this Lease.

7.6. Insurance To Be Maintained. (1) The Lessee will, at all times prior to the return of the Units to the Lessor, at its own expense, cause to be carried and maintained (i) property insurance in respect of the Units at the time subject hereto and (ii) public liability insurance with respect to third-party personal and property damage, and the Lessee will continue to carry such insurance in such amounts and for such risks and with such insurance companies and subject to such self-insurance as is consistent with prudent industry practice but, in any event, at least not less comprehensive in amounts and against risks customarily insured against by the Lessee in respect of equipment owned or leased by it similar in nature to the Units, it being understood that the Lessee may self-insure, on a per-occurrence basis, up to $5,000,000 in the aggregate in respect of the public liability insurance and property insurance (such self-insurance amount to be revised by the Lessee with the approval of the Lessor and the Agent, which approval shall not be unreasonably withheld, based upon industry standards at the time). The proceeds of any property insurance shall be payable to the Agent under a standard mortgage loss payable clause so long as the indebtedness, if any, evidenced by the CSA shall not have been paid in full, and thereafter to the Lessor and the Lessee as their interests may appear. Any policies of insurance carried in accordance with this paragraph shall (x) require 30 days' prior notice of cancellation or material change in coverage to the Lessor, the Investor and the Agent, (y) not require contributions from other policies held by the Lessor, the Investor or the Agent, and (z) name the Lessor, the Investor and the Agent as additional named insureds as their respective interests may appear and in the event such policies shall contain breach of warranty provisions such policies shall provide that in respect of the interests of the Lessor, the Investor and the Agent in such policies the insurance shall not be invalidated by any action or inaction of the Lessee or any other Person (other than the Lessor, the Investor and the Agent, respectively) and shall insure the Lessor, the Investor and the Agent regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee or by any other Person (other than the Lessor, the Investor or the Agent, respectively). Prior to the first date of delivery of any Unit pursuant to the

CSA, and thereafter not less than 15 days prior to the expiration dates of the expiring policies theretofore delivered pursuant to this Section 7, the Lessee shall deliver to the Lessor and the Agent a duplicate original of all policies (or in the case of blanket policies, certificates thereof issued by the insurers thereunder) for the insurance maintained pursuant to this Section 7; provided, however, that if the delivery of a formal policy or certificate, as the case may be, is delayed, the Lessee shall deliver an executed binder with respect thereto and shall deliver the formal policy or certificate, as the case may be, upon receipt thereof.

(2) In the event that the Lessee shall fail to maintain insurance as herein provided, the Lessor may at its option, upon 5 business days' prior written notice to the Lessee, provide such insurance and, in such event, the Lessee shall, upon demand from time to time, reimburse the Lessor for the cost thereof together with interest from the date of payment thereof, on the amount of the cost to the Lessor of such insurance which the Lessee shall have failed to maintain, at the rate per annum specified in Section 19 hereof.

(3) The Lessor may at its own expense carry insurance with respect to its interest in the Units, provided that such insurance does not prevent the Lessee from carrying insurance required by this Section 7.6 or adversely affect such insurance or the cost thereof. Any insurance payments received from policies maintained by the Lessor shall be retained by the Lessor without reducing or otherwise affecting the Lessee's obligations hereunder.

7.7. Insurance Proceeds and Condemnation Payments. If the Lessor or Lessee shall receive (directly or from the Investor or the Agent) any insurance proceeds under insurance required to be maintained by the Lessee hereunder or condemnation payments in respect of Units suffering a Casualty Occurrence, the Lessor shall use such proceeds or condemnation payments to reimburse the Lessee for its payment of Casualty Value to the Lessor (to the extent the Lessee shall have already paid such Casualty Value), and the balance, if any, of such proceeds or condemnation payments shall be paid over to, or retained by, if it is from insurance carried by the Lessee, the Lessee or, if it is from any other source (other than insurance maintained by the Lessor), the Lessor and the Lessee as their respective interests may appear; provided, however, that, in the case of the Lessee, no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing and the Lessee shall have made payment of the Casualty Value thereof, and accrued rentals in respect of such Units, to the Lessor. All insurance proceeds received by the Lessor

(directly or from the Investor or the Agent) under insurance required to be maintained by the Lessee hereunder in respect of any Unit not suffering a Casualty Occurrence shall be forthwith paid to the Lessee upon proof reasonably satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing.

7.8. Application of Payments During Default. Any amount referred to in Section 7.1, 7.2 or 7.7 that is payable to the Lessee shall not be paid to the Lessee if at the time of such payment an Event of Default (or other event which with the giving of notice or the lapse of time or both would become such an Event of Default) exists but shall be held by the Agent or, if the CSA Indebtedness and other amounts owing under the CSA shall have been paid in full, the Lessor, as security for the obligations of the Lessee under this Lease and at such time as any such Event of Default (or other event which with the giving of notice or the lapse of time or both would become such an Event of Default) is not continuing, such amount, unless theretofore otherwise applied in exercise of the Lessor's remedies hereunder, shall be paid to the Lessee.

7.9. Economic Obsolescence. (1) The Lessee shall have the right, at its option and on at least 120 days' prior written notice to the Lessor and the Agent, to terminate ("Termination") this Lease as to all Units then subject hereto as of any succeeding rent payment date specified in such notice ("Termination Date"); provided, however, that (i) the Termination Date shall not be earlier than July 1, 1997, (ii) such notice shall be accompanied by a certificate of a responsible officer of the Lessee stating in good faith that the Units are economically obsolete or surplus to the needs of the Lessee, (iii) no Event of Default or other event which after the lapse of time or notice or both would become an Event of Default shall have occurred and be continuing, (iv) on the Termination Date such Units shall be in the same condition as if being redelivered pursuant to Section 17 hereof and (v) on the Termination Date the Lessor shall have paid to the Agent a sum sufficient to prepay the CSA Indebtedness (including the applicable prepayment premium, if any, thereon) in accordance with Section 7.2 of the CSA.

