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Law Offices of

SEP 30 1992-3 05 PM CHAPMAN AND CUTLER

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INTERSTATE COMMERCE COMMISSION

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SEP 30 1992-3 05 PM

INTERSTATE COMMERCE COMMISSION

September 29, 1992

SEP 30 1992-3 05 PM

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(801) 533-0066

INTERSTATE COMMERCE COMMISSION

2-2714031

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Mr. Sidney L. Strickland, Jr., Secretary
Interstate Commerce Commission
Twelfth Street & Constitution Avenue, N.W.
Washington, DC 20423

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SEP 30 1992-3 05 PM

INTERSTATE COMMERCE COMMISSION
Re

SEP 30 1992-3 05 PM

INTERSTATE COMMERCE COMMISSION

Coal Supply Corporation II
Consumers Power Company
Coal Supply Service Agreement

SEP 30 1992-3 05 PM

INTERSTATE COMMERCE COMMISSION

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INTERSTATE COMMERCE COMMISSION

Dear Mr. Strickland:

We are enclosing for recording pursuant to Section 11303 of Title 49 of the United States Code, an original and one counterpart of each of the 4 primary documents described below and the 3 secondary documents described below, which secondary documents are related to the enclosed primary documents. The undersigned has acted as special counsel in connection with the preparation of the enclosed documents and has knowledge of the matters set forth therein.

The first document, the Lease Agreement, dated as of August 1, 1992, is a primary document. The names and addresses of the parties to such document are as follows:

Wilmington Trust Company, not individually but *Kenn*
solely as Owner Trustee
Rodney Square North
1100 Market Street
Wilmington, Delaware 19890-0001
Attention: Corporate Trust Administration

Coal Supply Corporation II *ess*
45 Cardinal Drive
Westfield, New Jersey 07092

The second document, the Lease Supplement No. 1, dated September 30, 1992, is a secondary document. The primary document to which this is connected is the Lease Agreement, listed above. The names and addresses are as follows:

See letter to...
See...

CHAPMAN AND CUTLER

Wilmington Trust Company, not individually but
solely as Owner Trustee
Rodney Square North
1100 Market Street
Wilmington, Delaware 19890-0001
Attention: Corporate Trust Administration

Coal Supply Corporation II
45 Cardinal Drive
Westfield, New Jersey 07092

We request that this Lease Supplement be cross-indexed.

The third document, the Security Agreement, dated as of August 1, 1992, is a primary document. The names and addresses of the parties to such document are as follows: (3)

Wilmington Trust Company, not individually but *Owner*
solely as Owner Trustee
Rodney Square North
1100 Market Street
Wilmington, Delaware 19890-0001
Attention: Corporate Trust Administration

Confederation Life Insurance Company *Second party*
260 Interstate North
Atlanta, Georgia 30339

The fourth document, the Security Agreement Supplement No. 1, dated September 30, 1992, is a secondary document. The primary document to which this is connected is the Security Agreement, listed above. The names and addresses of the parties to such document are as follows: (4)

Wilmington Trust Company, not individually but
solely as Owner Trustee
Rodney Square North
1100 Market Street
Wilmington, Delaware 19890-0001
Attention: Corporate Trust Administration

CHAPMAN AND CUTLER

**Confederation Life Insurance Company
260 Interstate North
Atlanta, Georgia 30339**

We request that this Security Agreement Supplement No. 1 be cross-indexed.

The fifth document, the Memorandum of Coal Supply Service Agreement, dated as of August 1, 1992, is a primary document. The names and addresses of the parties to such document are as follows: (5)

**Coal Supply Corporation II
45 Cardinal Drive
Westfield, New Jersey 07092**

**Consumers Power Company
212 West Michigan Avenue
Jackson, Michigan 49201**

The sixth document, the Memorandum of Coal Supply Service Agreement Supplement No. 1, dated September 30, 1992, is a secondary document. The primary document to which this is connected is the Memorandum of Coal Supply Service Agreement, listed above. The names and addresses of the parties to such document are as follows: (6)

**Coal Supply Corporation II
45 Cardinal Drive
Westfield, New Jersey 07092**

**Consumers Power Company
212 West Michigan Avenue
Jackson, Michigan 49201**

We request that this Memorandum of Coal Supply Service Agreement Supplement No. 1 be cross-indexed.

The seventh document, the Memorandum of Assignment of Coal Supply Service Agreement, dated as of August 1, 1992, is a primary document. The names and addresses of the parties to such document are as follows:

CHAPMAN AND CUTLER

Coal Supply Corporation II
45 Cardinal Drive
Westfield, New Jersey 07092

Wilmington Trust Company, not individually but
solely as Owner Trustee
Rodney Square North
1100 Market Street
Wilmington, Delaware 19890-0001
Attention: Corporate Trust Administration

We request that this Memorandum of Assignment of Coal Supply Service Agreement be cross-indexed.

A description of the equipment covered by each of these documents follows: 210 4300 Cubic Foot High Side Aluminum Rotary Dump Gondola Cars, Serial Numbers CSCX 4201 through 4410, inclusive.

A filing fee of \$112 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to the undersigned.

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

Lease Agreement dated as of August 1, 1992 between Wilmington Trust Company, not individually but solely as Owner Trustee, as Lessor, and Coal Supply Corporation II, as Lessee, covering 210 4300 cubic foot high side aluminum rotary dump gondola cars, Serial Numbers CSCX 4201 - 4410, inclusive.

Lease Supplement No. 1 dated September 30, 1992 between Wilmington Trust Company, not individually but solely as Owner Trustee, as Lessor, and Coal Supply Corporation II, as Lessee, covering 210 4300 cubic foot high side aluminum rotary dump gondola cars, Serial Numbers CSCX 4201 - 4410, inclusive, and connected to Lease Agreement dated as of August 1, 1992 between Wilmington Trust Company, not individually but solely as Owner Trustee, as Lessor, and Coal Supply Corporation II, as Lessee.

Security Agreement, dated as of August 1, 1992, between Wilmington Trust Company, not individually but solely as Owner Trustee, and Confederation Life Insurance Company, as Secured Party, covering 210 4300 cubic foot high side aluminum rotary dump gondola cars, Serial Numbers CSCX 4201 - 4410, inclusive.

CHAPMAN AND CUTLER

Security Agreement Supplement No. 1, dated September 30, 1992, between Wilmington Trust Company, not individually but solely as Owner Trustee, and Confederation Life Insurance Company, as Secured Party, covering 210 4300 cubic foot high side aluminum rotary dump gondola cars, Serial Numbers CSCX 4201 - 4410, inclusive, and connected to the Security Agreement dated as of August 1, 1992, between Wilmington Trust Company, not individually but solely as Owner Trustee, and Confederation Life Insurance Company, as Secured Party.

Memorandum of Coal Supply Service Agreement dated as of August 1, 1992 between Coal Supply Corporation II, as Contractor, and Consumers Power Company, as Customer, covering 210 4300 cubic foot high side aluminum rotary dump gondola cars, Serial Numbers CSCX 4201 - 4410, inclusive.

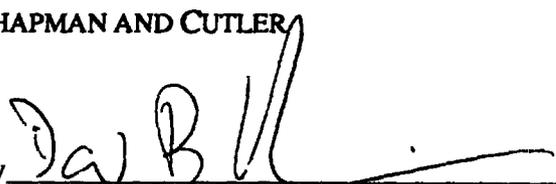
Memorandum of Coal Supply Service Agreement Supplement No. 1 dated September 30, 1992 between Coal Supply Corporation II, as Contractor, and Consumers Power Company, as Customer, covering 210 4300 cubic foot high side aluminum rotary dump gondola cars, Serial Numbers CSCX 4201 - 4410, inclusive, and connected to Memorandum of Coal Supply Service Agreement dated as of August 1, 1992 between Coal Supply Corporation II, as Contractor, and Consumers Power Company, as Customer.

Memorandum of Assignment Coal Supply Service Agreement dated as of August 1, 1992 between Coal Supply Corporation II, as Assignor, and Wilmington Trust Company, not individually but solely as Owner Trustee, as Assignee, covering 210 4300 cubic foot high side aluminum rotary dump gondola cars, Serial Numbers CSCX 4201 - 4410, inclusive.

Very truly yours,

CHAPMAN AND CUTLER

By



David B. McMullen

DBM/cp

Enclosures

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FILED 1425

SEP 30 1992 -3 05 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

Dated as of August 1, 1992

Between

WILMINGTON TRUST COMPANY,
as Owner Trustee

and

CONFEDERATION LIFE INSURANCE COMPANY

210 4300 cf High Side Aluminum Rotary Dump Gondola Cars

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ATTACHMENTS TO SECURITY AGREEMENT

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SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of August 1, 1992 (the "*Security Agreement*") is between WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity but solely in its capacity as trustee (the "*Owner Trustee*"), and CONFEDERATION LIFE INSURANCE COMPANY (the "*Secured Party*"). The post office addresses of the Owner Trustee and the Secured Party are set forth in Section 9.4.

RECITALS:

A. The capitalized terms used in this Security Agreement shall have the meanings specified in Annex A hereto unless otherwise herein defined or the context hereof shall otherwise require.

B. The Owner Trustee and the Secured Party have entered into a Note Purchase Agreement providing for the commitment of the Secured Party to purchase on the Closing Date, Notes of the Owner Trustee in an aggregate principal amount not to exceed \$7,564,257.12. The Notes are to be dated the date of issue thereof, to bear interest from such date to maturity at the rate of 7.99% per annum payable on January 2, 1993, and on the second day of each January and July thereafter to and including July 2, 2011, the principal portion thereof to be payable in accordance with the amortization schedule set forth in Schedule I hereto. The Notes are to be otherwise in the form attached hereto as Exhibit A.

C. The Notes and all principal thereof and interest (and premium, if any) thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Owner Trustee under the terms of the Notes, this Security Agreement or the Note Purchase Agreement and all amounts due to the Secured Party from the Lessee or the Permitted Designee under the Operative Documents are hereinafter sometimes referred to as "*indebtedness hereby secured*".

D. All of the requirements of law relating to the transaction contemplated hereby have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument for the security of the Notes have been done and performed.

SECTION 1. GRANT OF SECURITY.

The Owner Trustee, in consideration of the premises and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest (and premium, if any) on the Notes according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all of the Owner Trustee's covenants and conditions in the Notes and in this Security Agreement and in the Note Purchase Agreement contained and all amounts due to the Secured Party from the Lessee or the Permitted Designee under the

Operative Documents, does hereby convey, warrant, mortgage, assign, pledge and grant unto the Secured Party, its successors and assigns, a security interest in all and singular of the Owner Trustee's right, title and interest in and to the properties, rights, interests and privileges described in Sections 1.1, 1.2, 1.3 and 1.4 hereof; excluding, however, the Excepted Rights in Collateral and the Lessee Excepted Rights in Collateral and subject to Section 7.10 hereof (all of which properties other than the Excepted Rights in the Collateral and the Lessee Excepted Rights in Collateral, being hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

Section 1.1. Equipment Collateral. Collateral includes (i) each Unit which is described in a Security Agreement Supplement executed and delivered from time to time between the Owner Trustee and the Secured Party, the form of which is attached hereto as Exhibit B and made a part hereof, which constitutes the Units leased and delivered under the Lease; together with (i) all accessories, equipment, parts and appurtenances appertaining or attached to any of the Units hereinabove described, whether now owned or hereafter acquired, except such thereof as remain the property of the Lessee under the Lease, (ii) all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Units, except such thereof as remain the property of the Lessee under the Lease, together with all the rents, issues, income, profits and avails therefrom, and (iii) all proceeds, including, without limitation, insurance proceeds, and products of any of the foregoing.

