91-3

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RECORDATION NO 17463-A FILED 1425
AUG 2 1991 -11 15 AM
INTERSTATE COMMERCE COMMISSION

RECORDATION NO 17463 FILED 1425
AUG 2 1991 -11 15 AM
INTERSTATE COMMERCE COMMISSION

August 2, 1991

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NEW NO.

Office of the Secretary
Recordations Units
Room 2303
Interstate Commerce Commission
12th and Constitution Avenue, N.W.
Washington, D.C. 20423

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RECORDATION NO 17463-B FILED 1425
AUG 2 1991 -11 15 AM
INTERSTATE COMMERCE COMMISSION

RECORDATION NO 17463-C FILED 1425
AUG 2 1991 -11 15 AM
INTERSTATE COMMERCE COMMISSION

Attention: Ms. Mildred Lee

Dear Ms. Lee:

Enclosed are two original copies of each of the documents described below, to be recorded pursuant to 49 U.S.C. § 11303.

The first document, Railcar Lease, dated as of July 1, 1991, is a primary document. The names and addresses of the parties to such document are as follows:

The Connecticut National Bank
777 Main Street
Hartford, Connecticut 06115

New No.

Indiana Michigan Power Company
c/o American Electric Power Service Corporation
1 Riverside Plaza
Columbus, Ohio 43215

The second document, Security Agreement-Trust Deed, dated as of July 1, 1991, is a primary document. The names and addresses of the parties to such document are as follows:

The Connecticut National Bank
777 Main Street
Hartford, Connecticut 06115

— A

Wilmington Trust Company
Rodney Square North
Wilmington, Delaware 19890

Counterpart - O. T. Kappler

The third document, Lease Supplement No. 1, dated August 2, 1991, is a secondary document. The names and addresses of the parties to such document are as follows:

The Connecticut National Bank
777 Main Street
Hartford, Connecticut 06115

— B

Indiana Michigan Power Company
c/o American Electric Power Service Corporation
1 Riverside Plaza
Columbus, Ohio 43215

The fourth document, Security Agreement Supplement No. 1, dated August 2, 1991, is a secondary document. The names and addresses of the parties to such document are as follows:

The Connecticut National Bank
777 Main Street
Hartford, Connecticut 06115

— C

Wilmington Trust Company
Rodney Square North
Wilmington, Delaware 19890

A general description of the equipment covered by each of these documents and intended for use related to interstate commerce is set forth in Schedule 1 attached to this letter and made a part hereof.

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

Railcar Lease, dated as of July 1, 1991, between The Connecticut National Bank, not in its individual capacity but solely as Owner Trustee under the Trust Agreement dated as of July 1, 1991 with Chase Manhattan Service Corporation, as Lessor and Indiana Michigan Power Company, an Indiana corporation, as Lessee.

Security Agreement-Trust Deed, dated as of July 1, 1991, from The Connecticut National Bank, not in its individual capacity but solely as Owner Trustee under Indiana Michigan Trust No. 91-3, as Debtor, to Wilmington Trust Company, not in its individual capacity, except as specifically set forth herein, but solely as Security Trustee, as Security Trustee.

Law Offices of

CHAPMAN AND CUTLER

Lease Supplement No. 1 dated August 2, 1991, between The Connecticut National Bank, not in its individual capacity but solely as Owner Trustee under the Trust Agreement dated as of July 1, 1991 with Chase Manhattan Service Corporation, as Lessor and Indiana Michigan Power Company, an Indiana corporation, as Lessee.

Security Agreement Supplement No. 1, dated August 2, 1991, from The Connecticut National Bank, not in its individual capacity but solely as Owner Trustee under Indiana Michigan Trust No. 91-3, as Debtor, to Wilmington Trust Company, not in its individual capacity, except as specifically set forth herein, but solely as Security Trustee, as Security Trustee.

A filing fee of $60.00 is enclosed. Please return an original of each of the enclosed documents to the undersigned.

Very truly yours,

CHAPMAN AND CUTLER

By: John A. Harris

JAH:ttr
Enclosure

New No.

17463

RECORDATION NO. _____ FILED 1425

AUG 2 1991 -11 ⅓ AM

INTERSTATE COMMERCE COMMISSION

RAILCAR LEASE

Dated as of July 1, 1991

Between

THE CONNECTICUT NATIONAL BANK,
not in its individual capacity but solely
as Owner Trustee under the Trust Agreement
dated as of July 1, 1991 with
Chase Manhattan Service Corporation,

as Lessor

and

INDIANA MICHIGAN POWER COMPANY,

as Lessee

(Indiana Michigan Trust No. 91-3)

This Lease has been executed in several counterparts. To the extent, if any, that this Lease constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease may be created through the transfer or possession of any counterpart hereof other than the "Counterpart No. 1". This Counterpart is Counterpart No. 3 of 20. Certain rights of the Lessor under this Railcar Lease have been assigned as security to, and are subject to a security interest in favor of Wilmington Trust Company, as Security Trustee under the Trust Indenture and Security Agreement dated as of the date hereof between the Lessor and the Security Trustee, for the benefit of the holders of the Notes referred to therein.