(2) If the Lessee shall exercise its option to terminate under Section 7.9(1), the Lessor may, by written notice to the Lessee given within 60 days after the termination notice is given to the Lessor and the Agent, elect to retain the Units then subject to this Lease for its own account or for resale, in which case on the Termination Date (a) the Lessee shall pay to

the Lessor an amount equal to the rental payment due on the Termination Date, the applicable prepayment premium, if any, then payable on the CSA Indebtedness pursuant to Section 7.2 of the CSA and any other amounts due and payable hereunder on or before the Termination Date, and (b) the Lessor shall pay to the Agent a sum sufficient to prepay the CSA Indebtedness (including the applicable premium, if any, thereon) in accordance with Section 7.2 of the CSA.

(3) If the Lessor shall not make the election described in Section 7.9(2), the Lessee shall use its best efforts to obtain bids for the purchase of all Units then subject to this Lease. The Lessor may, but shall not be obligated to, solicit bids for the purchase of all Units then subject to this Lease. The Lessee shall certify to the Lessor the amount of each such bid and the name and address of the party submitting such bid (which shall not be a Person affiliated with the Lessee or any party from whom the Lessee or any such affiliate intends thereafter to lease such Units). The Lessor shall certify the same information to the Lessee with respect to any bids received by the Lessor. The Lessor also may, but shall not be obligated to, submit its own bid. If any bid (in addition to any such bid submitted by the Lessor or any Person affiliated with the Lessor) for all the Units is received during the first 90 days after the receipt of the Lessee's notice, the highest bid received by the end of said 90-day period will be accepted and the Units will be sold as soon as possible thereafter for cash. If no bid is received during said 90-day period, the first bid received after said 90-day period but prior to the Termination Date which is acceptable to the Lessee in its sole discretion will be accepted, and the Units will be sold as soon as possible thereafter for cash. The net proceeds realized from such a sale shall be retained by the Lessor and shall be invested as directed by the Lessee. The Lessee shall be entitled to receive on the Termination Date the net income earned on the net sale proceeds to the extent such net income does not exceed the amount payable by the Lessee pursuant to the next sentence, and the Lessor shall be entitled to any balance of such net income. On the Termination Date (a) the Lessee shall pay to the Lessor (i) an amount equal to the rental payment due on the Termination Date, the applicable prepayment premium, if any, then payable on the CSA Indebtedness pursuant to Section 7.2 of the CSA and any other amounts due and payable hereunder on or before the Termination Date and (ii) the excess, if any, of the Termination Value for such Units computed as of such date over (A) the net sales proceeds of such Units, after the deduction of all expenses incurred in connection with such sale, or (B) if the Lessor shall have submitted the highest bid, the amount of such bid, and (b) the Lessor shall pay to the Agent a sum sufficient to prepay the CSA Indebtedness (including the applicable premium, if any,

thereon) in accordance with Section 7.2 of the CSA. Upon payment of the purchase price for the Units by the purchaser thereof, the Lessor shall execute and deliver to the purchaser a bill of sale (on an "as-is, where-is" basis and without recourse, representation or warranty of any kind except as hereinafter stated) for the Units such as will transfer to the purchaser such title to the Units as the Lessor derived from the Builder, free and clear of all liens, security interests and other encumbrances arising through the Lessor. The Lessor will request the Agent to comply with clauses (a) and (b) of Section 5.2 of the CSA.

(4) If no sale shall occur pursuant to Section 7.9(3), this Lease shall continue in full force and effect without change as if the notice of Termination had never been given (unless the Lessor shall have submitted the highest bid in accordance with said Section) and, in such event, the Lessee shall not be entitled to again give notice of Termination with respect to a Termination Date to occur less than one year after the Termination Date specified in the prior notice.

(5) The Termination Value of each Unit as of the Termination Date shall be that percentage of the Purchase Price of such Unit as is set forth in Appendix B to the Participation Agreement opposite such date, but in no event shall such amount be less than the Termination Value (as defined in Section 7.5 of the CSA) as of such date.

SECTION 8. REPORTS

On or before April 30 in each year, commencing with the calendar year 1995, the Lessee will furnish to the Lessor and the Agent an accurate statement (a) setting forth as at the preceding December 31 the total number, description and identification numbers of all Units then leased hereunder and covered by the CSA, the total number, description and identification numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are to the knowledge of the Lessee then undergoing repairs (other than running repairs) or then withdrawn from use pending repair (other than running repairs) and setting forth such other information regarding the condition and state of repair of the Units as the Lessor or the Agent may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by Section 5.1 hereof have been preserved or replaced. The Lessor and the Agent shall each have the right (but not any obligation), at its sole cost and expense except as provided in Section 13.1 hereof, by its agents to inspect the Units and the Lessee's records with

respect thereto at such reasonable times as the Lessor or the Agent may request during the continuance of this Lease.

SECTION 9. DISCLAIMER OF WARRANTIES

THE LESSOR DOES NOT MAKE, HAS NOT MADE AND SHALL NOT BE DEEMED TO MAKE OR HAVE MADE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR DOES NOT MAKE ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE NOR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF NOR AS TO COMPLIANCE WITH SPECIFICATIONS, THE ABSENCE OF LATENT OR OTHER DEFECTS (WHETHER OR NOT DISCOVERABLE), THE ABSENCE OF INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, THE ABSENCE OF ANY OBLIGATIONS BASED ON STRICT LIABILITY IN TORT, NOR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's cost and expense, whatever rights and claims the Lessor may have against the Builder or any other Person including, but not limited to, any rights and claims arising under the provisions of the CSA. The Lessor shall have no responsibility or liability to the Lessee or any other Person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor, the Investor or the Agent based on any of the foregoing matters; provided, however, that nothing herein shall in any way bar, reduce or defeat any claim that the Lessee may have against the Builder or any other Person (other than the Lessor, the Investor and the Agent); provided, further, that the Lessor hereby represents and warrants to the Lessee that upon delivery to it of any Unit the Lessor shall have received

whatever title was conveyed to it by the Builder and that on each Closing Date (as defined in the CSA) the Units being settled for shall be free of any and all liens, charges, security interests or encumbrances resulting from claims against the Lessor.