Section 1.2. The Lease. Collateral also includes all right, title, interest, claims and demands of the Owner Trustee as lessor in, to and under the Lease, including all extensions of the term of the Lease, together with all rights, powers, privileges, options and other benefits of the Owner Trustee as lessor under the Lease, including, without limitation:

(a) the immediate and continuing right to receive and collect all Rent and Termination Value payments, insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable to or receivable by the Owner Trustee as lessor under the Lease pursuant thereto, except those sums reserved as Excepted Rights in Collateral;

(b) the right to make all consents, requests, waivers and agreements, to give and receive all notices and other instruments or communications and to enter into any amendments relating to the Lease or any provision thereof, except with regard to those rights of the Owner Trustee or the Owner Participant reserved as Excepted Rights in Collateral; and

(c) the right to take such action upon the occurrence of a Default or an Event of Default under the Lease, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by law, and to do any and all other things whatsoever which the Owner Trustee or any lessor is or may be entitled to do under the Lease except such rights with respect to, and as are reserved to the Owner Trustee or the Owner Participant in the definition of Excepted Rights in Collateral and subject to Section 7.10 hereof;

it being the intent and purpose hereof that the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive all Rent and Termination Value payments and other sums for application in accordance with the provisions of Section 5 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

Section 1.3. The Assignment of Coal Supply Service Agreement. Collateral also includes all right, title, interest, claims and demands of the Owner Trustee (x) in, to and under the Assignment of Coal Supply Service Agreement and (y) as assignee in, to and under the Coal Supply Service Agreement to the extent provided in the Assignment of Coal Supply Service Agreement, including all extensions of the term of the Coal Supply Service Agreement and the Assignment of Coal Supply Service Agreement, together with all rights, powers, privileges, options and other benefits of the Owner Trustee as assignee of the rights of the Lessee, as contractor under the Coal Supply Service Agreement pursuant to the Assignment of Coal Supply Service Agreement, including, without limitation:

(a) the right to make all consents, requests, waivers and agreements, to give and receive all notices and other instruments or communications and to enter into any amendments relating to the Coal Supply Service Agreement and the Assignment of Coal Supply Service Agreement or any provision thereof, except with regard to those rights of the Owner Trustee or the Owner Participant reserved as Excepted Rights in Collateral and except with regard to those rights of the Lessee reserved as Lessee Excepted Rights in Collateral; and

(b) the right to take such action upon the occurrence of a Default or an Event of Default under the Coal Supply Service Agreement, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Coal Supply Service Agreement or by law, and to do any and all other things whatsoever which the Lessee or any contractor is entitled to do under the Coal Supply Service Agreement except such rights with respect to, and as are reserved to the Owner Trustee or the Owner Participant in the definition of Excepted Rights in Collateral or except such rights with respect to, and as are reserved to the Lessee in the definition of Lessee Excepted Rights in Collateral;

it being the intent and purpose hereof that the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive all Basic Service Fee Payments, Supplemental Payments and Termination Value payments for application in accordance with Section 5 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

Section 1.4: Assigned Agreements. Collateral also includes all right, title, interest, claims and demands of the Owner Trustee in, to and under the Purchase Order, the

Permitted Designee Purchase Order Assignment, the Lessee Purchase Order Assignment, the Bill of Sale or Bills of Sale, the Paying Agency Agreement any and all other contracts and agreements relating to the Units or any rights or interests therein to which the Owner Trustee is now or may hereafter be a party, excepting and reserving the Lessee Tax Indemnity Agreement and Excepted Rights in Collateral, together with all rights, powers, privileges, licenses, easements, options and other benefits of the Owner Trustee under each thereof, including, without limitation, the right to make all consents, requests, waivers and agreements, to give and receive all notices and other instruments or communications, to take such action upon the occurrence of a default thereunder, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted thereby or by law, and to do any and all other things which the Owner Trustee is or may be entitled to do thereunder.

Section 1.5. Duration of Security Interest. The Secured Party and its assigns shall have and hold the Collateral forever; *provided, always, however,* that such security interest is granted upon the express condition that if the Owner Trustee shall pay or cause to be paid all the indebtedness hereby secured then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void, and in such event the Secured Party shall (upon the request of the Owner Trustee and at no cost to the Secured Party) execute and deliver to the Owner Trustee such instrument or instruments as may be necessary or appropriate in order to make clear upon the public records the title of the Owner Trustee in and to the Collateral; otherwise this Security Agreement shall remain in full force and effect.

SECTION 2. EXECUTION, PAYMENT, REGISTRATION, ETC. OF NOTES.

Section 2.1. Execution of Notes; Principal Amount. (a) The Notes shall be signed on behalf of the Owner Trustee by any Person who, at the date of the actual execution of such Note, shall be a proper officer of the Owner Trustee.

(b) The principal amount of the Notes to be issued hereunder shall not exceed \$7,564,257.12 except as provided in Section 2.4(a) or (d).

Section 2.2. Payment of Notes. The principal of, premium, if any, and interest on the Notes shall be payable at the principal office of the Secured Party, in lawful money of the United States of America. Any payment or prepayment of amounts due on the Notes in accordance with the terms thereof and hereof which is due on a date which is not a Business Day shall be payable on the immediately succeeding Business Day.

Section 2.3. Registered Notes; the Register. The Notes shall be issuable as fully registered Notes. The Owner Trustee shall keep at its principal office a register for the registration and transfer of the Notes (herein called the "Register"). The names and addresses of the holders of the Notes, the transfers of the Notes and the names and addresses of the transferees of all Notes shall be registered in the Register.

Section 2.4. Transfers and Exchanges of Notes; Lost or Mutilated Notes. (a) The holder of any registered Note may transfer such Note upon the surrender thereof at the principal office of the Owner Trustee. If such Noteholder has surrendered its Note to the Owner Trustee, thereupon, the Owner Trustee shall execute in the name of the transferee and deliver to such transferee a new Note or Notes in an aggregate principal amount equal to the original principal amount of the Note so surrendered; *provided, however,* no such new Note shall be delivered to any holder in a principal amount less than \$1,000,000.

(b) All Notes presented or surrendered for transfer shall be accompanied (if so required by the Owner Trustee) by a written instrument or instruments of assignment or transfer, in form reasonably satisfactory to the Owner Trustee, duly executed by the holder or by its attorney duly authorized in writing. The Owner Trustee shall not be required to make a transfer or an exchange of any Note for a period of ten (10) days preceding any payment date with respect thereto.

(c) No notarial seal shall be necessary for the transfer or exchange of any Note pursuant to this Section 2.4, and the holder of any Note issued as provided in this Section 2.4 shall be entitled to any and all rights and privileges granted under this Security Agreement to a holder of a Note.

(d) In case any Note shall become mutilated or be destroyed, lost or stolen, the Owner Trustee, upon the written request of the holder thereof, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substitute Note shall furnish to the Owner Trustee such security or indemnity as may be required by them to save each of them harmless from all risks resulting from the delivery of the substitute Note, and the applicant shall also furnish to the Owner Trustee evidence to their reasonable satisfaction of the destruction, loss or theft of the applicant's Note. In case any Note which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Owner Trustee may, instead of issuing a substitute Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note), if the applicant for such payment shall furnish to the Owner Trustee such security or indemnity as they may require to save them harmless, and shall provide evidence to the reasonable satisfaction of the Owner Trustee of the mutilation, destruction, loss or theft of such Note and the ownership thereof. If an institutional Noteholder or its nominee is the owner of any mutilated, destroyed, lost or stolen Note, then the affidavit of an officer in form reasonably satisfactory to the Owner Trustee setting forth the fact of destruction, loss or theft and such Noteholder's ownership of the Note at the time of such mutilation, destruction, loss or theft shall be accepted as satisfactory evidence thereof and no indemnity or security shall be required as a condition to execution and delivery of a new Note other than the written agreement of such Noteholder, in form reasonably satisfactory to the Owner Trustee, to indemnify the Owner Trustee from all risks resulting from the authentication and delivery of the substitute Note.

Section 2.5. The New Notes. (a) Each new Note (herein, in this Section 2.5, called a "New Note") issued pursuant to Section 2.4(a) or (d) in exchange for or in substitution or

in lieu of an outstanding Note (herein, in this Section 2.5, called an "Old Note") shall be dated the date of such Old Note. The Owner Trustee shall mark on each New Note (i) the date to which principal and interest have been paid on such Old Note, and (ii) all payments and prepayments of principal previously made on such Old Note which are allocable to such New Note. Interest shall be deemed to have been paid on such New Note to the date on which interest shall have been paid on such Old Note, and all payments and prepayments of principal marked on such New Note, as provided in clause (ii) above, shall be deemed to have been made thereon.

(b) Upon the issuance of a New Note pursuant to Section 2.4(a) or (d), the Owner Trustee may require the payment of a sum to reimburse it for, or to provide it with funds for, the payment of any tax or other governmental charge which are paid or payable by the Owner Trustee.

(c) All New Notes issued pursuant to Section 2.4(b), (c) or (f) in exchange for or in substitution or in lieu of Old Notes shall be valid obligations of the Owner Trustee evidencing the same debt as the Old Notes and shall be entitled to the benefits and security of this Security Agreement to the same extent as the Old Notes.

(d) Upon the issuance of any Note pursuant to this Security Agreement, the Owner Trustee shall deliver to the holder thereof an amortization schedule with respect to such Note setting forth the amount of the scheduled principal to be made on such Note after the date of issuance thereof and the unpaid principal balance of such Note after each such payment.

Section 2.6. Cancellation of Notes. All Notes surrendered for the purpose of payment, redemption, transfer or exchange shall be delivered to the Owner Trustee for cancellation or, if surrendered to the Owner Trustee, shall be cancelled by it, and no Notes shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Security Agreement.

Section 2.7. Paying Agent. Notwithstanding anything to the foregoing to the contrary, the Paying Agent shall receive, hold and apply all payments made hereunder in accordance with the terms hereof and of the Paying Agency Agreement.

Section 2.8. Ownership. The Person in whose name any Note shall be registered shall be deemed and treated as the owner thereof for all purposes of this Security Agreement and the Owner Trustee shall not be affected by any notice to the contrary. Payment of or on account of the principal of, premium, if any, and interest on such Note shall be made only to or upon the order in writing of such registered owner. For the purpose of any request, direction or consent hereunder, the Owner Trustee may deem and treat the registered owner of any Note as the owner and holder thereof without production of such Note.

SECTION 3. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Owner Trustee covenants, warrants and agrees for the benefit of the Secured Party and the holders of the Notes as follows:

Section 3.1. Owner Trustee's Duties. The Owner Trustee covenants and agrees well and truly to perform, abide by and be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in the Note Purchase Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to the Note Purchase Agreement were fully set out in an amendment or supplement to this Security Agreement. The Owner Trustee undertakes to perform only such duties as are expressly and specifically set forth herein and in the other Operative Documents and no implied obligations or covenants shall be read into this Security Agreement or any other Operative Documents against the Owner Trustee.

Section 3.2. Warranty. The Owner Trustee has the right, power and authority under the Trust Agreement to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Owner Trustee will warrant and defend the title to the Collateral against all claims and demands of persons claiming by, through or under the Owner Trustee, excepting only this Security Agreement and Permitted Encumbrances. The Owner Trustee also agrees that it will, in its individual capacity and at its own cost and expense, without regard to the provisions of Section 8 hereof, promptly take such action as may be necessary to duly discharge any Owner Encumbrances attributable to it in its individual capacity. Without limiting the foregoing, the Owner Trustee represents that there is no financing statement or other filed or recorded instrument in which the Owner Trustee is named and which the Owner Trustee has signed, as debtor or mortgagor, now on file in any public office covering any of the Collateral excepting the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein.

Section 3.3. Further Assurances. The Owner Trustee will, upon the request of and at no expense to the Secured Party, (a) on or prior to the Closing Date, execute a Security Agreement Supplement in the form of Exhibit B attached hereto specifically identifying the Units being settled for on such date, and (b) do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the first priority security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in the Rent and other sums due and to become due under the Lease and the Basic Service Fee Payments and Supplemental Payments due under the Coal Supply Service Agreement, the Owner Trustee covenants and agrees that it will, pursuant to Section 13(c) of the Lease and Section 13(b) of the Coal Supply Service Agreement, notify the Lessee and the Permitted Designee of the assignment hereunder and direct the Lessee and the Permitted Designee to make all payments of such sums due and to

become due under the Lease and the Coal Supply Service Agreement which are subject to the assignment hereunder directly to the Secured Party or as the Secured Party may direct in writing.

Section 3.4. After-Acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired shall *ipso facto*, and without any further conveyance, assignment or act on the part of the Owner Trustee or the Secured Party, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 3.4 contained shall be deemed to modify or change the obligation of the Owner Trustee under Section 3.3 hereof.

Section 3.5. Recordation and Filing. The Owner Trustee will cooperate fully with the Lessee and/or the Permitted Designee and/or the Secured Party in any effort to cause this Security Agreement and all supplements hereto, the Lease and all supplements thereto, the Coal Supply Service Agreement (or a memorandum thereof) and all supplements thereto (or memoranda thereof), the Assignment of Coal Supply Service Agreement (or a memorandum thereof) and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Secured Party in such manner and in such place as may be requested in writing by the Secured Party in order to fully preserve and protect the rights of the Secured Party hereunder and its first priority security interest in the Collateral.