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ATTACHMENTS TO RAILCAR LEASE:

Annex 1 Definitions
Annex 2 Pricing Assumptions

Exhibits

A Equipment Description

B Lease Supplement

C Fixed Rent, Stipulated Loss Values and Termination Values

RAILCAR LEASE

This RAILCAR LEASE dated as of July 1, 1991 (the "Lease"), by and between The Connecticut National Bank, a national banking association, not in its individual capacity but solely as Owner Trustee under the Trust Agreement dated as of July 1, 1991 with Chase Manhattan Service Corporation, a New York corporation (the "Lessor"), and Indiana Michigan Power Company, an Indiana corporation (the "Lessee").

In consideration of the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

SECTION 1. Definitions.

For purposes of this Lease, capitalized terms used herein shall have the meanings assigned to them in Annex 1 hereto, as the same may be amended from time to time (such definitions to be equally applicable to both the singular and plural forms of the terms defined). Any term defined by reference to an agreement, instrument or other document shall have the meaning so assigned to it whether or not such document is in effect. Unless otherwise indicated, references in this Lease to sections, paragraphs, clauses, appendices, schedules and exhibits are to the same contained in or attached to this Lease.

SECTION 2. Agreement for Lease of Equipment.

Subject to, and upon all of the terms and conditions of this Lease, Lessor hereby agrees to lease to Lessee and Lessee hereby agrees to lease from Lessor each Item of Equipment for the Lease Term.

SECTION 3. Delivery and Acceptance of Equipment.

Lessor shall not be liable to Lessee for any failure or delay in obtaining any Item of Equipment or making delivery thereof. Upon execution and delivery of a Lease Supplement substantially in the form attached hereto as Exhibit B by Lessor and Lessee, the Items described therein shall be deemed to have been delivered to and accepted by Lessee for all purposes of this Lease, and thereupon shall be subject to all of the terms, provisions and conditions of this Lease.

Lessee's execution and delivery of a Lease Supplement shall be evidence that the Items of Equipment listed therein have been subjected to this Lease on the terms hereof. Lessee's execution and delivery of a Lease Supplement with respect to an Item of Equipment pursuant to this Section 3 shall conclusively establish that, as between Lessor and Lessee, but without limiting or otherwise affecting Lessor's or Lessee's rights, if any, against any other Person, such Item of Equipment is acceptable to and irrevocably accepted by Lessee under the Lease, notwithstanding any defect with respect to design, manufacture, condition or any other matter or the failure of any such Item of Equipment to comply to the specifications applicable thereto or to all applicable United States Department of Transportation and ICC requirements and specifications, if any, or to all standards recommended by the AAR applicable to railroad equipment of the character of

the Equipment as of the date hereof, and that, as between Lessor and Lessee, such Item of Equipment is in good order and condition.

SECTION 4. Lease Term.

The interim term (the "Interim Term") for each Item of Equipment shall commence on the Acceptance Date for such Item of Equipment and shall terminate at the end of the day on September 26, 1991 unless this Lease is sooner terminated with respect to such Item pursuant to the provisions hereof. The basic term (the "Basic Term") for each Item of Equipment shall commence on September 27, 1991 (the "Basic Term Commencement Date") for such Item and, unless this Lease is sooner terminated with respect to such Item (or all Equipment) pursuant to the provisions hereof, shall terminate on September 27, 2011. If not sooner terminated pursuant to the provisions hereof, the Lease Term for each Item of Equipment shall end on the last day of the Basic Term thereof, or if this Lease is renewed pursuant to Section 25(a) hereof, on the last day of the last Renewal Term thereof.

SECTION 5. Return of Equipment.