SECTION 10. LAWS AND RULES

10.1. Compliance. The Lessee agrees, for the benefit of the Lessor and the Agent, to comply in all material respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation, possession or use of the Units or are necessary to comply with health, safety or environmental standards, and in the event that such laws or rules require any alteration, replacement or addition of or to any part of any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner if there is no material possibility that the matter being so contested will result in criminal liability on the part of the Lessor, the Agent or the Investor, and if (i) in the reasonable opinion of the Lessor and the Agent, such contest will not materially and adversely affect the property or rights of the Lessor or the Agent under this Lease or under the CSA, respectively, or (ii) the Lessee provides a bond or other security reasonably satisfactory to the Lessor and the Agent.

10.2. Reports by Lessor. The Lessee will prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of the Units or the leasing thereof to the Lessee.

SECTION 11. MAINTENANCE

11.1. Units in Good Operating Order. The Lessee will, at its own cost and expense, maintain and keep each Unit (including any parts installed on or replacements made to any Unit and considered an accession thereto as hereinbelow provided) which is

subject to this Lease in good operating order and repair and in the same operating condition as when originally delivered to Lessee, ordinary wear and tear excepted, in a manner consistent with maintenance practices used by the Lessee in respect of equipment owned or leased by the Lessee similar in nature to the Units but in all events in compliance with the provisions of Section 10.1.

11.2. Additions and Accessions. (1) In addition to the requirements of Sections 10.1 and 11.1 hereof, the Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to the Units during the term of this Lease as are readily removable without causing unrepaired damage to the Units and do not adversely affect the value of the Units. The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee if removed from the Units prior to the time such Units are returned as provided in Sections 14 and 17, except to the extent such additions, modifications or improvements are made as described in Section 11.2(2) hereof; provided, however, that the Lessee shall at all times own and be entitled to remove proprietary equipment (the cost of which was not included in the Purchase Price of such Unit) from any Unit prior to the return of any Unit as long as such equipment is removable without unrepaired damage to such Unit or is not otherwise required in accordance with the terms of clause (iv) of Section 11.2(2) hereof.

(2) Any and all parts installed on and additions and replacements made to any Unit (i) which are not readily removable without causing unrepaired damage to such Unit or were installed or added to such Unit by the Lessee in contravention of its agreements contained in Section 11.2(1) hereof, or (ii) the cost of which is included in the Purchase Price of such Unit, or (iii) in the course of ordinary maintenance of the Units or (iv) which are required for the operation or use of such Unit by the interchange rules of the Association of American Railroads (if applicable) or by the regulations of the Department of Transportation, the Interstate Commerce Commission or any other applicable regulatory body, shall constitute accessions to such Unit and full ownership thereof, free from any lien, charge, security interest or encumbrance (except for those created by the CSA and the CSA Assignment), shall immediately be vested in the Lessor.

(3) If a Unit is to be returned to the Lessor pursuant to any provisions of this Lease, the Lessee shall, at the Lessor's written request, advise Lessor as to the nature and condition of all severable parts (other than proprietary equipment) which Lessee has removed or intends to remove from any

Unit in accordance with Section 11.2 (1) above. Lessor may, at its option, upon 30 days' written notice to Lessee, purchase any or all of such parts from Lessee upon the expiration of the term at the fair market value of such parts.

SECTION 12. INDEMNIFICATION

12.1. Indemnified Persons. The Lessee shall pay, and shall protect, indemnify and hold each Indemnified Person harmless on an after-tax basis from and against any and all liabilities, obligations, damages, costs, expenses, disbursements, causes of action, suits, penalties, claims, demands or judgments, of any nature whatsoever (other than Taxes which are described in Section 6 hereof, whether or not indemnified thereunder) which may be imposed on, incurred by or asserted against any Indemnified Person (including any or all liabilities, obligations, damages, costs, disbursements, expenses, including without limitation reasonable attorneys' fees and expenses of any Indemnified Person, relating thereto) in any way relating to or arising, or alleged to arise, out of this Lease, the CSA or the Units, including without limitation those in any way relating to or arising or alleged to arise out of (i) the manufacture, construction, modification, inspection prior to acceptance, purchase, acceptance, rejection, ownership, delivery, nondelivery, lease, sublease, possession, use, replacement, adaptation, operation, condition, sale, maintenance, inspection, storage, return or other disposition of any Unit or portion thereof or of any other equipment in connection with the Units (whether owned or under the control of the Lessor, the Lessee or any other Person), (ii) any latent and other defects whether or not discoverable by any Indemnified Person, (iii) any claim for patent, trademark or copyright infringement, (iv) any claims based on strict liability in tort, negligence or breach of warranties, (v) any injury to or the death of any Person or any damage to the environment or damage to or loss of property on or near the Units or in any manner growing out of or concerned with, or alleged to grow out of or be connected with, manufacture, construction, modification, inspection prior to acceptance, purchase, acceptance, rejection, ownership, delivery, nondelivery, lease, sublease, possession, use, replacement, adaptation, operation, condition, sale, maintenance, inspection, storage, return or other disposition of the Units or any portion thereof or of any other equipment in connection with the Units (whether owned or under the control of the Lessor, the Lessee or any other Person) or resulting or alleged to result from the condition of any thereof, (vi) any violation of any provision of this Lease or of any agreement, law, rule, regulation, ordinance or restriction affecting or applicable to the Units or the leasing, ownership, use, replacement, adaptation or maintenance