In case of any appointment of a successor to the Owner Trustee, or a merger, consolidation or acquisition of assets thereof, or other event resulting in a change of name of the Owner Trustee, the Owner Trustee shall record such instruments as are appropriate to show for the public record such succession or change of name in every public office where this Security Agreement or evidence thereof shall have been filed or recorded.

Section 3.6. Actions with Respect to Collateral. The Owner Trustee will not:

(a) declare a default or exercise the remedies of the Lessor under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification or surrender of, the Lease (except as otherwise expressly provided herein), or, except as permitted under the Lease, by affirmative act consent to the creation or existence of any security interest or other lien, charge or encumbrance to secure the payment of indebtedness upon the leasehold estate created by the Lease or any part thereof;

(b) declare a default or exercise the remedies of the Contractor under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification or surrender of, the Coal Supply Service Agreement (except as otherwise expressly provided herein) or, except as permitted under the Coal Supply Service Agreement, by affirmative act consent to the creation or existence of any security interest or other lien, charge or encumbrance to secure the payment of indebtedness upon the estate created by the Coal Supply Service Agreement or any part thereof;

(c) receive or collect any payment of Rent or Termination Value under the Lease prior to the date of payment thereof provided for by the Lease or assign, transfer or hypothecate (other than to the Secured Party hereunder) any payment of Rent or Termination Value which is then due or to accrue in the future under the Lease in respect of the Units;

(d) receive or collect any payment of Basic Service Fee Payment or Termination Value under the Coal Supply Service Agreement prior to the date of payment thereof or provided for by the Coal Supply Service Agreement or assign, transfer or hypothecate (other than to the Secured Party hereunder) any payment of Basic Service Fee Payment, Supplemental Payment or Termination Value which is then due or to accrue in the future under the Coal Supply Service Agreement in respect of the Units; or

(e) sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder) its interest in the Units or any part thereof or in any amount to be received by it from the use or disposition of the Units.

Section 3.7. Power of Attorney in Respect of the Lease. Except with respect to Excepted Rights in Collateral, the Owner Trustee does hereby irrevocably constitute and appoint the Secured Party its true and lawful attorney with full power of substitution, for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income and other sums which are assigned under Section 1 hereof (with full power if an Event of Default shall have occurred and be continuing hereunder to settle, adjust or compromise any claim thereunder as fully as the Owner Trustee could itself do), to accept any offer of the Lessee to purchase the Units as provided in the Lease and upon such purchase to execute and deliver in the name of and on behalf of the Owner Trustee an appropriate bill of sale and other instruments of transfer relating to the Units when purchased by the Lessee in accordance with the Lease, and to endorse the name of the Owner Trustee on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Owner Trustee or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby.

Section 3.8. Notice of Default. The Owner Trustee covenants and agrees that it will give the Secured Party and the Owner Participant prompt written notice of any event or condition constituting an Event of Default under the Lease if a "Responsible Officer" (as defined in Section 6.3 of the Trust Agreement) in the Corporate Trust Administration of the Owner Trustee has actual knowledge of such event or condition.

Section 3.9. Special Purpose. The Owner Trustee covenants that:

(a) it will not enter into any business or other activity other than the business of holding the Trust Estate pursuant to the Trust Agreement and the exercise of rights

under, and the performance of all obligations to be performed by the Owner Trustee pursuant to, the Operative Documents; and

(b) it shall not have any obligation at any time, other than (i) its obligations under the Operative Documents, (ii) obligations for Taxes not then due or being contested in good faith by appropriate proceedings and for which adequate reserves are being maintained by it or on its behalf, or (iii) incidental obligations relating to the activities referred to in the Operative Documents.

SECTION 4. POSSESSION, USE AND RELEASE OF PROPERTY.

Section 4.1. Possession of Collateral. As between the Secured Party and the Owner Trustee, while the Owner Trustee is not in default hereunder, it shall be permitted to remain in full possession, enjoyment and control of the Units and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto, provided, always, that the possession, enjoyment, control and use of the Units shall at all times be subject to the observance and performance of the terms of this Security Agreement and the Lease. It is expressly understood that (a) so long as no Event of Default under the Lease has occurred and is continuing, the Lessee has a right to quiet enjoyment of the Units under the Lease and (b) so long as no Event of Default (as defined in Section 10(a) of the Coal Supply Service Agreement) under the Coal Supply Service Agreement has occurred and is continuing the Permitted Designee has a right to quiet enjoyment of the Units under the Coal Supply Service Agreement.

Section 4.2. Release of Property. So long as no Material Default or Event of Default under the Lease has occurred and is continuing, the Secured Party shall execute a release in respect of any Unit (i) designated by the Lessee for settlement of Termination Value pursuant to Section 11 of the Lease upon receipt from the Lessee of written notice designating the Unit in respect of which the Lease will terminate and the receipt from the Lessee of all sums payable for such Unit in compliance with Section 11 of the Lease or (ii) designated by the Permitted Designee for settlement of Termination Value pursuant to Sections 8 or 12(b) of the Coal Supply Service Agreement upon receipt from the Permitted Designee of written notice designating the Unit in respect of which the Coal Supply Service Agreement will terminate and the receipt from the Permitted Designee of all sums payable for such Unit in compliance with Sections 8 or 12(b), as the case may be, of the Coal Supply Service Agreement. Any such written notice from the Lessee or the Permitted Designee shall be accompanied by an Officer's Certificate of the Lessee or the Permitted Designee, as the case may be, setting forth the basis for such request and stating that the Lessee or the Permitted Designee, as the case may be, has complied with the applicable provisions of the Lease or the Coal Supply Service Agreement, as the case may be, together with such additional evidence of such compliance as the Secured Party shall request. The Secured Party agrees at the Owner Trustee's expense to execute such instruments as the Owner Trustee shall reasonably request to evidence such release and consents to all appropriate filings to confirm such release of public record.

Section 4.3. Condemnation. The Owner Trustee, immediately upon obtaining actual knowledge of the institution of any proceedings for the condemnation of the Collateral or any portion thereof, which condemnation proceedings, if successful, would be reasonably likely to result in a Casualty Event, shall notify the Secured Party of the pendency of such proceedings. The Secured Party may participate in any such proceedings, and the Owner Trustee from time to time will deliver or cause to be delivered to the Secured Party all instruments requested by it to permit such participation. In the event of such condemnation proceedings, the award or compensation payable to the Owner Trustee or assigned to the Owner Trustee by the Lessee under the Lease and the Assignment of Coal Supply Service Agreement or by the Permitted Designee under the Assignment of Coal Supply Service Agreement shall be paid to the Secured Party, and such award or compensation shall be retained by the Secured Party as part of the Collateral and applied in accordance with Section 5. The Secured Party shall be under no obligation to question the amount of the award or compensation and the Secured Party may accept any such award or compensation. In any such compensation proceedings the Secured Party may be represented by counsel.

Section 4.4. Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder pursuant to Section 4.2 hereof shall be bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such release is hereby authorized.

SECTION 5. APPLICATION OF ASSIGNED RENTALS AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURED PARTY.

Section 5.1. Application of Rents and Other Payments. As more fully set forth in Sections 1.2 and 1.3 hereof, the Owner Trustee has hereby granted to the Secured Party a security interest in Rents, issues, profits, income, insurance proceeds and other sums due and to become due under the Lease and in the Basic Service Fee Payments, Supplemental Payments and insurance proceeds to become due under the Coal Supply Service Agreement in respect of the Units as security for the Notes. So long as no Event of Default has occurred and is continuing to the knowledge of the Secured Party:

(a) **Interim Rent and Basic Rent and Basic Service Fee Payments.** The amounts from time to time received by the Secured Party which constitute payment by the Lessee of installments of Interim Rent or Basic Rent under the Lease or which constitute payments by the Permitted Designee of Basic Service Fee Payments under the Coal Supply Service Agreement shall be applied *first*, to the payment of the installments of principal and interest (and in each case first to interest and then to principal) on the Notes which have become due and payable or will become due and payable on or before the due date of such installment of Interim Rent, Basic Rent or Basic Service Fee Payments which is received by the Secured Party, and then the balance, if any, of such amounts shall be paid to or upon the order of the Owner Trustee on the later of (i) such due date and (ii) the first Business Day following the receipt thereof;

(b) *Supplemental Rent and Supplemental Payments.* The amount, if any, from time to time received by the Secured Party which constitutes payment of Supplemental Rent pursuant to Section 9(c) of the Lease (other than Termination Value payments under the Lease) or which constitutes the payment of Supplement Payments pursuant to Section 3(b) of the Coal Supply Service Agreement (other than Termination Value payments under the Coal Supply Service Agreement) shall be paid to or upon the order of the party which is to receive the same pursuant to the terms of the Lease or the Coal Supply Service Agreement, as the case may be;

(c) *Termination Value.* The amounts from time to time received by the Secured Party which constitute settlement by the Lessee of the Termination Value for any Unit pursuant to Section 11 of the Lease or settlement by the Permitted Designee of the Termination Value for any Unit pursuant to Section 8 or 12(b) of the Coal Supply Service Agreement shall be applied by the Secured Party as follows:

(i) *First,* to the payment of an amount, if any, equal to the accrued and unpaid interest and, in the event of an early termination pursuant to Section 11(c) of the Lease or Section 12(b) of the Coal Supply Service Agreement, Make Whole Amount on that portion of the Notes to be prepaid pursuant to the following subparagraph;

(ii) *Second,* an amount equal to the Loan Value of the Unit for which settlement is then being made shall be applied to the prepayment of the Notes so that each of the remaining installments of each Note shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Notes immediately prior to the prepayment;

(iii) *Third,* to the payment of any other amounts then owing to the Secured Party under the Operative Documents; and

(iv) *Fourth,* the balance, if any, of such amounts held by the Secured Party after making the applications provided for by the preceding subparagraphs (i) and (ii) shall be released to or upon the order of the Owner Trustee on the date of payment of the amounts provided in the preceding clauses (i) and (ii).

For purposes of this Agreement and the other Operative Documents, the "*Loan Value*" in respect of any Unit as of any date shall be an amount equal to the product of (A) a fraction, the numerator of which is the number of Units for which settlement is then being made and the denominator of which is the aggregate number of all Units then subject to the Lease and Coal Supply Service Agreement (including such Unit), times (B) the unpaid principal balance of the Notes, after application of any installment payment made on such date of prepayment;

(d) *Insurance Proceeds.* The amounts received by the Secured Party from time to time which constitute proceeds of property or casualty insurance maintained

by the Lessee or the Permitted Designee on the Units, shall be held by the Secured Party as a part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

(i) So long as no Material Default or Event of Default under the Lease has occurred and is continuing, the proceeds of such insurance (less the reasonable costs, fees and expenses incurred in the collection thereof) shall, if the Unit has been or is to be repaired or restored, be released to the Owner Trustee to reimburse or pay the Lessee or the Permitted Designee, as the case may be, for expenditures made or to be made for repair or restoration of the Units; and

(ii) If the insurance proceeds shall not have been released to the Owner Trustee pursuant to the preceding paragraph (i) within 180 days from the receipt thereof by the Secured Party, or if within such period the Lessee or the Permitted Designee shall have notified the Secured Party in writing that the Lease or the Coal Supply Service Agreement, as the case may be, is to be terminated in respect of such Unit in accordance with the provisions of Section 11 of the Lease or Section 8 of the Coal Supply Service Agreement then so long as no Event of Default hereunder has occurred and is continuing, the insurance proceeds (less the reasonable costs, fees and expenses incurred in the collection thereof) shall be applied by the Secured Party as follows:

(A) *First*, to the payments in the manner and to the extent provided for by Section 5.1(c) hereof; and

(B) *Second*, the balance, if any, of such insurance proceeds held by the Secured Party after making the applications provided for by the preceding subparagraph (A) shall be released to or upon the order of the Owner Trustee by the next Business Day following such applications.

(e) *Condemnation Awards*. So long as no Event of Default under the Lease has occurred and is continuing, any amounts received by or payable to the Secured Party from time to time which constitute the award, compensation or damages payable for the condemnation or taking of all or any part of the Units for any public or quasi-public use (less the actual costs, fees and expenses incurred in the collection thereof) shall be released to or upon the order of the Owner Trustee if such condemnation or taking does not constitute a Casualty Event and otherwise shall be applied in accordance with Section 5.1(c).