(a) **Return of Equipment Upon Expiration of Term.** Upon the expiration or earlier termination of the Lease Term with respect to each Item of Equipment and so long as no Default or Event of Default has occurred and is continuing (and provided, in the case of the expiration of the Lease Term, that Lessee has not exercised its purchase option under Section 25(b) hereof), Lessee will undertake to deliver possession of each Item of Equipment to Lessor, at two locations selected by the Lessee in the condition described below. The location of each such Item shall be specified in a written notice given by Lessee to Lessor at least thirty (30) days prior to such redelivery (each, a "Redelivery Location"). Lessee at Lessee's expense and risk shall permit Lessor to store the Equipment at the Redelivery Locations for a period not exceeding 10 Business Days. In addition, Lessee will use its best efforts to assist the Lessor in securing storage space at Lessor's expense and risk for an additional period of time. Any Item of Equipment delivered to a Redelivery Location shall be deemed to be redelivered hereunder on the date on which such Item of Equipment shall have been delivered to any Redelivery Location in the condition described in the following paragraph provided that Lessee has given the notice set forth above. Subject to the following paragraph, Fixed Rent or Renewal Rent, as the case may be, with respect to any Item of Equipment so deemed to have been redelivered shall cease to accrue. Unless an Item of Equipment has been acquired by Lessee in accordance with this Lease, Lessee shall pay as Supplemental Rent for each day after the Lease Term that such Item has not been timely delivered or delivered in the condition required by the following paragraph an amount equal to (i) the average annual Fixed Rent payment or Renewal Rent payment, as the case may be, which would have been payable during the Lease Term or the Renewal Term, as the case may be, had such Item of Equipment been the only Item of Equipment subject hereto for purposes of determining the Purchase Price of this Equipment, divided by (ii) 365. Any such Supplemental Rent shall be payable on the date such Item of Equipment shall have been delivered to such Redelivery Location in the condition required by the following paragraph.

At the time of any return, the Items of Equipment so being returned shall be free and clear of all Liens (except Permitted Encumbrances, it being understood that the

Lessee will promptly and diligently cause any such Permitted Encumbrances (other than Liens referred to in clauses (i), (iv) and (v) of the definition of Permitted Encumbrances) to be discharged and, at Lessor's request, Lessee (unless the senior secured indebtedness of Lessee shall at such time be rated at least Investment Grade Quality) shall bond or provide such other form of security for payment and discharge of such Liens as Lessor may reasonably request and shall be in the condition required by Sections 9 and 10. Each Item of Equipment returned to Lessor pursuant to this Section 5 shall (i) be in the condition required by Section 10, (ii) have attached or affixed thereto any addition, modification or improvement owned by Lessor as provided in Section 11, (iii) if requested by Lessor, at Lessee's expense, have removed therefrom any such addition, modification or improvement which, as provided by Section 11, is owned by Lessee and is not purchased by Lessor pursuant to Section 11, and (iv) at Lessee's expense, have removed therefrom any logos or other identification marks. Lessee shall provide to Lessor, with respect to each Item of Equipment returned to Lessor pursuant to this Section 5, true, correct and complete copies of all available records, logs and other materials maintained by Lessee in accordance with Section 10, without further representation or warranty as to the completeness or accuracy of the information contained therein, except with respect to any such inaccuracy or incompleteness attributable to Lessee's gross negligence or willful misconduct.

If any Item of Equipment is inspected pursuant to this Section 5 and is deemed not in the condition required by Section 10, Lessee, at its expense and risk, shall within 30 days thereafter make such repairs and perform such work as shall be necessary to place such Item of Equipment in the condition required by Section 10. Lessee will provide Lessor with notice that such Item of Equipment has been repaired so as to be in the condition required by Section 10. If Lessee reasonably determines that it cannot repair an Item of Equipment pursuant to this Section 5 within the period permitted herein, Lessee may elect to declare an Event of Loss with respect to that Item of Equipment which such Event of Loss shall be deemed to have occurred on the last day of the Basic Lease Term or the Renewal Term, as the case may be; provided, that such declaration of an Event of Loss shall have no effect on or application to the amounts payable by the Lessee under and pursuant to Section 27 hereof including, without limitation, the amount of Make Whole Premium due in connection with the termination of this Lease pursuant to said Section 27. Upon the occurrence of such Event of Loss the Lessee shall pay to the Lessor an amount equal to that amount which would be due and payable under and pursuant to Section 15 with respect to such Event of Loss including, without limitation, all accrued Supplemental Rent due with respect to such Item of Equipment calculated in accordance with the preceding paragraph.

Upon the request of Lessor, and at Lessor's sole expense, Lessee shall cooperate with Lessor in obtaining the valid and effective issuance, or, as the case may be, transfer or amendment of all governmental action necessary or, in the reasonable opinion of Lessor, desirable for the ownership of the Items of Equipment by Lessor or any transferee, lessee or assignee thereof.