thereof or (vii) any claim arising out of any of the Lessor's or the Agent's obligations under the Lease Assignment or the Agent's retention of a security interest under the CSA and the CSA Assignment or the Lease Assignment (all of which matters hereinabove set forth in this paragraph being hereinafter called "Indemnified Matters"); provided, however that Indemnified Matters shall not include, with respect to any Indemnified Person, any such liabilities, losses or expenses, etc., resulting from the gross negligence or willful misconduct of such Indemnified Person or resulting from acts or circumstances arising after the expiration of the original or any renewal term of this Lease or arising from a breach by such Indemnified Person of the rights of use and possession of the Lessee under Section 15 hereof or resulting from a transfer of any interest of such Indemnified Person in the Units or in this Lease (unless such transfer arises as a result of (a) any Event of Default hereunder or (b) any exercise of the Lessee's right to terminate this Lease pursuant to Section 7.9), or resulting from any violation of any Federal or state securities or "blue sky" laws by such Indemnified Person, or resulting from the breach in any material respect by such Indemnified Person of any material representation, warranty or covenant in any of its Documents, or Transaction Expenses to the extent the Lessee is not required to pay the same pursuant to the Participation Agreement, or Taxes described in Section 6 hereof or the indemnities provided for in the Indemnity Agreement. The Lessee shall be obligated under this Section 12.1, irrespective of whether any Indemnified Person shall also be indemnified with respect to the same Indemnified Matter under any other agreement by any other Person, and the Indemnified Person seeking to enforce the indemnification may proceed directly against the Lessee under this Section 12.1 without first resorting to any such other rights of indemnification. In case any action, suit or proceeding is brought against any Indemnified Person in connection with any Indemnified Matter, such Indemnified Person shall give prompt written notice thereof to the Lessee and the Lessee may and, upon such Indemnified Person's request, will at the Lessee's expense assume control of and resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Lessee and reasonably approved by such Indemnified Person and, in the event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including without limitation reasonable attorneys' fees and expenses) incurred by such Indemnified Person in connection with such action, suit or proceeding; provided, however, that the Lessee shall have no right to control any such action, suit or proceeding as aforesaid so long as an Event of Default has occurred and is continuing or there is any material possibility that such action, suit or proceeding will result in criminal liability on the part of the Lessor, the Agent or the Investor or material risk of loss, sale

or forfeiture of the Units. In no event shall the Lessee have any responsibility in connection with the settlement or other compromise of any Indemnified Matter effected without its prior written consent. In the event the Lessee is required to make any payment under this Section 12, the Lessee shall pay such Indemnified Person an amount which, after deduction of all taxes required to be paid by such Indemnified Person in respect of the receipt thereof under the laws of any taxing jurisdiction, domestic or foreign (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the expense indemnified against, and of any other such taxes as reasonably determined by the Indemnified Person), shall be equal to the amount of such payment. The Lessee and the Lessor each agrees to give the other promptly upon obtaining knowledge thereof written notice of any claim or liability hereby indemnified against. Upon the payment in full of any of the indemnities contained in this Section 12 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, the Lessee shall be subrogated to any right of such Indemnified Person (except against another Indemnified Person) in respect of the Indemnified Matter against which indemnity has been given. Any payments received by such Indemnified Person from any Person (except the Lessee) as the result of any Indemnified Matter with respect to which such Indemnified Person has been indemnified by the Lessee pursuant to this Section 12.1 shall be paid over to the Lessee (in the case of proceeds of separate insurance maintained by the Lessor, net of its cost thereof) to the extent necessary to reimburse the Lessee for indemnification payments previously made to such Indemnified Person. Nothing in this Section 12.1 shall constitute a guarantee by the Lessee of the CSA Indebtedness under the CSA or a guarantee of the residual value of any Unit.

12.2. Survival. The indemnities contained in this Section 12 shall survive the expiration or termination of this Lease with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any Indemnified Person. None of the indemnities in this Section 12 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee therefor, from or under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise.

SECTION 13. DEFAULT

13.1. Events of Default; Remedies. If, during the continuance of this Lease or any extension or renewal thereof, one or more of the following events (each such event being herein sometimes called an "Event of Default") shall occur:

(A) default shall be made in payment when due of any amount provided for in Section 3, 7 or 16 hereof, and such default shall continue for five business days;

(B) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or the right to possession of the Units, or any thereof;

(C) the Lessee shall fail to maintain insurance as required by Section 7.6 hereof;

(D) default shall be made in the observance or performance of any other of the covenants, conditions, understandings and agreements on the part of the Lessee contained herein or in the Indemnity Agreement and such default shall continue for 45 days after the first to occur of (i) a corporate officer of the Lessee, who in the normal performance of his operational responsibilities would have knowledge of the requirements of this Lease, having obtained knowledge of such default or (ii) written notice from the Lessor or the Agent to the Lessee specifying the default and demanding that the same be remedied; provided, however, that the continuation of such a default for longer than 45 days after such corporate officer obtains knowledge thereof or such written notice, as the case may be, shall not constitute an Event of Default if (a) such default is capable of being cured but cannot be cured within 45 days or by the payment of money, (b) the Lessee is diligently pursuing the cure of such default and (c) such default does not impair in any material respect the Lessor's interest in the Units or the security interest of the Agent created pursuant to the CSA;

(E) any representation or warranty made by the Lessee herein, in the Participation Agreement or in any certificate or statement furnished in writing to the Lessor or the Agent pursuant to any such agreements proves untrue in any material respect as of the date of issuance or making thereof;