Section 5.2. Multiple Notes. If more than one Note is outstanding at the time such application is made, all applications pursuant to Section 5.1 shall be made on all outstanding Notes ratably in accordance with the aggregate principal amount remaining unpaid thereon.

Section 5.3. Event of Default. If an Event of Default referred to in Section 7 hereof has occurred and is continuing and the Notes shall have been accelerated as a result

thereof, all amounts received by the Secured Party pursuant to Section 1 hereof shall be applied in the manner provided for in Section 7 in respect of proceeds and avails of the Collateral. If the Notes shall not have been accelerated, such amounts shall be held or applied in accordance with Section 5.4.

Section 5.4. Funds held by Secured Party. If a Material Default or an Event of Default shall have occurred and be continuing and the Notes shall not have been accelerated, all amounts (including any earnings thereon) received by the Secured Party pursuant to Section 5.1(a) and 5.1(c), shall be applied to any amount then due and payable on the Notes in accordance with the applicable provisions of Section 5.1 and to pay any other amount owed to the Secured Party under the Operative Documents, and the balance thereof, and all amounts received pursuant to Section 5.1(b), 5.1(d) or 5.1(e), shall be held by the Secured Party as part of the Collateral and invested as hereinafter in this Section 5.4 provided until the earliest to occur of (a) as to any such sum so withheld, the 180th day following the commencement of such withholding, (b) the date on which all Material Defaults or Events of Default shall have been cured or waived, and (c) such acceleration occurs. Upon the occurrence of an event referred to in clause (a) or (b) above, such sum so withheld plus earnings thereon shall be distributed to or upon the order of the Person entitled thereto pursuant to the applicable provisions of Section 5.1 (notwithstanding that a Material Default or Event of Default has occurred and is continuing). In the event acceleration shall have occurred by virtue of an Event of Default, such sum so withheld (including any earnings thereon) shall be applied in the manner provided in Section 7 in respect of the proceeds and avails of the Collateral. Funds held pursuant to this Section 5.4 plus earnings thereon shall be invested by the Paying Agent in accordance with the Paying Agency Agreement.

SECTION 6. PREPAYMENT OF NOTES.

Section 6.1. Prepayments. Neither any prepayment of any Notes nor any purchase by the Owner Trustee of any Notes may be made except to the extent and in the manner expressly permitted by this Security Agreement. Every prepayment of Notes required to be made pursuant to Section 5 and any prepayment permitted to be made under Section 7 shall be made in accordance with the provisions of this Section 6.

Section 6.2. Mandatory Prepayments.

(a) **Regular Scheduled Prepayments.** On the second day of each January and July from and including July 2, 1993 to and including July 2, 2011, the Owner Trustee shall prepay and apply, and there shall become due and payable, the principal amount of the Notes specified for each such date set forth in Schedule I hereto, together with all accrued and unpaid interest thereon, but without premium.

(b) **Lease Termination Due to Casualty Event.** In the event of a termination of the Lease by the Lessee pursuant to the provisions of Section 11(b) of the Lease with respect to any Unit, on the date of such termination the Owner Trustee shall prepay and apply, and there shall become due and payable, a principal amount of the Notes equal to the Loan Value

of the Units with respect to which the Lease is being terminated, and all accrued and unpaid interest thereon, but without premium.

(c) *Lease Termination Due to Early Termination.* In the event of a termination of the Lease by the Lessee pursuant to the provisions of Section 11(c) of the Lease with respect to any Unit, on the date of such termination the Owner Trustee shall prepay and apply, and there shall become due and payable, a principal amount of the Notes equal to the Loan Value of the Units with respect to which the Lease is being terminated and all accrued and unpaid interest thereon, together with an amount equal to the then applicable Make Whole Amount.

(d) *Coal Supply Service Agreement Termination Due to Casualty Event.* In the event of a termination of the Coal Supply Service Agreement by the Permitted Designee pursuant to the provisions of Section 8(b) of the Coal Supply Service Agreement with respect to any Unit, on the date of such termination the Owner Trustee shall prepay and apply, and there shall become due and payable, a principal amount of the Notes equal to the Loan Value of the Unit with respect to which the Coal Supply Service Agreement is being terminated, and all accrued and unpaid interest thereon, but without premium.

(e) *Coal Supply Service Agreement Termination Due to Early Termination.* In the event of a termination of the Coal Supply Service Agreement by the Permitted Designee pursuant to the provisions of Section 12(b) of the Coal Supply Service Agreement with respect to any Units, on the date of such termination the Owner Trustee shall prepay and apply, and there shall become due and payable, a principal amount of the Notes equal to the Loan Value of the Units with respect to which the Coal Supply Service Agreement is being terminated and all accrued and unpaid interest thereon, together with an amount equal to the then applicable Make Whole Amount.

Section 6.3. Notice of Prepayment. In the case of any prepayment of indebtedness of the Owner Trustee evidenced by the Notes (other than pursuant to Section 6.2(a)), notice thereof in writing to the holders of the Notes to be so paid shall be sent by the Owner Trustee in the manner set forth in Section 11.3, to the holder of each Note to be paid, at least 30 and not more than 60 days prior to the date fixed for payment of such prepayment. Such notice shall be irrevocable and shall specify (i) the date fixed for payment, (ii) the provision hereof under which such payment is being effected, (iii) that a premium may be payable, (iv) the date when such premium will be calculated, (v) the estimated premium, and (vi) the accrued interest applicable to the prepayment, and on the date fixed for payment there will become due and payable upon each Note or portion thereof so to be paid at the place where the principal of the Notes to be paid is payable, the specified amount of principal thereof, together with the accrued interest to such date and the premium, if any, payable with respect thereto. Not later than two Business Days prior to the prepayment date specified in such notice, the Owner Trustee shall provide each holder of a Note written notice of the premium, if any, payable in connection with such prepayment.

Section 6.4. Amortization Schedules. On the date of the partial prepayment of any Note (other than regular scheduled prepayments pursuant to Section 6.2(a)), the Owner Trustee shall deliver to the holder thereof (i) an amortization schedule with respect to such

Note setting forth the amount of the required regular prepayments to be made on such Note after the date of such partial prepayment and the unpaid principal balance of such Note after each such required regular prepayment and (ii) an amortization schedule to substitute as Schedule I hereto with respect to all Notes setting forth the amount of the required prepayments to be made on the Notes after the date of such partial prepayment and the unpaid principal balance of the Notes after each such required regular prepayment.

SECTION 7. DEFAULTS AND OTHER PROVISIONS.

Section 7.1. Events of Default. The term "*Event of Default*" for all purposes of this Security Agreement shall mean one or more of the following (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) Default in payment of an installment of the principal of or interest on any Note pursuant to Section 6.2(a) when and as the same shall become due and payable and such default shall continue unremedied for five (5) Business Days after such payment shall become due;

(b) Default in the payment of any other amounts when and as the same shall become due and payable, whether on the date thereof or at the date fixed for prepayment or by acceleration or otherwise, and such default shall continue unremedied for ten (10) Business Days after written notice from the Secured Party;

(c) Subject to the rights of the Owner Trustee and the Owner Participant under Section 7.3 hereof, an Event of Default shall have occurred and be continuing under the Lease (except in respect of Excepted Rights in Collateral);

(d) Default on the part of the Owner Trustee or the Owner Participant in the due observance or performance of any covenant or agreement to be observed or performed by the Owner Trustee or the Owner Participant, as the case may be, under this Security Agreement, the Note Purchase Agreement or any other Operative Document, and the Owner Trustee or the Owner Participant, as the case may be, shall not have cured such failure on or prior to the thirtieth (30th) day after the Owner Trustee or the Owner Participant, as the case may be, shall have received notice of such failure from the Secured Party;

(d) Any representation or warranty made by the Owner Trustee herein or the Owner Trustee or the Owner Participant in any other Operative Document or in any document or certificate furnished by it to the Secured Party shall prove to be incorrect in any material respect as of the date made and, if such representation or warranty is capable of being corrected or remedied, shall not have been corrected or remedied on or prior to the 30th day after the Owner Trustee or the Owner Participant, as the case may be, shall have received written notice from the Secured Party;

(e) The Owner Trustee or the Owner Participant shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in any voluntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(f) An involuntary case or other proceeding shall be commenced against the Owner Trustee or the Owner Participant seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of sixty (60) days.

Section 7.2. Secured Party's Rights. The Owner Trustee agrees that when any Event of Default has occurred and is continuing, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Owner Trustee shall have the rights and duties of a debtor, under the Uniform Commercial Code, and without limiting the foregoing, the Secured Party may, subject to Section 7.3 hereof, exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute.

(a) The Secured Party may, by notice in writing to the Owner Trustee, declare the entire unpaid balance of the Notes to be immediately due and payable, and thereupon all such unpaid balance, together with all accrued interest thereon and the then applicable Make Whole Amount, shall be and become immediately due and payable;

(b) Subject always to the existing rights, if any, of the Lessee under the Lease and the Permitted Designee under the Coal Supply Service Agreement, if the Secured Party shall so request, the Owner Trustee shall deliver the Collateral to the Secured Party, and the Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Owner Trustee, the Lessee, the Permitted Designee or any other Person with or without notice, demand, process of law or legal procedure, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same until sold, and to collect and receive all earnings, revenues, rents, issues, proceeds and

income of the Collateral and every part thereof, to make alterations, improvements and additions thereon or remove and dispose of any portion of the Collateral and to otherwise exercise any and all of the rights and powers of the Owner Trustee in respect thereof;

(c) Subject always to the existing rights, if any, of the Lessee under the Lease and the Permitted Designee under the Coal Supply Service Agreement, the Secured Party may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of any such sale to the Owner Trustee, the Owner Participant, the Lessee and the Permitted Designee at least ten (10) days prior to (i) the date of any public sale or (ii) the date on or after which any private sale may take place, sell and dispose of the Collateral, or any part thereof, at public auction to the highest bidder or at private sale or sales, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine in its sole discretion, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party and, if an Event of Default under Section 7.1(c) shall have occurred and be continuing (and no other Event of Default shall have occurred and be continuing), the Lessor may bid and become the purchaser at any such sale;

(d) Subject always to the existing rights, if any, of the Lessee under the Lease and the Permitted Designee under the Coal Supply Service Agreement the Secured Party may proceed to protect and enforce this Security Agreement and the Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, or for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law; and

(e) Subject always to the existing rights, if any, of the Lessee under the Lease and the Permitted Designee under the Coal Supply Service Agreement, the Secured Party may proceed to exercise all rights, privileges and remedies of the Owner Trustee under the Lease and the Lessee under the Coal Supply Service Agreement (except for Excepted Rights in Collateral and Lessee Excepted Rights in Collateral) and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Owner Trustee, as Lessor, or the Lessee, as Contractor, for the use and benefit of the Secured Party.

Notwithstanding the foregoing, the Secured Party hereby agrees that if no Event of Default has occurred and is continuing hereunder except such as is caused by or is also an

Event of Default under the Lease, then the Secured Party shall proceed to foreclose the lien and security interest of this Security Agreement only if it is concurrently exercising (or has previously exercised) (i) in the event of an Event of Default under the Lease which is not an Event of Default under Section 14(c) of the Lease, one or more of the remedies referred to in Section 15 of the Lease or (ii) in the event of an Event of Default under Section 14(c) of the Lease, one or more of the remedies under Section 15 of the Lease and one or more of the remedies under Section 10(b) of the Coal Supply Service Agreement, in each such case, unless it is then stayed or otherwise prevented from doing so by operation of law.

Upon sale of the Collateral as above provided or the giving of notice by the Secured Party of its intention to retain possession thereof, the Owner Trustee shall cease to have any rights in respect of the Collateral hereunder, and all such rights shall be deemed thenceforth to have been waived and surrendered by the Owner Trustee, and no payments theretofore made by the Owner Trustee in respect of the Collateral or any of it shall give to the Owner Trustee any legal or equitable interest or title in or to the Collateral or any of it or any cause or right of action at law or in equity in respect of the Collateral against the Secured Party or any purchaser of the Collateral.