Not later than 10 Business Days after the redelivery of an Item of Equipment pursuant to this Section 5, Lessor or its agent may inspect such Item of Equipment to determine whether such item of Equipment is in the condition required by Section 10. If Lessor fails to object to the condition of an Item of Equipment during such period, such Item of Equipment shall be deemed to have satisfied the conditions of Section 10. At any such inspection, inspectors or surveyors representing both Lessee and Lessor, or an inspector or surveyor satisfactory to both sides, shall be present and shall determine and state the agreed repairs or work necessary to place each Item of Equipment in the

condition required by Section 10. Lessee and Lessor shall bear the cost of their respective inspectors or surveyors.

Any Item of Equipment not delivered on the date of expiration of the Lease Term in accordance with the terms of this Section 5, shall continue to be subject to all of the obligations of Lessee set forth in this Lease. If the Lessee shall, for any reason whatsoever, fail to return any Item of Equipment at the time and in the condition specified herein, the obligations of Lessee as provided in this Lease shall continue in effect with respect to such item of Equipment until the Item of Equipment is deemed to be returned to Lessor; but this paragraph shall not be construed as permitting Lessee to fail to meet its obligations to return any Item of Equipment in accordance with the requirements of this Lease or constitute a waiver of an Event of Default.

(b) **Return of Equipment upon Default.** If the Lessor shall terminate this Lease pursuant to Section 19 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item to the Lessor as above required, the Lessee shall at its own cost, expense and risk: (i) forthwith deliver such Items to not more than two (2) locations as the Lessor shall designate, and (ii) permit the Lessor to store such Item for a period of 360 days and so store at such locations without charge for insurance, rent or storage, and during such period of storage the Lessee shall continue to maintain all insurance required by Section 16 hereof.

Each such Item will, when placed in storage, be in the condition required by Section 10 hereof and the Lessee shall comply as required by the Lessor to enable the Items to be sold or leased to a third party for use in interchange service under the Interchange Rules. Lessee agrees that no Item shall be considered to have been returned under this Section 5(b) until the Lessee has returned such Item in such condition.

The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 5(b), the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority (which power is coupled with an interest), at any time while the Lessee is obligated to deliver possession of any Items of Equipment to the Lessor after the occurrence of an Event of Default, to demand and take possession of such Item in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Item.

SECTION 6. Rent.

(a) **Interim Rent.** Lessee hereby agrees to pay Lessor Interim Rent for the use by Lessee of each Item of Equipment during the Interim Term in one installment payable on September 27, 1991 in an amount equal to .000203618% of the Purchase Price of such Equipment for each day from and including the Closing Date for such Equipment to but not including September 27, 1991.

(b) **Fixed Rent.** Lessee hereby agrees to pay Lessor Fixed Rent for the use by Lessee of each Item of Equipment during the Basic Term, in consecutive quarterly installments, in arrears, due and payable on each Rent Payment Date and continuing until the expiration or earlier termination of the Basic Term, with each such installment to be in an amount equal to the product obtained by multiplying (i) the Purchase Price of such Item of Equipment by (ii) the applicable percentages set forth in Exhibit C attached hereto. Lessee hereby agrees to pay Lessor Fixed Rent for each Item of Equipment during each Renewal Term thereof as specified in Section 25(a) hereof.

(c) **Supplemental Rent.** Lessee also agrees to pay to Lessor, or to whomever shall be entitled thereto, all Supplemental Rent, as the same shall become due and owing. Lessee shall also pay to Lessor (and, in the case of payments of Supplemental Rent payable to other persons hereunder, such other persons) on demand, as Supplemental Rent, to the extent permitted by applicable law, interest at the Late Rate on any part of any installment of Interim Rent or Fixed Rent not paid when due at or prior to the time specified for such payment for any period for which the same shall be overdue and on any payment of Supplemental Rent payable to the Note Purchasers or the Security Trustee and not paid when due for the period from the due date thereof until the same shall be paid and at a rate per annum equal to 1% plus the Prime Rate on any payment of Supplemental Rent payable to the Owner Participant or the Owner Trustee and not paid when due for the period from the due date thereof until the same shall be paid. The payment or satisfaction of Lessee's obligation with respect to Fixed Rent or any installment thereof shall not limit any obligation of Lessee which may have accrued during the Lease Term with respect to Supplemental Rent. In the event of any failure on the part of Lessee to pay any such Supplemental Rent hereunder Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise in the case of nonpayment of Rent.