(F) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter

amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease, the Participation Agreement and the Indemnity Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceeding in such manner that such obligation shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed; or

(G) any other proceeding shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder, under the Participation Agreement or under the Indemnity Agreement under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of such obligations), and, unless such proceeding shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease, the Participation Agreement and the Indemnity Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceeding in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after such proceeding shall have been commenced;

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

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

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate

as though this Lease had never been made, but the Lessee shall remain liable under this Lease to the extent that this Lease provides that the obligations of the Lessee survive the termination or expiration hereof; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises, insofar as the Lessee may be lawfully authorized so to permit, where any of the Units may be located, without judicial process, and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty whichever of the following amounts that the Lessor, in its sole discretion, shall specify: (i) with respect to each Unit, the excess of the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit, such present value to be computed on the basis of a 10% per annum discount, compounded semi-annually from the respective dates upon which rental would have been payable hereunder had this Lease not been terminated over the then present value of the rental which the Lessor reasonably estimates to be obtainable for each Unit during such period, such present value to be computed on the basis of a 10% per annum discount, compounded semi-annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated or, if such Unit is sold, the net proceeds of the sale or (ii) an amount equal to the excess, if any, of the Casualty Value as of the Casualty Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit in a

commercially reasonable manner, the Lessor, in lieu of collecting any amounts payable by the Lessee pursuant to the preceding clauses (i) and (ii) with respect to such Unit, shall demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the Casualty Payment Date on or next preceding the date of termination, over the net proceeds of such sale.

In addition to any other remedies provided herein or otherwise available to the Lessor at law or equity, the Lessee shall pay to the Lessor and to any assignee of the Lessor's interest under this Lease as Supplemental Rent all reasonable legal fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the repossession, return, storage and insuring of any Unit in accordance with the terms hereof or placing such Unit in the condition required hereunder or appraising the value of such Unit, together with interest thereon at the Overdue Rate from the date of the expenditure to the date of payment.

13.2. Remedies Not Exclusive; Waiver. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset and/or recoupment against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim, which may be asserted by the Lessee or on its behalf.

13.3. Failure To Exercise Rights Is Not Waiver. The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

13.4. Notice of Event of Default. The Lessee also agrees to furnish the Lessor and the Agent promptly upon any responsible officer becoming aware of any condition which constituted or constitutes an Event of Default under this Lease or which, after

notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof. For the purposes of this Section 13.4, a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate officer of the Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

SECTION 14. RETURN OF UNITS UPON DEFAULT

14.1. Return of Units. If this Lease shall terminate pursuant to Section 13 hereof or pursuant to Article 16 of the CSA, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the condition required by Section 11.1 hereof, shall be free and clear of all liens (other than liens arising from, through or under the Lessor or the lien of the Agent pursuant to the Documents), shall meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable, and/or the applicable rules of any governmental agency or other organization with jurisdiction and shall have attached or affixed thereto any parts or additions considered an accession thereto as provided in Section 11.2(2). For the purpose of delivering possession of any Unit or Units as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged or which may have possession thereof to return the Unit or Units) place such Units upon such storage tracks as the Lessor reasonably may designate;

(b) cause such Units to be stored on such tracks at the risk of the Lessee without charge for insurance, rent or storage until all such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) cause the Units to be moved to the nearest interchange point or points as shall be directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the

premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store, insure and transport the Units. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Units in good order and repair and will permit the Lessor or any Person designated by it, including the authorized representative or representatives of any prospective purchaser or user of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

14.2. Lessor Appointed Agent of Lessee. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 14, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whosoever shall be in possession of such Unit at the time.

SECTION 15. ASSIGNMENT, POSSESSION AND USE

15.1. Assignment; Consent. This Lease shall be assignable in whole by the Lessor to any successor Lessor which may be appointed pursuant to and in accordance with the CSA. The Lessee hereby consents to the assignment of this Lease pursuant to the Lease Assignment.

15.2. Lessee's Rights To Use the Units, To Permit Use Thereof by Others and To Sublease the Units. (1) So long as (i) no Event of Default is continuing hereunder, (ii) the Lessee is complying with the provisions of the Consent, and (iii) the Agent is entitled to apply the Payments in accordance with the Lease Assignment, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease (including, without limitation, all its rights under Section 16 hereof) and the CSA. Without the prior written consent of the Lessor and the Agent, which consent shall not be unreasonably withheld, the Lessee shall not assign or transfer its leasehold interest under this Lease in any of the Units or sublease any of the Units, except as provided in paragraph (2) of this Section 15.2; and the Lessee shall not, without the prior written consent of the Lessor and the Agent, which consent shall not be unreasonably withheld, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of paragraph (2) of this Section 15.2. The Lessee, at its own

expense, will promptly pay or discharge any lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Agent or resulting from claims against the Lessor or the Agent not related to the ownership of the Units or any encumbrance on the leasehold estate of the Lessee which is subject and subordinate to the interests of the Lessor and the Agent) which may be imposed during the term hereof upon or with respect to any Unit, including any accession thereto, or the interest of the Lessor, the Agent or the Lessee therein; except that this covenant will not be breached by reason of taxes, liens, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialman's, mechanic's, workmen's, repairmen's or other like liens arising in the ordinary course of business in each case not delinquent, and furthermore, the Lessee shall be under no obligation to discharge any such lien, charge, security interest or encumbrance so long as it is contesting the same in good faith and by appropriate legal proceedings and the failure to discharge the same does not materially and adversely affect the title, property or rights of the Lessor or the Agent under the Documents.