Section 7.3. Certain Rights of the Owner Trustee and the Owner Participant.
Notwithstanding any other provision of this Security Agreement:

(a) ***Right to Cure.*** The Secured Party shall give the Owner Trustee and the Owner Participant not less than twenty (20) days (in the case of an Event of Default under the Lease which is not a failure to pay money) or ten (10) days (in the case of any other Event of Default under the Lease) prior written notice of the date (such date being the "*Enforcement Date*") on or after which the Secured Party will exercise any remedy or remedies pursuant to Section 7.2 or Section 7.9 hereof or the remedy of terminating the Lease pursuant to the provisions of Section 15 thereof or the remedy of terminating the Coal Supply Service Agreement pursuant to Section 10(b) thereof, but such notice obligation shall not apply if an Event of Default is continuing hereunder which is not an Event of Default under the Lease hereunder which is not also a Default or Event of Default under the Lease. So long as no Default or Event of Default shall have occurred and be continuing hereunder, the Owner Trustee and the Owner Participant shall have the following rights hereunder:

(i) In the event of the occurrence of an Event of Default resulting from the failure of the Lessee to pay Basic Rent or from the failure of the Permitted Designee to pay Basic Service Fee Payments, on or prior to the Enforcement Date, the Owner Trustee or the Owner Participant may, but shall not be obligated to, pay to the Secured Party an amount equal to any principal and interest (including interest, if any, on overdue payments of principal and interest) then due and payable on the Notes, and unless the Owner Trustee has cured Defaults or Events of Default in respect of the three (3) immediately preceding payments of Basic Rent or Basic Service Fee Payments or any six (6) Defaults or Events of Default in respect of the payment of Basic Rent or Basic Service Fee Payments, such payment by the Owner Trustee under this

Section 7.3(a) shall be deemed to cure any such Default or Event of Default under the Lease and the corresponding default or event of default under the Coal Supply Service Agreement and any Default or Event of Default hereunder resulting therefrom which would otherwise have arisen on account of such non-payment by the Lessee of such installment of Basic Rent or on account of such non-payment by the Permitted Designee of such installment of Basic Service Fee Payments; and

(ii) In the event that a Default or Event of Default (other than a default in the payment of Basic Rent or Basic Service Fee Payments) which can be cured by the payment of money has occurred, on or prior to the Enforcement Date, the Owner Trustee or the Owner Participant may, but shall not be obligated to, cure such Default or Event of Default by making such payment as is necessary to accomplish the observance or performance of the defaulted covenant, condition or agreement to the party entitled to the same; *provided* that the Owner Trustee and the Owner Participant shall lose any such cure right if they have previously spent in the aggregate in excess of \$500,000 pursuant to this clause (ii).

Neither the Owner Trustee nor the Owner Participant shall, by exercising the right to cure any such Default or Event of Default, obtain any lien, charge or encumbrance of any kind on any of the Collateral for or on account of costs or expenses incurred in connection with the exercise of such right nor shall any claims of the Owner Trustee or the Owner Participant against the Lessee or the Permitted Designee or any other party for the repayment of such costs or expenses impair the prior right and security interest of the Secured Party in and to the Collateral. Upon such payment by the Owner Trustee or the Owner Participant of the amount of principal and interest then due and payable on the Notes, the Owner Trustee or the Owner Participant, as the case may be, shall be subrogated to the rights of the Secured Party in respect of any Basic Rent or Basic Service Fee Payments which were overdue at the time of such payment and interest payable by the Lessee or the Permitted Designee, as the case may be, on account of its being overdue, and therefore, if no other Event of Default or Material Default shall have occurred and be continuing and if all principal and interest payments due on the Notes have been paid at the time of receipt by the Secured Party of such Basic Rent or Basic Service Fee Payments and such interest, the Owner Trustee shall be entitled to receive such Basic Rent and other payments and such interest upon receipt thereof by the Secured Party; *provided* that (i) in the event the principal and interest on the Notes shall have become due and payable, such subrogation shall, until principal of and interest on all Notes shall have been paid in full, be subordinate to the rights of the Secured Party in respect of such payment of Basic Rent or Basic Service Fee Payments and such interest prior to receipt by the Owner Trustee or the Owner Participant, as the case may be, of any amount pursuant to such subrogation, and (ii) the Owner Trustee and the Owner Participant shall not be entitled to seek to recover any such payment (or any payment in lieu thereof) except pursuant to the foregoing right of subrogation.

(b) *Options to Prepay Notes.* Notwithstanding anything in this Indenture to the contrary, (i) if an Event of Default under this Security Agreement which results solely from an Event of Default under the Lease with respect to the non-payment of Basic Rent or Basic Service Fee Payments has occurred and is continuing (and no other Event of Default under this Security Agreement exists), and the Secured Party has not pursued any remedy under the Lease and, in the event of an Event of Default under Section 14(c) of the Lease, under the Coal Supply Service Agreement, for a period of one hundred eighty (180) days following knowledge by the Secured Party of such Event of Default, or, (ii) if an Event of Default under this Security Agreement which results solely from an Event of Default under the Lease has occurred and is continuing (and no other Event of Default under this Security Agreement exists) and the Secured Party has declared the entire unpaid balance of the Notes immediately due and payable pursuant to Section 7.1(a) hereof, then the Owner Trustee may, upon prior written notice to each holder of a Note, prepay the Notes by payment of the unpaid principal amount thereof and accrued interest thereon to the date of payment, plus all other sums then due and payable to the holders of the Notes, in each such case, without premium; *provided, however,* with respect to clause (i) above, the Owner Trustee may prepay the Notes prior to the one hundred and eightieth (180th) day by paying to the holders of the Notes an additional amount equal to the then applicable Make Whole Amount on the Notes. The Owner Trustee may not exercise its prepayment option under this Section 7.3(b) with respect to less than all of the Notes. In the event of any such prepayment of the Notes without premium, the Secured Party shall retain its rights to the exclusion of the Owner Trustee and the Owner Participant to sue for and collect from the Lessee and the Permitted Designee any applicable premium that would have otherwise been due to the Secured Party; *provided, however,* the Secured Party shall have no claim whatsoever against the Trust Estate with respect to any such premium.

Section 7.4. Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes including principal and interest thereof.

Section 7.5. Waiver by Owner Trustee. To the extent permitted by law, the Owner Trustee covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, or insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Collateral or any part thereof prior to any sale or sales thereof to be made pursuant to any provision herein contained, or pursuant to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now

or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

Section 7.6. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Owner Trustee in and to the property sold, and shall be a perpetual bar, both at law and in equity, against the Owner Trustee, its successors and assigns, and against any and all Persons claiming the property sold or any part thereof under, by or through the Owner Trustee, its successors or assigns (subject, however, to the then existing rights, if any of the Lessee under the Lease and of the Permitted Designee under the Coal Supply Service Agreement).

Section 7.7. Application of Proceeds. The purchase money proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) *First*, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Secured Party and the holders of the Notes and of all taxes, assessments or Liens superior to the Lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) *Second*, to the payment to the Secured Party and the holders of the Notes of the amount then owing or unpaid on the Notes for principal, interest and premium, if any; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium, if any, with application on each Note to be made, first, to the unpaid interest thereon, second, to unpaid premium, if any, thereon, and third, to unpaid principal thereof; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid;

(c) *Third*, to the payment of all other amounts due under the Operative Documents to the Secured Party; and

(d) *Fourth*, to the payment of the surplus, if any, to the Owner Trustee, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

Section 7.8. Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, then and in every such case the Owner Trustee, the Owner Participant, the Secured Party and the holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

Section 7.9. Cumulative Remedies. No delay or omission of the Secured Party or the holder of any Note to exercise any right or power arising from any Default or Event of Default under this Agreement shall exhaust or impair any such right or power or prevent its exercise during the continuance thereof. No waiver by the Secured Party or the holder of any Note, of any such Default or Event of Default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent Default or Event of Default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or the holder of any Note be required to first look to, enforce or exhaust such other or additional security, collateral or guaranty.

Section 7.10. Other Rights of Owner Trustee and Owner Participant. Notwithstanding anything to the contrary contained herein:

(a) at all times, Owner Participant and Owner Trustee shall have the right, to the exclusion of the Secured Party (i) to demand and receive payment of, and commence an action at law to obtain payment of, moneys payable with regard to Excepted Rights in Collateral, (ii) to exercise any rights of the "Lessor" under Section 10 of the Lease with respect to public liability insurance maintained for the benefit of the Owner Trustee and the Owner Participant, (iii) to perform all covenants and obligations on behalf of the Lessee pursuant to Section 21 of the Lease and (iv) to exercise all rights with respect to separate insurance maintained by it under Section 10(e) of the Lease;

(b) at all times, Owner Participant and Owner Trustee shall have the right, not to the exclusion of the Secured Party, (i) to receive all notices, certificates, reports, filings, opinions of counsel, copies of all documents and all information which are committed or are required to be given or furnished to the Owner Trustee or the Owner Participant pursuant to any Operative Document, (ii) provided that no Event of Default shall have occurred and be continuing, to cause the Lessee to take any action and execute and deliver such documents and assurances as the "Lessor" may from time to time reasonably request pursuant to Section 22 of the Lease and (iii) to

exercise the inspection rights granted to the "Lessor" pursuant to Section 6 of the Lease;

(c) provided that no Event of Default shall have occurred and be continuing and except as specifically set forth in clauses (a) and (b) above and clauses (d) and (e) below, the Owner Trustee shall have the right, but only jointly with the Secured Party, to enter into, execute and deliver amendments, modifications, waivers, requests or consents in respect of and to take any other action under any of the Operative Documents, and while an Event of Default is continuing, the Secured Party shall have the exclusive ability to exercise all such rights without the consent of the Owner Trustee or the Owner Participant;

(d) provided that no Event of Default shall have occurred and be continuing, Owner Trustee and Owner Participant shall have the right, to the exclusion of the Secured Party (i) to exercise any election or option to make any determination, or to give any notice, consent, waiver or approval, or to take any other action in connection with the return of the Unit (other than with respect to the return of the Units upon (A) the termination of the Lease pursuant to Section 15 thereof or (B) the termination of the Coal Supply Service Agreement pursuant to Section 10(b) thereof), (ii) to solicit bids and to elect to retain the Units pursuant to Section 11(c) of the Lease, and (iii) to exercise any election or option, to make any decision or determination (including, but not limited to the Fair Market Rent and Fair Market Sale Value of the Units), or to give or receive any notice, consent, waiver or approval, or to take any other action with respect to purchase options and renewal options for the Unit; and

(e) if an Event of Default shall have occurred and be continuing, the Owner Trustee and the Owner Participant shall have the right, together with the Secured Party, to solicit bids and to elect to retain the Units pursuant to Section 11(c) of the Lease.

SECTION 8. LIMITATIONS OF LIABILITY.

Anything in this Security Agreement to the contrary notwithstanding, neither the Secured Party nor the holder of any Note nor the successors or assigns of any of said Persons, shall have any claim, remedy or right to proceed against Wilmington Trust Company in its individual corporate capacity or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of Wilmington Trust Company, whether by virtue of any constitutional provision, statute or rule of law or by enforcement of any penalty or assessment or otherwise, for the payment of any deficiency or any other sum owing on account of the indebtedness evidenced by the Notes or for the payment of any liability resulting from the breach of any representation, agreement or warranty of any nature whatsoever in this Security Agreement, from any source other than the Collateral, including the Rent and Basic Service Fee Payments, other than Excepted Rights in Collateral. The Secured Party by the execution of this Security Agreement and the holders of the Notes by acceptance thereof waive and release any personal liability of Wilmington Trust Company in its individual corporate capacity and any incorporator or any

past, present or future subscriber to the capital stock of, or stockholder, officer or director of Wilmington Trust Company for and on account of such indebtedness or such liability, and the Secured Party and the holders of the Notes agree to look solely to the Collateral, including the Rent and Basic Service Fee Payments, other than Excepted Rights in Collateral, for the payment of said indebtedness or the satisfaction of such liability; *provided, however*, nothing herein contained shall limit the liability of the Owner Trustee for the inaccuracy of representations made by it in its individual capacity in the Note Purchase Agreement or in this Security Agreement or limit, restrict or impair the rights of the Secured Party and the holders of the Notes to accelerate the maturity of the Notes upon an Event of Default under this Security Agreement; to bring suit and obtain a judgment against the Owner Trustee on the Notes or to exercise all rights and remedies provided under this Security Agreement or otherwise realize upon the Collateral.

SECTION 9. MISCELLANEOUS.

Section 9.1. Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and permitted assigns of such party; and all the covenants, promises and agreements in this Security Agreement contained by or on behalf of the Owner Trustee or by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and permitted assigns of such parties whether so expressed or not.

Section 9.2. Amendments and Waivers. Any term, agreement or condition of this Security Agreement may, with the consent of the Owner Trustee, be amended or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), if the Owner Trustee shall have obtained the consent of the Secured Party in writing.