(d) **Method of Payment.** All payments of Interim Rent, Fixed Rent and Supplemental Rent required to be made by Lessee to Lessor shall be made by 11.00 A.M. Wilmington, Delaware time on the date payment is due in United States dollars and in immediately available funds. If any such date is not a Business Day, then payment shall be due on the next succeeding Business Day and if paid on such Business Day by 11:00 A.M. Wilmington, Delaware time, such payment shall be without interest or penalty. In the event of any assignment pursuant to Section 13(b) hereof, all payments or right to payments which are properly assigned thereunder, whether Interim Rent, Fixed Rent, Supplemental Rent or otherwise, shall be paid to such address as shall be designated by Lessor and any such assignee. All payments of Rent (other than payments with respect to Excepted Rights in Collateral, which shall be paid to the person entitled thereto) shall be paid by Lessee to Lessor at its office at 777 Main Street, Hartford, Connecticut 06115, Attention: Corporate Trust Administration, or as Lessor may otherwise direct from time to time in writing; provided, that so long as the Security Agreement shall not have been discharged pursuant to Section 12.4 thereof, Lessor hereby directs, and Lessee agrees, that all payments of Rent and all other amounts payable to Lessor hereunder (other than payments with respect to Excepted Rights in Collateral, which shall be paid to the person entitled thereto) shall be paid directly to the Security Trustee at its office at Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration, or as the Security Trustee may otherwise direct, at such time so as to be received by the Security Trustee prior to 11:00 A.M. Wilmington, Delaware time on the date of payment.

(e) **Minimum Payments.** Notwithstanding anything to the contrary contained herein or in any other Operative Agreement, in all events and irrespective of

any adjustment thereto, (i) the installment of Interim Rent payable on September 27, 1991 shall be at least equal to the amount of accrued interest due and payable on such date in respect of all Notes then outstanding, (ii) each installment of Fixed Rent payable on each Rent Payment Date shall be at least equal to the aggregate amount of principal and accrued interest due and payable on such date in respect of all Notes then outstanding and (iii) each payment of Stipulated Loss Value and Termination Value (when added to all other amounts required to be paid by the Lessee under this Lease in respect of any Event of Loss or termination of this Lease) shall be at least equal to an amount sufficient, as of the date of payment, to pay in full the principal of and premium, if any, and interest on all Notes outstanding on and as of such date of payment. Nothing in this Section 6(e) shall be deemed to constitute a guarantee by Lessee of the indebtedness evidenced by the Notes or a guarantee of the residual value of any Item of Equipment.

(f) **Adjustments to Rent.** The percentages for Fixed Rent, Stipulated Loss Value and Termination Value set forth in Exhibit C, have been calculated in part on the basis of the Pricing Assumptions. If any such Pricing Assumption proves to have been incorrect, then such percentages for Fixed Rent, Stipulated Loss Value and Termination Value shall be adjusted (upward or downward) so as to preserve Owner Participant's Net Economic Return. Any adjustments pursuant to this Section 6(f) shall (A) satisfy the provisions of Revenue Procedure 75-28 and any other applicable statutes, regulations, revenue procedures, revenue rulings or technical information releases relating to the subject matter of such Revenue Procedure, (B) be made in a manner designed to avoid application of Section 467(b)(2) of the Code and any regulations thereunder or any other similar provision of Federal income tax law and not otherwise cause any adverse effect under any Federal income tax law in effect at the time of such adjustment, (C) not cause the transaction effected pursuant to this Lease to be classified by Owner Participant as other than a leveraged lease as defined under then current generally accepted accounting principles for leveraged leases, (D) to the extent possible and not inconsistent with the foregoing, minimize the net present value cost of the Fixed Rent to Lessee to the extent the foregoing criteria are met (subject to the requirements of Section 6(e) hereof), and (E) not adjust the Fixed Rent rates or the Stipulated Loss Values and Termination Values to an amount less than those Fixed Rent rates and Stipulated Loss Values and Termination Values required to enable Lessor to satisfy in full its obligations in respect of the Notes.

(g) **Computation of Adjustments.** (i) Upon the occurrence of an event requiring adjustments to the percentages for Fixed Rent, Stipulated Loss Value and Termination Value pursuant to Section 6(f), Owner Participant shall make the necessary computations on a basis consistent with that used by Owner Participant in the computation of the percentages for Fixed Rent, Stipulated Loss Value and Termination Value in connection with the execution and delivery of the Participation Agreement and this Lease, taking into account only the event giving rise to the adjustments. Subject to paragraph (ii) of this Section 6(g), such adjustments shall be effective from and including the date Owner Participant shall have furnished to Lessee a certificate signed on behalf of Owner Participant by a responsible officer confirming that such adjustments have been properly computed in accordance with the provisions of this Lease, and shall remain effective until changed in consequence of any inaccuracy discovered in the course of any verification procedure conducted pursuant to paragraph (ii) of this Section 6(g).