(2) So long as (i) no Event of Default is continuing hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Agent is entitled to apply the Payments in accordance with the Lease Assignment, the Lessee shall be entitled to the possession of the Units and to the use of the Units by it or any affiliate, shall be entitled to permit the use of the Units by connecting and other carriers in the usual interchange of traffic or pursuant to run-through or trip-lease agreements, and shall be entitled (A) to sublease any of the Units, or to assign any or all of its rights and interests (and delegate any or all of its duties and obligations) under this Lease or other Documents with respect to any of the Units, to any entity of which more than 10% of the voting power represented by its outstanding securities is owned, directly or indirectly, by the Lessee or by The Southern Company (or its successor) and (B) to sublease any of the Units to any other Person or entity (it being understood that, notwithstanding any sublease, assignment or delegation in accordance with the terms of this paragraph (2), the Lessee shall remain liable for performance of its obligations hereunder and any such sublease shall be expressly subject and subordinate to this Lease); provided, however, that the Lessee shall not permit the use of any Unit predominately outside the United States of America within the meaning of Sections 48(a) and 168(g) of the Internal Revenue Code of 1986, as amended to the date hereof; and provided, further, that the Lessee shall not permit any use of any Unit outside the United States of America unless all filings, recordings or deposits (or giving of notices) necessary to protect the rights of the Agent and the Lessor in or

to this Lease or the Units shall have been made, and shall not in any event permit more than 20% of the Units then subject to this Lease to be located outside the United States of America at any one time.

15.3. Merger, Acquisition or Consolidation. Nothing in this Section 15 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any solvent corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have specifically assumed the obligations of the Lessee hereunder and under the Consent by an appropriate instrument in writing) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provisions of this Lease, and provided, further, that such assignee or transferee shall have a net worth upon such effectiveness of not less than that of the Lessee immediately prior thereto.

SECTION 16. RENEWAL OPTIONS AND PURCHASE OPTIONS

16.1. Definitions. The following terms shall have the following meanings for all purposes of this Section 16 and such meanings are equally applicable both to the singular and plural forms of the terms defined.

"Appraisal Procedure" shall mean the following procedure: If the parties are unable to agree on a Fair Market Rental Value or a Fair Market Sale Value, as the case may be, within 30 days of Lessee's written notice to Lessor setting forth Lessee's proposal for the rental or purchase price, the Lessee will provide Lessor the name of an appraiser that would be satisfactory to Lessee and the Lessor and Lessee will consult with the intent of selecting a mutually acceptable appraiser. If a mutually acceptable appraiser is selected, the Lessee shall bear the cost thereof. If the Lessee and Lessor are unable to agree upon a single appraiser within 15 days, the Lessor will retain an appraiser within 15 days and the appraiser set forth in Lessee's written notice and the appraiser retained by the Lessor shall select a consensus appraiser within 30 days. If the appraisers cannot agree on a consensus appraiser within such 30 days, the Fair Market Rental Value or Fair Market Sale Value, as the case may be, shall be determined by binding arbitration pursuant to the rules of the American Arbitration Association and the cost of such determination shall be borne equally by the

Lessee and the Lessor, except that the Lessee shall bear the cost of the appraiser named in Lessee's notice and the Lessor shall bear the cost of the appraiser selected by the Lessor. If the parties are able to agree upon a single appraiser, or the two appraisers are able to agree upon a consensus appraiser, the single appraiser or the three appraisers, as the case may be, shall within 60 days make a determination of such Fair Market Rental Value or Fair Market Sale Value, as the case may be. If there shall be a panel of three appraisers, the appraisal which differs most from the other two appraisals shall be excluded and the remaining two determinations shall be averaged and such average shall constitute the Fair Market Rental Value or Fair Market Sale Value, as appropriate. If there shall be a panel of three appraisers, the Lessee shall bear the cost of the appraiser named in Lessee's notice, the Lessor shall bear the cost of the appraiser selected by the Lessor, and the Lessee and Lessor shall equally share the cost of the consensus appraiser.

"Basic Term" shall mean the period commencing with the commencement of the lease term and continuing until July 1, 2017.

"Fair Market Rental Renewal Term" shall mean the period commencing at the end of the Basic Term or any Fair Market Rental Renewal Term, as the case may be, and ending on the date chosen by the Lessee pursuant to Section 16.2, during which the Units may be leased for Fair Market Rental Value as permitted by this Lease.

"Fair Market Rental Value" or "Fair Market Sale Value" of any applicable Unit as of any date shall mean the cash rent or cash price obtainable in an arm's-length lease or sale, respectively, between an informed and willing lessee or buyer (under no compulsion to lease or purchase) and an informed and willing lessor or seller (under no compulsion to lease or sell) of the applicable Unit, assuming such Unit is in the condition required by Section 11.1 on the applicable date.

16.2. Renewal Options. Unless an Event of Default shall have occurred and be continuing at the time of the giving by Lessee of written notice of Lessee's election to renew this Lease or at the end of the current term of this Lease, Lessee shall have the right to renew this Lease with respect to all or any portion of the Units then subject to this Lease for one or more periods in any combination of whole years totaling not more than eight years; provided, however, that any such renewal with respect to less than all of the Units shall be with respect to at least 50 Units, and any return of less than all of the Units pursuant to Section 17 shall be a return of at least 50 Units. Such written notice shall be given to the Lessor not less than 180 days prior to the end of the then current term of this Lease.

The rental payable during each extended term shall be payable semiannually on the anniversaries of the payment dates of the preceding term of this Lease in each year of such extended term and shall be in an amount equal to the Fair Market Rental Value which, if the Lessor and the Lessee are unable to agree upon, shall be determined by the Appraisal Procedure.