Section 9.3. Severability. Any provision of this Security Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 9.4. Communications. All communications provided for herein shall be in writing and shall be given in person or by means of telex, telegraph, telecopy or other transmission or mailed by registered or certified mail addressed as follow:

If to the Owner Trustee:

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890-0001
Attention: Corporate Trust Administration

If to the Owner Participant:

**KeyCorp Leasing Ltd.
54 State Street
Albany, New York 12207
Attention: Frederick E. Wolfert**

If to the Secured Party:

**Confederation Life Insurance Company
260 Interstate North
P. O. Box 105103
Atlanta, Georgia 30348
Fax No.: (404) 953-1795**

or to any such party at such other address as such party may designate by notice duly given in accordance with this Section to the other parties. All such notices given in the manner provided above shall be effective as to the addressee thereof on the date of receipt by such addressee of such notice upon receipt.

Section 9.5. Release. The Secured Party shall, at the Owner Trustee's expense, release this Security Agreement and the security interest granted hereby by proper instrument or instruments when all indebtedness secured hereby has been fully paid or discharged.

Section 9.6. Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the internal laws and decisions (as opposed to conflicts of law provisions) of the State of New York; *provided, however*, that the Secured Party shall be entitled to all the rights conferred by any applicable federal statute, rule or regulation.

Section 9.7. Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

Section 9.8. Headings. Any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

Security Agreement

IN WITNESS WHEREOF, the Owner Trustee and the Secured Party have caused this Security Agreement to be executed, as of the day and year first above written.

**WILMINGTON TRUST COMPANY, not
individually but solely as Owner Trustee**

AS OWNER TRUSTEE

By 
Its SR Financial Services Officer

CONFEDERATION LIFE INSURANCE COMPANY

By _____
Its

By _____
Its

Security Agreement

IN WITNESS WHEREOF, the Owner Trustee and the Secured Party have caused this Security Agreement to be executed, as of the day and year first above written.

WILMINGTON TRUST COMPANY, not
individually but solely as Owner Trustee
AS OWNER TRUSTEE

By _____
Its

CONFEDERATION LIFE INSURANCE COMPANY

By  BRENT D. CAMPBELL
Its DIRECTOR, INSURANCE INVESTMENTS
CONFEDERATION LIFE INS. CO.

By 
Its

JOHN R. WALKER
MANAGER, INVESTMENTS
CONFEDERATION LIFE INSURANCE CO.

Security Agreement

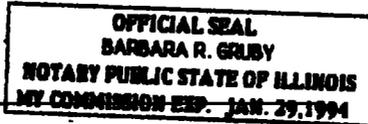
STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 24th day of September, 1992, before me personally appeared Carolyn C. Daniels, to me personally known, who being by me duly sworn, says that [s]he is a Sr Fin Services Off. of Wilmington Trust Company, that said instrument was signed on behalf of said corporation in its capacity as Owner Trustee by authority of its Board of Directors; and [s]he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Barbara R Gruby
Notary Public

(SEAL)

My commission expires _____



Security Agreement

STATE OF GEORGIA)
) SS
COUNTY OF COBB)

On this 24 day of September, 1992, before me personally appeared BRENT CAMPBELL and JOHN WALKER, to me personally known, who being by me duly sworn, says that they are the DIRECTOR, INS. INVESTMENTS and MANAGER, INVESTMENTS of Confederation Life Insurance Company 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

(SEAL)

Notary Public, Cobb County, Georgia
My Commission Expires September 21, 1993

My commission expires _____

AMORTIZATION OF NOTES

(based on the original principal amount of the Notes and subject to an automatic pro rata reduction upon a partial prepayment of the Notes pursuant to Section 6.2(b), (c), (d) and (e) hereof)

Date	Number	Takedown	Principal Repayment	Interest	Debt Service	Balance
9/30/1992	0	7564257.12	.00	.00	.00	7564257.12
1/ 2/1993	1	.00	.00	154453.73	154453.73	7564257.12
7/ 2/1993	2	.00	4535.48	302192.07	306727.55	7559721.64
1/ 2/1994	3	.00	129604.61	302010.88	431615.49	7430117.03
7/ 2/1994	4	.00	134782.31	296833.18	431615.49	7295334.72
1/ 2/1995	5	.00	140166.87	291448.62	431615.49	7155167.85
7/ 2/1995	6	.00	145766.53	285848.96	431615.49	7009401.32
1/ 2/1996	7	.00	151589.91	280025.58	431615.49	6857811.41
7/ 2/1996	8	.00	157645.92	273969.57	431615.49	6700169.49
1/ 2/1997	9	.00	163943.88	267671.61	431615.49	6536221.61
7/ 2/1997	10	.00	170493.44	261122.05	431615.49	6365728.17
1/ 2/1998	11	.00	21291.84	254310.84	275602.68	6344436.33
7/ 2/1998	12	.00	22142.45	253460.23	275602.68	6322293.88
1/ 2/1999	13	.00	179039.85	252575.64	431615.49	6143254.03
7/ 2/1999	14	.00	186192.49	245423.00	431615.49	5957061.54
1/ 2/2000	15	.00	193630.88	237984.61	431615.49	5763430.66
7/ 2/2000	16	.00	201366.44	230249.05	431615.49	5562064.22
1/ 2/2001	17	.00	209411.02	222204.47	431615.49	5352653.20
7/ 2/2001	18	.00	217776.99	213838.50	431615.49	5134876.21
1/ 2/2002	19	.00	131923.97	205138.30	337062.27	5002952.24
7/ 2/2002	20	.00	137194.33	199867.94	337062.27	4865757.91
1/ 2/2003	21	.00	237228.46	194387.03	431615.49	4628529.45
7/ 2/2003	22	.00	139735.42	184909.75	324645.17	4488794.03
1/ 2/2004	23	.00	211048.26	179327.32	390375.58	4277745.77
7/ 2/2004	24	.00	149467.26	170895.94	320363.20	4128278.51
1/ 2/2005	25	.00	173851.64	164924.73	338776.37	3954426.87
7/ 2/2005	26	.00	153538.37	157979.35	311517.72	3800888.50
1/ 2/2006	27	.00	258569.14	151845.50	410414.64	3542319.36
7/ 2/2006	28	.00	290099.83	141515.66	431615.49	3252219.53
1/ 2/2007	29	.00	301689.32	129926.17	431615.49	2950530.21
7/ 2/2007	30	.00	313741.81	117873.68	431615.49	2636788.40
1/ 2/2008	31	.00	326275.79	105339.70	431615.49	2310512.61
7/ 2/2008	32	.00	339310.51	92300.98	431615.49	1971202.10
1/ 2/2009	33	.00	352865.97	78749.52	431615.49	1618336.13
7/ 2/2009	34	.00	366962.96	64652.53	431615.49	1251373.17
1/ 2/2010	35	.00	381623.13	49992.36	431615.49	869780.04
7/ 2/2010	36	.00	396868.98	34746.51	431615.49	472881.06
1/ 2/2011	37	.00	412723.89	18891.60	431615.49	60157.17
7/ 2/2011	38	.00	60157.17	2403.28	62560.45	.00
Total		7564257.12	7564257.12	7071294.44	14635551.56	

DEFINITIONS

"AAR Rules" shall mean the Interchange Rules and Supplements thereto of the Mechanical Division, Operations and Maintenance Department, Association of American Railroads, or any successor entity, as the same may be in effect from time to time, including, without limitation, Rule 107 thereof.

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

"Assignment of Coal Supply Service Agreement" shall mean that certain Assignment of Coal Supply Service Agreement dated as of August 1, 1992 between the Lessee and the Owner Trustee.

"Basic Rent" shall mean the rent payable throughout the Basic Term pursuant to, and computed in accordance with, Section 9(b) of the Lease.

"Basic Service Fee Payments" shall mean the amount set forth as such in the applicable Coal Supply Service Agreement Supplement, including the amount set forth as such during any Extension Term.

"Basic Term" with respect to any Unit shall mean the period beginning on the Basic Term Commencement Date and ending on the date which is the 20th annual anniversary of the Basic Term Commencement Date.

"Basic Term Commencement Date" shall mean January 2, 1993.

"Bill of Sale" shall mean each bill of sale of the Manufacturer, dated the Closing Date, for the Units being delivered on the Closing Date.

"Business Day" shall mean any day other than a Saturday or Sunday or other day on which the banks in the State of Michigan, New Jersey, New York, Massachusetts or Delaware are authorized or obligated to remain closed.

"Casualty Event" shall mean with respect to any Unit any of the following events occurring during the Lease Term: (i) such Unit suffers an actual or constructive total loss, (ii) such Unit suffers destruction or damage beyond economic repair or such Unit is rendered permanently unfit for commercial use by the Lessee (at the direction of the Permitted Designee so long as there is a Permitted Designee) or the Permitted Designee or for the purpose for which it was designed, as determined in good faith by the Lessee (at the direction of the Permitted Designee so long as there is a Permitted Designee) or the

Permitted Designee and evidenced by an Officer's Certificate of the Lessee or the Permitted Designee, as the case may be, to such effect, (iii) such Unit is taken, condemned or requisitioned for title by any governmental authority, (iv) such Unit is taken, condemned or requisitioned for use by any governmental authority for a continuous period of one year or, if shorter, the end of the Basic Term or any Renewal Term then in effect or (v) such Unit is lost, stolen or otherwise disappears for a continuous period of six months.

"Closing" with respect to the Units shall mean the delivery of the Units by the Manufacturer to, and acceptance of the same by or on behalf of, the Owner Trustee, as lessor and the delivery of the Units by the Owner Trustee, as lessor to, and acceptance of the same by, the Lessee pursuant to the Lease as provided in Section 2 of the Lease.

"Closing Date" shall mean the date, which shall be a Business Day, on which the Closing occurs, *provided* that in no event shall the Closing occur later than September 30, 1992, or such other date as the parties may agree.

"Coal Supply Service Agreement" shall mean that certain Coal Supply Service Agreement dated as of August 1, 1992 between Lessee and the Permitted Designee, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of any other written agreement entered into in connection with the transactions contemplated thereby.

"Coal Supply Service Agreement Supplement" shall mean each Coal Supply Service Agreement Supplement between Lessee and the Permitted Designee and substantially in the form of Exhibit A to the Coal Supply Service Agreement, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of any other written agreement entered into in connection with the transactions contemplated thereby.

"Code" shall mean the Internal Revenue Code of 1986, as amended (or any successor federal income tax statute).

"Collateral" shall have the meaning assigned to such term in Section 1 of the Security Agreement.

"Default" under the Lease shall mean an event or condition which, with the giving of notice or lapse of time, or both, would constitute an Event of Default under the Lease.

"Default" under the Security Agreement shall mean an event or condition which, with the giving of notice or lapse of time, or both, would constitute an Event of Default under the Security Agreement.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, or any comparable successor law and the rules issued and regulations promulgated thereunder.

"Event of Default" under the Lease shall mean any of the events described in Section 14 of the Lease.

"Event of Default" under the Security Agreement shall mean any of the events referred to in Section 7 of the Security Agreement.

"Excepted Rights in Collateral" shall mean: (a) all indemnity and other amounts payable to Owner Trustee or Owner Participant, or the successors, assigns, employees, officers, directors, shareholders, members, servants, agents and Affiliates thereof, under Section 12 of the Lease, Section 8.1 of the Trust Agreement and Section 9 of the Coal Supply Service Agreement; (b) all indemnity and other amounts payable to Owner Participant and Owner Trustee under the Lessee Tax Indemnity Agreement and the Tax Indemnity Support Agreement; (c) any insurance proceeds payable to the Owner Trustee in its individual capacity or as Owner Trustee, or the Owner Participant under (1) insurance maintained by the Owner Trustee in its individual capacity or as Owner Trustee or the Owner Participant pursuant to Section 10(e) of the Lease and (2) public liability insurance maintained by the Lessee under Section 10 of the Lease, and by the Permitted Designee under Section 7 of the Coal Supply Service Agreement or by any other Person; (d) any amount payable to the Owner Participant by any transferee or by the Lessee or by the Permitted Designee as the purchase price of the Owner Participant's right, title and interest in the Trust Estate in compliance with the terms of Section B(a)2 of the Owner Participant Certificate and Agreement; (e) any rights the Owner Participant or the Owner Trustee in its individual capacity or as Owner Trustee to exercise any election or option or make any decision or determination or give or receive any notice, consent, waiver or approval in respect of, or to demand, collect, sue for, or otherwise receive and enforce payment of the amounts described in the foregoing clauses (a) through (d); and (f) the respective rights of the Owner Trustee in its individual capacity or as Owner Trustee or the Owner Participant to all amounts of interest or late charges on the amounts described in the foregoing clauses (a) through (d).