(ii) Within 30 days after Owner Participant shall have provided Lessee with a certificate pursuant to paragraph (i) of this Section 6(g), Lessee either shall confirm the accuracy of such computation or shall notify Owner Participant that such computation, and the resulting adjustments proposed by Owner Participant, are

inaccurate. In the latter event, Owner Participant and Lessee agree to submit the matter to an independent Person acceptable to them, the conclusion of such firm or other Person as to the proper adjustments shall be conclusive and binding on Lessee, Owner Participant and Lessor. All expenses incurred by Owner Participant and Lessee in connection with the verification procedures described in this paragraph (ii) shall be paid by Lessee, unless the adjustments of the percentages for Fixed Rent proposed by Owner Participant shall exceed the actual adjustments of such percentages, properly computed and confirmed, by more than 5%, in which case all such expenses shall be paid by Owner Participant. Each adjustment of the percentages for Fixed Rent, Stipulated Loss Value and Termination Value may, but need not (unless requested by Lessee, Lessor or Owner Participant), be evidenced by the execution and delivery of a supplement to this Lease in form and substance satisfactory to Lessee, Lessor and Owner Participant, and shall be effective as provided herein without regard to the date on which such supplement to this Lease is so executed and delivered. So long as the Lien of the Security Agreement shall remain outstanding, copies of the certificates, proposed adjustments and final adjustments shall be forwarded by the Owner Participant to the Security Trustee.

SECTION 7. Net Lease.

This Lease is a net lease and Lessee acknowledges and agrees that Lessee's obligations hereunder shall be absolute and unconditional under any and all circumstances and shall be paid without notice or demand and without any abatement, reduction, suspension, diminution, deferral, setoff, defense, counterclaim or recoupment whatsoever, including, without limitation, any abatement, reduction, suspension, diminution, deferral, setoff, defense, counterclaim or recoupment due or alleged to be due to, or by reason of, any past, present or future claims which Lessee may have against Lessor, Owner Participant, any assignee, Security Trustee, any vendor or manufacturer of the Equipment or any part or Item thereof, the holders from time to time of the Notes, or any other Person, either under this Lease or otherwise, for any reason whatsoever; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the obligations of Lessee be otherwise affected for any reason whatsoever, including any defect in or damage to or loss of possession or loss of use of the Equipment or any part or Item thereof, the condition, design, operation or fitness for use thereof, any damage to, or any loss or destruction of, the Equipment or any part or Item thereof, any Liens or rights of others with respect to the Equipment or any part or Item thereof, any prohibition or interruption of or other restriction against Lessee's use, operation or possession of the Equipment or any part or Item thereof, or any interference with such use, operation or possession by any Person or entity (including confiscation, requisition or other taking by any governmental authority, any person acting under governmental authority or otherwise, or action of any public or private person, whether by eviction by paramount title or for any other reason whatsoever), the invalidity or unenforceability or lack of due authorization of this Lease, or any other Operative Agreement, any defect in the title to, compliance with plans or specifications for, condition, design or fitness for use of all or any of the Items of Equipment, any insolvency of or any bankruptcy, reorganization or other proceeding against Lessee, Lessor or any other person, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention and agreement of the parties hereto, and the basis of the bargain, that (to the extent permitted by applicable law) Interim Rent, Fixed Rent, Renewal Rent, Supplemental Rent and other amounts payable by Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless and until the obligation to pay the same shall be terminated pursuant to the express

provisions of this Lease (in the case of any return of the Equipment to the Lessor, any item of Equipment shall not be deemed to have been returned to the Lessor's possession until all of the Lessee's obligations with respect to the return thereof have been performed). To the extent permitted by applicable law, Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease of any of the Items of Equipment except in accordance with the express terms hereof. Each Interim Rent, Fixed Rent, Renewal Rent, Supplemental Rent or other payment made by Lessee hereunder shall be final and Lessee shall not seek to recover all or any part of such payment (except for any excess payment made in error) from Lessor, Owner Participant, Security Trustee, or any holder or former holder of a Note for any reason whatsoever.

(ii) Without limiting the generality of the foregoing, Lessee covenants that it will remain obligated under this Lease in accordance with its terms, and will not take any action to terminate (except in accordance with the express provisions hereof), rescind or avoid this Lease for any reason, notwithstanding any insolvency, bankruptcy, organization or other proceeding affecting Lessor or Owner Participant, or any property of Lessor or Owner Participant, or any action which may be taken by any receiver, trustee or liquidator (or other similar official) or by any court.

(iii) Nothing in this Section or in any other provision of this Lease shall preclude any separate, independent claim (not by way of abatement or reduction of any amount at any time payable by Lessee hereunder) by Lessee for the breach of any representation, covenant, undertaking or agreement made herein and in any other Operative Agreement for the benefit of Lessee by Lessor or Owner Participant.