16.3. Purchase Options. (a) Unless an Event of Default shall have occurred and be continuing at the time of the giving by the Lessee of written notice of its election or at the end of the current term of this Lease, the Lessee shall have the right upon not less than 180 days' prior written notice of Lessee's election to purchase all or any portion of the Units then subject to this Lease (i) on any semiannual rental payment date beginning July 1, 2000, at a purchase price equal to the greater of (A) the Fair Market Sale Value or (B) the Termination Value, in each case together with the applicable prepayment premium (if any) then due with respect to the CSA Indebtedness being prepaid pursuant to Section 4.7 of the CSA, of such Units on such date or (ii) on the date of expiration of the Basic Term or any Fair Market Rental Renewal Term, at a purchase price equal to the Fair Market Sale Value of such Units on such expiration date; provided, however, that any such purchase of less than all of the Units then subject to this Lease shall be with respect to at least 50 Units, and following any such partial purchase there shall remain at least 50 Units subject to this Lease or to be returned pursuant to Section 17, as the case may be.

(b) Lessee shall pay the applicable aforesaid purchase price to the Lessor on the applicable purchase date whereupon the Lessor shall simultaneously transfer or arrange for transfer of all of its right, title and interest in and to such Units free and clear of any claims, liens, charges or security interests attributable to Lessor to the Lessee by bill of sale reasonably satisfactory to the Lessee and this Lease shall terminate with respect to the Units so purchased. The Lessor will request the Agent to comply with clauses (a) and (b) of Section 5.2 of the CSA.

SECTION 17. RETURN OF UNITS UPON EXPIRATION OF TERM

As soon as practicable on or after the expiration of the original or extended term of this Lease with respect to any Unit and in any event not later than 10 days thereafter, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks as the Lessor may reasonably designate in writing at least 30 days prior to such expiration (but in no event at more than three locations), or, in the absence of such designation, as the

Lessee may select, and permit the Lessor to store such Unit on such tracks for a period not exceeding 30 days, the movement and storage of such Units to be at the expense and risk of the Lessee whereupon the Lessee shall have no further liability or obligation with respect to such Units. The Lessee shall not be obligated to move any such Unit more than once at the request of the Lessor. During any such storage period the Lessee will permit the Lessor or any Person designated by it, including the authorized representative or representatives of any prospective purchaser or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence or willful misconduct of the Lessee or of its employees or agents, for any injury to, or the death of, any Person exercising, either on behalf of the Lessor or any prospective purchaser or user, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this Section 17 shall (i) be in the condition required by Sections 10.1 and 11.1 hereof, (ii) be free and clear of all liens (other than liens arising from, through or under the Lessor or pursuant to the Documents), (iii) meet the applicable rules of any governmental agency or other organization with jurisdiction and (iv) have attached or affixed thereto any part or addition considered an accession thereto as provided in Section 11.2(2) hereof. In no event shall the Lessee be required to make any additions, modifications or improvements which would not be required if the Lessee continued to operate the Units. During any such storage period the Lessee shall maintain the Units in such manner as the Lessee normally maintains similar units of railroad equipment owned or leased by it in similar storage circumstances. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. In the event any Unit is not assembled, delivered and stored as hereinabove provided as a result of an action or inaction on the part of the Lessee, within 10 days after such termination, the Lessee shall pay to the Lessor, for each day thereafter as liquidated damages, and not as a penalty, for the failure of the Lessee to return the Unit to the Lessor at the expiration of this Lease as required by the provisions of this Section 17, an amount equal to the daily equivalent of the average Basic Rent during the term hereof. The provision for such payment shall not be in abrogation of the Lessor's right under this Section 17 to have each Unit returned to it within 10 days after the expiration of the original or extended term of this Lease with respect to such Unit. In addition, any Unit not returned to the Lessor for any reason (other than by reason of events or circumstances not within the

reasonable control of the Lessee) within one year after such expiration shall be deemed to have suffered a Casualty Occurrence and such one-year anniversary shall be the Casualty Payment Date with respect thereto.

SECTION 18. RECORDING

The Lessor will cause this Lease, the CSA, the CSA Assignment and the Lease Assignment to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. Section 11303. The Lessee will cooperate in such filing and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all continuation statements and further instruments reasonably requested in writing by the Lessor or the Agent for the purpose of proper protection, to their satisfaction, of the Agent's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the Lease Assignment, the CSA and the CSA Assignment; and the Lessee will promptly furnish to the Agent and the Lessor evidence of all such filing, registering, depositing or recording. This Lease, the Lease Assignment, the CSA and the CSA Assignment shall be filed with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

SECTION 19. INTEREST ON OVERDUE RENTALS

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay an amount of interest at a rate equal to the Overdue Rate (as defined in Section 4.6 of the CSA) on the overdue rentals and other obligations for the period of time during which they are overdue, or such lesser amount as may be legally enforceable.

SECTION 20. LESSOR'S RIGHT TO PERFORM FOR THE LESSEE

If the Lessee fails to perform or comply with any of its agreements contained herein, the Lessor may (but shall not be obligated to do so) upon notice to the Lessee itself perform or comply with such agreement, and the amount of the reasonable cost and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amount at the Overdue Rate, shall be payable by the Lessee upon demand except as otherwise provided in this Lease. No such performance or compliance by the Lessor shall be deemed a waiver of the

rights and remedies of the Lessor or any assignee of the Lessor against the Lessee hereunder or be deemed to cure the default of the Lessee hereunder.