"Extension Term" shall mean the extension term or extension terms, if any, specified in Section 12(a) of the Coal Supply Service Agreement.

"Fair Market Renewal" shall have the meaning set forth in Section 2(b)(iv) of the Lease.

"Fair Market Renewal Rent" shall mean the Fair Market Rent payable throughout the Fair Market Renewal Term pursuant to, and computed in accordance with, Section 9(b) of the Lease.

"Fair Market Renewal Term" shall have the meaning set forth in Section 2(b)(iv)(A) of the Lease.

"Fair Market Rent" shall have the meaning set forth in the Lease.

"Fixed Rate Renewal" shall have the meaning set forth in Section 2(b)(iii) of the Lease.

"Fixed Rate Renewal Rent" shall mean the rent payable throughout the Fixed Rate Renewal Term pursuant to, and determined in accordance with, Section 9(b) of the Lease.

"Fixed Rate Renewal Term" shall have the meaning set forth in Section 2(b)(iii)(A) of the Lease.

"ICC" shall mean the Interstate Commerce Commission and any agency or instrumentality of the United States government succeeding to its functions.

"Interim Rent" shall mean the rent payable on the Basic Term Commencement Date pursuant to and computed in accordance with Section 9(a) of the Lease.

"Interim Term" shall mean for the Units the period beginning on the Closing Date and ending on the Basic Term Commencement Date.

"Lease" shall mean that certain Lease Agreement dated as of August 1, 1992 between the Lessee and the Owner Trustee, as lessor, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof.

"Lease Supplement" shall mean each Lease Supplement between the Owner Trustee, as lessor, and the Lessee and substantially in the form of Exhibit A to the Lease, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof.

"Lease Term" shall mean the Interim Term, the Basic Term and any Renewal Terms.

"Lessee" shall mean Coal Supply Corporation II, a New Jersey corporation, and its permitted successors and assigns.

"Lessee Consent to Assignment of Lease and Agreement" shall mean that certain Consent to Assignment of Lease and Agreement dated the Closing Date entered into by the Lessee, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof.

"Lessee Excepted Rights in Collateral" shall have the meaning as defined in each Assignment of Coal Supply Service Agreement.

"Lessee Purchase Order Assignment" shall mean that certain Purchase Order Assignment dated as of August 1, 1992 from the Lessee to the Owner Trustee, as lessor, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof.

"Lessee Tax Indemnity Agreement" shall mean that certain Lessee Tax Indemnity Agreement dated as of August 1, 1992 between the Owner Participant and the Lessee, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof.

"Lessor" shall mean the Owner Trustee, and its permitted successors and assigns.

"Lessor's Cost" for a Unit shall be that amount set forth as such in Schedule 1 to the relevant Lease Supplement.

"Loan Value" shall have the meaning set forth in Section 5.1(c) of the Security Agreement.

"Make Whole Amount" shall mean in connection with any prepayment, acceleration or purchase of the Notes the sum of (A) the excess, if any, of (a) the aggregate present value as of the date of such prepayment, acceleration or purchase of each dollar of principal being prepaid (taking into account the application of such prepayment required by Section 6.2(a) of the Security Agreement) and the amounts of interest (exclusive of interest accrued to the date of prepayment, acceleration or purchase) that would have been payable in respect of such dollar if such prepayment had not been made, determined by discounting such amounts at the Reinvestment Rate from the respective dates on which they would have been payable, over (b) 100% of the principal amount of the outstanding Notes being prepaid, accelerated or purchased plus (B) interest accrued to the date of prepayment. If the Reinvestment Rate is equal to or higher than 7.99%, the Make Whole Amount shall be zero. For purposes of any determination of the Make Whole Amount:

"Reinvestment Rate" shall mean the sum of (i) .50%, plus (ii) the arithmetic mean of the yields under the respective headings **"This Week"** and **"Last Week"** published in the Statistical Release under the caption **"Treasury Constant Maturities"** for the maturity (rounded to the nearest month) corresponding to the Weighted Average Life to Maturity of the principal being prepaid (taking into account the application of such prepayment required by Section 6.2(a) of the Security Agreement). If no maturity exactly corresponds to such Weighted Average Life to Maturity, yields for the two published maturities most closely corresponding to such Weighted Average Life to Maturity shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For the purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make-Whole Amount shall be used.

"Statistical Release" shall mean the then most recently published statistical release designated **"H.15(519)"** or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded U.S. Government Securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably

comparable index which shall be designated by the holders of 66-2/3% in aggregate principal amount of the outstanding Notes.

“Weighted Average Life to Maturity” of the principal amount of the Notes being prepaid shall mean, as of the time of any determination thereof, the number of years obtained by dividing the then Remaining Dollar-Years of such principal by the aggregate amount of such principal. The term ***“Remaining Dollar-Years”*** of such principal shall mean the amount obtained by (1) multiplying (i) the remainder of (A) the amount of principal that would have become due on each scheduled payment date if such prepayment had not been made, less (B) the amount of principal on the Notes scheduled to become due on such date after giving effect to such prepayment and the application thereof in accordance with the provisions of Section 6.2(a) of the Security Agreement, by (ii) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination and such scheduled payment date, and (2) totaling the products obtained in (1).

“Manufacturer” shall mean Johnstown America Corporation.

“Note Purchase Agreement” shall mean that certain Note Purchase Agreement dated as of August 1, 1992 between the Owner Trustee and the Purchaser, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of any other written agreement entered into in connection with the transactions contemplated thereby.

“Notes” shall have the meaning specified in the Security Agreement and more particularly includes the 7.99% Non-Recourse Secured Notes of the Owner Trustee issued under the Security Agreement and sold pursuant to the terms and conditions of the Note Purchase Agreement.

“Officer’s Certificate” shall mean, with respect to any Person, a certificate signed by a Responsible Officer of such Person and, in the case of any such certificate signed by an authorized designee who qualifies as a Responsible Officer, such certificate shall be countersigned by or accompanied by a certificate of an officer who shall certify as to the authority and capacity of such authorized designee.

“Operative Documents” shall mean the Trust Agreement, the Note Purchase Agreement, the Lease, each Bill of Sale, the Coal Supply Service Agreement, the Security Agreement, each Lease Supplement, each Coal Supply Service Agreement Supplement, each Security Agreement Supplement, the Assignment of Coal Supply Service Agreement, the Lessee Consent to Assignment of Lease and Agreement, the Lessee Purchase Order Assignment, the Lessee Tax Indemnity Agreement, the Tax Indemnity Support Agreement, the Owner Participant Certificate and Agreement, the Owner Trustee Certificate and Agreement, the Permitted Designee Consent to Assignment of Coal Supply Service Agreement and Agreement, the Permitted Designee Purchase Order Assignment, the Purchaser Order and the Paying Agency Agreement, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof.

"Overdue Rate" shall mean, with respect to any amount, a rate per annum equal to 9.99%.

"Owner Encumbrances" shall mean any liens, claims, security interests or encumbrances (other than Permitted Encumbrances) against any part of the Units, the Lease, the Coal Supply Service Agreement or any other part of the Trust Estate or the Collateral that result from acts of, or any failure to act by, or as a result of claims (including any taxes) against Wilmington Trust Company, the Owner Trustee or the Owner Participant excluding liens, claims, security interests and encumbrances arising from any tax for which the Lessee is obligated to indemnify under the Lease or the Lessee Tax Indemnity Agreement, other than any such tax for which the Lessee has already made full indemnification pursuant to such agreements.

"Owner Participant" shall mean KeyCorp Leasing Ltd., a Delaware corporation, and its permitted successors and assigns.

"Owner Participant Certificate and Agreement" shall mean that certain Certificate and Agreement dated the Closing Date entered into by the Owner Participant.

"Owner Trustee" shall mean Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity but solely as trustee under the Trust Agreement, together with its successors and permitted assigns as Owner Trustee under the Trust Agreement.

"Owner Trustee Certificate and Agreement" shall mean that certain Certificate and Agreement dated the Closing Date entered into by the Owner Trustee.

"Paying Agent" shall mean Comerica Bank, a Michigan state chartered bank, in its capacity as paying agent under and pursuant to the terms of the Paying Agency Agreement, together with its successors and permitted assigns under the Paying Agency Agreement.

"Paying Agency Agreement" shall mean that certain Paying Agency Agreement dated as of August 1, 1992 among the Owner Trustee, the Paying Agent and the Lessee as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof.

"Payment Date" with respect to the Lease shall mean the second day of each July and January of each year occurring during the Basic Term (other than the Basic Term Commencement Date) and any Renewal Term, *provided* that if any such date shall not be a Business Day, then **"Payment Date"** shall mean the next succeeding Business Day. **"Payment Date"** with respect to the Coal Supply Service Agreement shall mean each date set forth as such in the applicable Coal Supply Service Agreement Supplement.

"Permitted Contest" shall be permitted only so long as no Event of Default under Section 14 of the Lease (in the case of a contest by the Lessee) or event of default under Section 10(a) of the Coal Supply Service Agreement (in the case of a contest by the

Permitted Designee) or an Event of Default under Section 7 of the Security Agreement (in the case of a contest by the Owner Trustee or the Owner Participant) shall have occurred and be continuing, and shall mean a contest in good faith by appropriate proceedings diligently prosecuted or appealed in a manner which will not, in the good faith opinion of the Owner Trustee or the Secured Party, as the case may be, either entail a significant risk to Owner Trustee, Owner Participant or the Secured Party of material civil liability or any criminal liability or any loss or forfeiture of or material lien on any Unit, or materially and adversely affect its respective title, interest or rights under the Operative Documents and in respect of any Unit and which shall have effectively stayed any enforcement proceedings.

"Permitted Designee" shall mean Consumers Power Company, a Michigan corporation and its successors and assigns.

"Permitted Designee Consent to Assignment of Coal Supply Service Agreement and Agreement" shall mean that certain Consent to Assignment of Coal Supply Service Agreement and Agreement dated the Closing Date from the Permitted Designee.

"Permitted Designee Purchase Order Assignment" shall mean that certain Purchase Order Assignment dated as of August 1, 1992 from the Permitted Designee to the Lessee.

"Permitted Encumbrances" shall mean (a) the rights of the Secured Party under the Security Agreement, (b) the rights of the Lessee under the Lease, (c) the rights of the Permitted Designee under the terms of the Coal Supply Service Agreement and the rights of its permitted assignees pursuant to Section 13(a) thereof (including, but not limited to, the rights of the Permitted Designee and its permitted assignees with respect to Permitted Encumbrances (as defined therein), (d) liens for taxes, assessments, levies, fees or other governmental charges either not yet due or being contested by the Lessee or the Permitted Designee by a Permitted Contest, and (e) undetermined or inchoate materialmen's, mechanic's, workmen's, repairmen's or employees liens or other like liens arising in the ordinary course of business which are not delinquent or which shall have been adequately bonded in the reasonable opinion of the Lessor and the Secured Party or the enforcement of which shall have been suspended or which are being contested by the Lessee or the Permitted Designee by a Permitted Contest.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"premium" shall mean Make Whole Amount.

"Purchase Order" shall mean that certain Purchase Order from the Permitted Designee to the Manufacturer relating to the Units.

"Purchaser" shall mean Confederation Life Insurance Company and its successors and assigns.

"Register" shall mean that certain register maintained by the Owner Trustee pursuant to Section 2.3 of the Security Agreement.

"Renewal Term" shall mean a Fair Market Renewal Term and/or a Fixed Rate Renewal Term, as the context may require.

"Renewal Term Commencement Date" shall have the meaning set forth in Section 2(b) of the Lease.

"Rent" shall mean the Interim Rent, Basic Rent, Fixed Rate Renewal Rent, Fair Market Renewal Rent and Supplemental Rent, collectively.

"Responsible Officer" shall mean the President, any Vice President, any Assistant Vice President, the Treasurer, any Assistant Treasurer or any other officer or authorized designee of any of the foregoing who in the normal performance of his or her operational responsibility would have knowledge of the matters in respect of which such officer is delivering a certificate.

"Secured Party" shall mean Confederation Life Insurance Company, its successors and assigns and any other secured party under the Security Agreement.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Security Agreement" shall mean that certain Security Agreement dated as of August 1, 1992 between the Owner Trustee and the Secured Party, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of any other written agreement entered into in connection with the transactions contemplated thereby.