SECTION 8. Lessor's Title; Equipment to be and Remain Personal Property.

Title to the Equipment shall at all times remain in Lessor and at no time during the Lease Term shall title become vested in Lessee. This Lease is and is intended to be a true lease and not a lease intended as security or a lease in the nature of a security interest. Lessee shall acquire no right, title or interest in or to the Equipment, except the right to use the same pursuant to the terms of this Lease. It is the intention and understanding of both Lessor and Lessee that the Equipment shall be and at all times remain personal property.

SECTION 9. Use of Equipment; Compliance with Laws.

Lessee shall pay all costs, expenses, fees and charges incurred in connection with the use and operation of the Equipment during the lease thereof. Lessee agrees that the Equipment will be used and operated solely in the regular course of its business and in compliance with all statutes, laws, ordinances, rules and regulations of any Federal, state or local governmental body, agency or authority applicable to the use and operation of the Equipment. If such laws or rules require any alteration, replacement or addition of or to any part on any Item of Equipment, Lessee will conform therewith at its own expense. Lessee agrees not to operate or locate any Item of Equipment, or to suffer any Item of Equipment to be operated or located, in any area excluded from coverage by any insurance policy required by the terms of Section 16 hereof or to operate or locate any Item of Equipment in such a manner as to violate the terms of any insurance policy required by the terms of said Section 16, except in the case of a requisition for use by the United States

Government where Lessee (or any sublessee) has obtained, prior to the operation or location of the Item of Equipment in such area, indemnification or insurance in lieu of such indemnification from the United States Government against the risks and in the amounts required by, and in compliance with, Section 16 hereof covering such area.

Lessee shall procure and maintain in effect all licenses, registrations, certificates, permits, approvals and consents required by Federal, state or local laws or by any governmental body, agency or authority in connection with the use and operation of each Item of Equipment, including any instruments required by the AAR. Notwithstanding the foregoing sentence, however, Lessee will cause this Lease and the Bill of Sale to be filed and recorded with the Interstate Commerce Commission ("ICC") in accordance with Section 20c of the Interstate Commerce Act, and will do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) this Lease and any and all amendments or supplements to this Lease, or otherwise with respect to or including any other Operative Agreement, in connection with any assignment or sublease pursuant to Section 13(a) or otherwise, any financing statements or similar instruments, and any and all further instruments required by law or reasonably requested by Lessor, for the purpose of protecting Lessor's title to any Item of Equipment to the satisfaction of Lessor and Lessor's counsel or for the purpose of carrying out the intention of this Lease, including, without limitation, any such filings and recordings as shall be necessary to evidence any change in name of Lessee or Lessor, or any merger or consolidation thereof. Lessee will pay all costs, charges and expenses incident to any such filing, refiling, recording and re-recording or depositing and redepositing of any such instruments or incident to the taking of such action. This Lease shall be filed and recorded with the ICC prior to the delivery and acceptance hereunder of any Item.

The Equipment will at all times during the Lease Term be and remain in the possession and control of Lessee, subject to the terms of Section 13(a) hereof. Lessee shall operate the Equipment and permit the Equipment to be located only in the continental United States. Lessee shall not use and will not permit any other person to use any Equipment or allow the same to be used for any unlawful purpose. Lessee shall use and operate the Equipment or cause it to be used and operated only by personnel authorized by Lessee, and Lessee shall use every reasonable precaution to prevent loss or damage to each Item of Equipment from fire and other hazards. Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear; provided, that the Lessee shall not, except with respect to the transportation of coal, use the Equipment and shall not permit the Equipment to be used to transport or store hazardous or toxic substances or materials or other substances or materials containing or contaminated by hazardous or toxic substances or materials. Lessee shall use the Equipment together with all other railcars owned or leased by Lessee in a rotational manner which shall attempt to equalize the wear and tear on all such equipment so that no one Item of Equipment is used or employed in a disproportionate manner or amount of time in relation to all other railcars owned or leased by Lessee.

SECTION 10. Maintenance and Repair of Equipment.