SECTION 21. NOTICES

Any notice required or permitted hereunder shall be deemed to have been received by the addressee on the date of actual receipt (if such date is a business day, otherwise on the next business day), if transmitted by mail, telex, telecopy or similar transmission, or by hand, addressed as follows:

(a) if to the Lessor, at 601 2nd Avenue South, 9th Floor, Minneapolis, Minnesota 55402, Attention: Commercial Leasing Department,

(b) if to the Lessee, at 333 Piedmont Avenue, Atlanta, Georgia 30308, Attention: Treasurer, with copies to Southern Company Services, Inc., 800 Shades Creek Parkway, Birmingham, Alabama 35209, Attention: Fuel Services (Contract Services) Department, and to Southern Company Services, Inc., 64 Perimeter Center East, Atlanta, Georgia 30346, Attention: Corporate Finance Department,

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

SECTION 22. SEVERABILITY

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

SECTION 23. EFFECT AND MODIFICATION OF LEASE

Except for the Indemnity Agreement and the other Documents, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid

unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

SECTION 24. THIRD PARTY BENEFICIARIES

Nothing in this Lease shall be deemed to create any right in any Person not a party hereto (other than the Agent and the permitted successors and assigns of a party) and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of a third party except as aforesaid.

SECTION 25. EXECUTION

This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Agent pursuant to the Lease Assignment shall be deemed to be the sole original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

SECTION 26. LAW GOVERNING

The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Georgia; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. Section 11303.

SECTION 27. NO RECOURSE AGAINST CERTAIN PERSONS

No recourse shall be had in respect of any obligation due under this Lease, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto or of the Agent whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Lease.

SECTION 28. TERM LESSOR

Whenever the term "Lessor" is used in this Lease it shall apply and refer to the Lessor and any permitted successor and permitted assignee of the Lessor (provided, so long as any CSA Indebtedness under the CSA or interest therein shall remain unpaid or any other obligation thereunder be continuing, the assignment to the Agent shall be as set forth in the Lease Assignment).

SECTION 29. SPECIAL PROVISIONS -- CARSETS

The Units of railroad equipment subject to this Lease, as described in Appendix A hereto, include 12 carsets of fabricated car parts (hereinafter, the "Carsets"). The Carsets shall be treated as Units for all purposes of this Lease, except that the following special provisions shall apply with respect thereto, notwithstanding any provision of this Lease to the contrary.

(a) Basic Rent. The total Basic Rent required to be paid pursuant to Section 3 hereof on each rent payment date shall be allocated between the Carsets and the other Units by multiplying the applicable percentage set forth in Appendix A to the Participation Agreement times the respective prices of the Carsets and the other Units included in the aggregate Purchase Price (as defined in Section 4.1 of the CSA).

(b) Use and Maintenance. Lessee agrees to use each Carset only for the replacement of damaged or worn-out parts of the other Units subject to this Lease. In addition to the requirements of Section 10.1 hereof, the Lessee, at its own cost and expense, agrees to provide for the storage and safekeeping of the Carsets in the United States of America and shall maintain and store each Carset in good condition, free from damage, theft and corrosion, and in a manner consistent with accepted industry standards.

(c) Return. Upon expiration of this Lease, if Lessee has not exercised its option to purchase the Carsets then subject to this Lease, any Carsets then remaining must be returned to one of the locations selected for the return, pursuant to Section 17 hereof, of the other Units subject to this Lease. In any such case, the Carsets being returned shall be in the condition required by Section 29(b) hereof. With respect to any Carsets not so returned or purchased as aforesaid, the Lessee shall pay to the Lessor, not later than 30 days after the date on which the same would have been required to be returned pursuant to Section 17, an amount equal to 15% of the Purchase Price of such Carsets.

(d) Casualty Occurrences. Notwithstanding Section 7.1 hereof, no Carset shall be treated as suffering a Casualty Occurrence and Basic Rent for any Carset shall continue to accrue and be payable notwithstanding any theft, loss, destruction or irreparable damage to such Carset.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

GEORGIA POWER COMPANY

By: _____
Judy M. Anderson,
Vice President and
Corporate Secretary

Attest:

_____
Title: Assistant Secretary

(Seal)

FIRST BANK NATIONAL ASSOCIATION

By: _____

Title: _____

STATE OF GEORGIA,)
) ss.:
COUNTY OF FULTON,)

On this 23rd day of September, 1994, before me personally appeared Judy M. Anderson to me personally known, who, being by me duly sworn, says that she is the Vice President and Corporate Secretary of GEORGIA POWER 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 she acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Jane F. Jenske
Notary Public

[Notarial Seal]

My Commission expires

Notary Public, Walton County, Georgia
My Commission Expires Aug. 2, 1996

STATE OF MINNESOTA,)
) ss.:
COUNTY OF _____)

On this ___ day of September, 1994, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is _____ of FIRST BANK NATIONAL ASSOCIATION, and that said instrument was signed 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

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

GEORGIA POWER COMPANY

By:_____

Title:_____

Attest:

_____

Title:_____

(Seal)

FIRST BANK NATIONAL ASSOCIATION

By:_____

Title: AVP

STATE OF GEORGIA)
) ss.:
COUNTY OF FULTON)

On this ___ day of September, 1994, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is a Vice President of GEORGIA POWER 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

STATE OF MINNESOTA)
) ss.:
COUNTY OF HENNEPIN)

On this 21st day of September, 1994, before me personally appeared James Koski, to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of FIRST BANK NATIONAL ASSOCIATION, and that said instrument was signed 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.

CHERYL VAN BRUNT
NOTARY PUBLIC - MINNESOTA
HENNEPIN COUNTY
My Commission Expires Aug. 19, 1998

Cheryl Van Brunt
Notary Public

(Notarial Seal)

My Commission expires 8/19/98

APPENDIX A to
LEASE OF RAILROAD EQUIPMENT

Units of Railroad Equipment

Type	AAR Mechanical Designation	Quantity	Lessee's Identification Numbers (Both Inclusive)
116.5-Ton Aluminum Body, Steel Underframe Coal Hopper Cars	HTS	331 Units	RWSX 94117-94347 GALX 95001-95100
Carsets of Fabricated Car Parts	--	12 Carsets	--

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