"Security Agreement Supplement" shall mean each Security Agreement Supplement between the Owner Trustee and the Secured Party substantially in the form of Exhibit B to the Security Agreement, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of any other written agreement entered into in connection with the transactions contemplated thereby.

"Service Fee Payments" shall mean the Basic Service Fee Payment and the other amounts described in Section 3(a)(ii) of the Coal Supply Service Agreement.

"Settlement Date" shall mean each date set forth as such in the applicable Coal Supply Service Agreement Supplement.

"Supplemental Payments" shall mean any and all amounts (other than Service Fee Payments), that the Permitted Designee assumes the obligation to pay under the Coal Supply Service Agreement or under any other document entered into by the Permitted Designee, including, without limitation, Termination Value payments and payments at the Overdue Rate.

"Supplemental Rent" shall mean any and all amounts (other than Interim Rent, Basic Rent, Fixed Rate Renewal Rent and Fair Market Renewal Rent), that the Lessee, subject to the terms of the Lease, assumes the obligation to pay or agrees to pay under the Lease or under any other Operative Document to the Owner Trustee or the Secured Party, including, without limitation, amounts payable as indemnity payments, payments of Termination Value, overdue interest and all amounts payable by the Lessee pursuant to Section 9 of the Lease.

"Tax Indemnity Support Agreement" shall mean that certain Tax Indemnity Agreement dated as of August 1, 1992 between the Lessee and the Permitted Designee, as the same may be amended, modified or supplemental from time to time in accordance with the provisions hereof.

"Termination Date" shall have the meaning assigned in Section 11(c) of the Lease for purposes of the Lease and Section 12(b) of the Coal Supply Service Agreement for purposes of the Coal Supply Service Agreement.

"Termination Value" with respect to any Unit subjected to the terms of the Lease pursuant to a Lease Supplement as of any Termination Date shall mean the amount for such Unit specified in Schedule 3 to the relevant Lease Supplement, in each case opposite such Termination Date, plus, in the event of an early termination or expiration of the Lease pursuant to Section 11(c) or Section 15 thereof, the amount of any premium payable pursuant to the Security Agreement. **"Termination Value"** with respect to any Unit subject to the terms of the Coal Service Supply Agreement pursuant to a Coal Supply Service Agreement Supplement as of any Termination Date shall mean (i) in the event of an early termination or expiration of the Coal Supply Service Agreement pursuant to Section 12(b) or Section 10(b) of the Coal Supply Service Agreement, the amount determined pursuant to the table set forth as such in the relevant Coal Supply Service Agreement Supplement, plus, any other amounts required to be paid by Lessee pursuant to any Contractor Document (as defined in the Coal Supply Service Agreement) or (ii) in all other events, the higher of (A) the amount determined pursuant to the table set forth as such in the relevant Coal Supply Service Agreement Supplement and (B) the amount, if any, paid pursuant to Rule 107 of the AAR Rules with respect to a Casualty Event; *provided*, that if on any date on which Termination Value is due with respect to any Unit, the amount referenced in clause (B) above shall not have been paid, the Permitted Designee shall nevertheless pay on such date the amount referenced in clause (A) above and Contractor shall, upon payment, if any, of the amount referenced in clause (B) above, remit to Customer an amount equal to the amount Permitted Designee has previously paid under clause (A) above plus one-half of the excess of the amount referenced in clause (B) above over the amount referenced in clause (A) above, but only to the extent such clause (B) amount is sufficient to cover such remittance (or if Permitted Designee receives payment of such clause (B) amount, then Permitted Designee shall retain for itself an amount equal to the amount paid by Customer pursuant to clause (A) above subject to the foregoing limitations and remit one-half of the remainder, if any, to Lessee).

"Trust Agreement" shall mean that certain Trust Agreement dated as of August 1, 1992 between Wilmington Trust Company and the Owner Participant, as the same may be

amended, modified or supplemented from time to time in accordance with the provisions thereof.

"Trust Estate" shall have the meaning assigned thereto in Section 1 of the Trust Agreement.

"Unit" shall mean each of the 4,300 cubic foot high side aluminum bodied rotary dump gondola cars purchased by Lessor pursuant to the Bill of Sale and leased to Lessee under the Lease. ***"Units"*** shall mean the Units collectively.

WILMINGTON TRUST COMPANY,
not individually but solely as Owner Trustee

7.99% Secured Note

PPN 97180 *SW9

No. R-_____

\$ _____, 19__

FOR VALUE RECEIVED, the undersigned, WILMINGTON TRUST COMPANY, not individually but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement dated as of August 1, 1992 (the "Trust Agreement") promises to pay to

[NAME OF LENDER]

or registered assigns
the principal sum of

and to pay interest accrued and unpaid from the date hereof until maturity (computed from the date hereof until January 2, 1993 on the basis of a 360-day year of 12 consecutive 30 day months for each complete month elapsed and actual days for each partial month elapsed and computed at all times thereafter on the basis of a 360-day year of 12 consecutive 30 day months) on the unpaid principal balance hereof, in semi-annual installments, commencing on January 2, 1993 and continuing on each January 2 and January 2 thereafter to and including July 2, 2011. Interest accrued and payable on this Note shall be computed at the rate of 7.99% per annum; *provided, however*, that any amount of principal hereunder not paid when due (whether at stated maturity, by acceleration or otherwise), and to the extent permitted by law, overdue interest, shall bear interest from the due date until such amount is paid in full at the Overdue Rate (as defined in the Security Agreement).

The principal and interest indebtedness evidenced hereby shall be payable in accordance with the amortization schedule set forth in Schedule 1 to the Security Agreement referred to below.

This Note is one of the Secured Notes of the Owner Trustee not exceeding \$7,564,257.12 in aggregate principal amount (the "Notes") which are equally and ratably with said other Notes secured by that certain Security Agreement, dated as of August 1, 1992 (the "Security Agreement") from the Owner Trustee to Confederation Life Insurance Company (the "Secured Party"). Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in the Security Agreement. Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the Security Agreement for a description of the Collateral, and the nature and extent of the security and rights of the Secured Party.

EXHIBIT A
(to Security Agreement)

Both the principal hereof and interest hereon are payable in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts. If the date on which any payment on this Note is to be made is not a Business Day, the payment otherwise payable on such date shall be payable on the immediately succeeding Business Day. For purposes of this Note, the term "*Business Day*" means any day other than a Saturday, Sunday or other day on which banks in the States of Michigan, New Jersey, New York, Delaware or Massachusetts are authorized or obligated to remain closed.

This Note may not be prepaid by the Owner Trustee except upon the terms and subject to the conditions set forth in the Security Agreement. The terms and provisions of the Security Agreement and the rights and obligations of the Secured Party and the rights of the holders of the Notes may be changed and modified to the extent permitted by and as provided in the Security Agreement.

On and subject to the conditions contained in the Security Agreement, this Note is transferable by the registered holder hereof in person or by its duly authorized attorney on the Register (as defined in the Security Agreement) to be kept for the purpose at the principal corporate trust office of the Owner Trustee. On and subject to the conditions contained in the Security Agreement, this Note is exchangeable for Notes of other denominations. The Owner Trustee may deem and treat the person in whose name a Note is registered on said Register as the absolute owner and holder hereof (whether or not this Note shall be overdue) for the purpose of receiving payment and for all other purposes, and the Owner Trustee shall not be affected by any notice to the contrary.

Presentment, protest and notice of nonpayment and protest are hereby waived by the Owner Trustee.

This Note and the Security Agreement are governed by and construed in accordance with the internal laws and decisions (as opposed to conflicts of law provisions) of the State of New York.

It is expressly understood and agreed by and between the Owner Trustee, the Owner Participant and the holder of this Note and their respective successors and assigns, that this Note is executed by Wilmington Trust Company, not individually or personally but solely as "*Owner Trustee*" under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Owner Trustee; and it is expressly understood and agreed that nothing herein contained shall be construed as creating any liability of Wilmington Trust Company, or of the Owner Participant, individually or personally, for or on account of any express or implied representation, warranty, covenant or agreement made herein (other than those expressly made in the Owner Trustee's individual capacity in the Note Purchase Agreement and in the Security Agreement), all such liability, if any, being expressly waived by the holder of this Note and by each and every person now or hereafter claiming by, through or under the holder of this Note; and that so far as Wilmington Trust Company or the Owner Participant, individually or personally, are concerned, the holder of this Note and any person claiming by, through or under the holder of this Note, except as

hereinafter provided, shall look solely to the Collateral for payment of the indebtedness evidenced by this Note or of any liability resulting from or arising out of any breach of any representation, warranty or covenant (other than those expressly made in the Owner Trustee's individual capacity in the Note Purchase Agreement and in the Security Agreement) made by the Owner Trustee herein.

IN WITNESS WHEREOF, the Owner Trustee has caused this Note to be duly executed.

**WILMINGTON TRUST COMPANY, not
individually but solely as Trustee**

**By _____
Its**

**SECURITY AGREEMENT
SUPPLEMENT NO. _____**

SECURITY AGREEMENT SUPPLEMENT NO. ____ (this "*Supplement*") dated _____, 19__, between WILMINGTON TRUST COMPANY, a Delaware banking corporation, not individually but solely as Trustee (the "*Owner Trustee*"), and CONFEDERATION LIFE INSURANCE COMPANY (the "*Secured Party*").

WITNESSETH:

Security Agreement dated as of August 1, 1992 (herein called the "*Security Agreement*") from the Owner Trustee to the Secured Party, provides for the execution and delivery of a Supplement thereto substantially in the form hereof, which shall particularly describe the Units (such term and other defined terms in the Security Agreement being herein used with the same meanings) being settled for on the date hereof and shall specifically grant a security interest in such Units;

The Owner Trustee in consideration of the premises and other good and valuable consideration, receipt whereof is hereby acknowledged, and intending to be legally bound, and in order to secure the equal and pro rata payment of both the principal of and interest and premium, if any, upon all Notes at any time outstanding under the Security Agreement according to their tenor and effect, and to secure the payment of all other indebtedness secured thereby and the performance and observance of all the covenants and conditions contained in the Notes, the Security Agreement and the Note Purchase Agreement, does hereby convey, warrant, mortgage, assign, pledge and grant unto the Secured Party, a security interest in, all right, title and interest of the Owner Trustee in the Units described in Schedule 1 attached hereto, as the same is now and will hereafter be constituted, whether now owned by the Owner Trustee or hereafter acquired, leased or to be leased under the Lease or provided or to be provided under the Coal Supply Service Agreement, together with all accessories, equipment, parts and appurtenances appertaining or attached to such Units, whether now owned or hereafter acquired, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to such Units, subject, however, to the interest of the Lessee under the Lease and the Permitted Designee under the Coal Supply Service Agreement.

TO HAVE AND TO HOLD the aforesaid property unto the Secured Party, its successors and assigns forever, upon the terms and conditions set forth in the Security Agreement for the equal and proportionate benefit, security and protection of all present and future holders of the Notes.

This Supplement shall be construed in connection with and as part of the Security Agreement and all terms, conditions and covenants contained in the Security Agreement, except as herein modified, shall be and remain in full force and effect.

Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this Supplement may refer to the "*Security Agreement*

**EXHIBIT B
(to Security Agreement)**

dated as of August 1, 1992" or the "*Security Agreement*" without making specific reference to this Supplement, but nevertheless all such references shall be deemed to include this Supplement unless the context shall otherwise require.

This Supplement may be executed and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Supplement.

This Supplement shall be construed in accordance with and governed by the laws of the State of New York.

IN WITNESS WHEREOF, the Owner Trustee has caused this Supplement to be executed, and Confederation Life Insurance Company has caused this Supplement to be executed on its behalf by one of its duly authorized officers.

**WILMINGTON TRUST COMPANY, not
individually but solely as Owner Trustee**

By _____
Its

AS OWNER TRUSTEE

CONFEDERATION LIFE INSURANCE COMPANY

By _____
Its

By _____
Its

STATE OF _____)
) SS
COUNTY OF _____)

On this _____ day of _____, before me personally appeared _____, to me personally known, who being by me duly sworn, says that [s]he is a _____ of Wilmington Trust Company, that said instrument was signed on behalf of said corporation in its capacity as Owner Trustee by authority of its Board of Directors; and [s]he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

(SEAL)

My commission expires _____

DESCRIPTION OF UNITS

QUANTITY OF UNITS

UNIT NUMBERS

SCHEDULE 1
(to Security Agreement Supplement)