Lessee shall, at its own expense, (i) keep the Equipment in satisfactory repair, condition and working order consistent with accepted industry practice, and as otherwise may be required by any insurance policies maintained pursuant to Section 16 or to enforce warranty claims against each vendor and manufacturer of each Item of

Equipment, ordinary wear and tear excepted; (ii) maintain the Equipment in accordance with the standards then in effect under the Interchange Rules of the AAR (the "Interchange Rules"), and at least equal to the standards of maintenance which Lessee performs on similar equipment owned or leased by Lessee; (iii) maintain all records, logs and other materials required by the AAR or the United States Department of Transportation (to the extent that the Department of Transportation shall have jurisdiction over Items of Equipment or Lessee) or any other governmental authority having jurisdiction over the Items of Equipment or Lessee, to be maintained in respect of each Item of Equipment, (iv) comply with all requirements of law applicable to the maintenance and condition of the Equipment. In addition to the foregoing, Lessee agrees that, at its cost and expense prior to the twenty-fifth anniversary of the manufacture of any Item of Equipment, such Item will be rebuilt in order to meet the mechanical requirements for rebuilt cars as listed in Sections B and D of the AAR Office Manual and Sections A and B of the AAR Field Manual as required in AAR Rule 88 (as of June 4, 1990), and will be inspected and approved by the Mechanical Division, and approved by the Transportation Division, of the AAR and thereby receive official rebuilt status recognition pursuant to such AAR Rule 88. Each Item of Equipment shall be identified as having undergone such rebuilding.

SECTION 11. Replacements; Alterations; Modifications.

(a) Lessee shall make all alterations, modifications, additions or attachments deemed necessary by any Federal, state or local governmental agency for the continued usefulness of the Equipment. Lessee may, at its sole expense, make other alterations, modifications, additions or attachments to the Equipment so long as the value and general usefulness of the Equipment is not reduced thereby and so long as such alterations, modifications, additions or attachments do not cause such Items to become a limited use property within the meaning of Revenue Procedure 76-30, 1976-2 C.B. 647 (or such other successor tax provision). So long as no Event of Default has occurred and is continuing, and so long as the value and usefulness of the Equipment (exclusive of any such alterations, modifications, additions or attachments) is not reduced thereby, any such alteration, modification, addition or attachment, which was paid for by Lessee and not reimbursed or otherwise compensated for by Lessor, shall remain the property of Lessee and may (subject to the last two sentences of this Section 11(a)), be removed by Lessee prior to return of the Equipment pursuant to Section 5 hereof. If any alteration, modification, addition or attachment to an Item of Equipment (i) is a replacement of existing parts constituting part of the Items of Equipment, (ii) was made in the course of ordinary and proper maintenance of the Items of Equipment, (iii) is required by Federal, state or local law in order to permit the continued usefulness of the Equipment; or (iv) cannot physically be removed without damage to the Equipment, it shall become the property of Lessor, and shall be subject to all the terms of this Lease. Upon termination of this Lease, Lessor shall have the option to purchase from Lessee any alterations, modifications, additions or attachments to any Item of Equipment not described in the preceding sentence at the fair market sales value of such alterations, modifications, additions or attachments, as the case may be.

(b) **Warranty Rights and Payments.** Lessor shall assign or otherwise make available to Lessee all of its rights under any vendor's or manufacturer's warranty (excluding any warranty of title) on any Item of Equipment. Any payments made by any such vendor or manufacturer pursuant to such warranty for any Item of Equipment shall be payable to Lessee so long as no Default or Event of Default shall have occurred and be

continuing and after the occurrence and continuance of a Default or an Event of Default shall be paid to the Security Trustee so long as the Lien of the Security Agreement shall not have been discharged and thereafter shall be paid to the Lessor. Such payment is to be used to repair or replace damaged components in accordance with this Section 11, if feasible, and if not used, such amount shall be paid promptly to Lessor.

SECTION 12. Identification Marks; Inspection.

Lessee agrees, at Lessee's cost and expense, to place markings on the Equipment by stencil or by a metal tag or plate affixed thereto showing Lessor's title thereto and ownership thereof and the Security Trustee's interest therein; provided, however, that such identification markings are to be placed so as not to interfere with the usefulness and utility of such Item of Equipment. If during the Lease Term any such identification marking shall be defaced or destroyed, Lessee shall cause such defaced or destroyed identification marking to be restored or replaced. Lessee will cause each Item of Equipment to be kept numbered with the road number and serial number as shall be set forth in any Lease Supplement hereto extending this Lease to cover such Item of Equipment. Lessee shall not allow the name of any other Person to be placed on any Item of Equipment as a designation that might be identified as a claim of ownership or any other interest therein; provided, that nothing herein contained shall prohibit Lessee or its permitted sublessees from placing its customary colors and insignia on any Item of Equipment or from naming each Item of Equipment. Lessee will not change the identification number of any Item of Equipment unless and until (i) a statement of a new number or numbers to be substituted therefor shall have been delivered to Security Trustee and Lessor and filed, recorded and deposited by Lessee in all appropriate public offices, including the public offices where this Lease and the Security Agreement shall have been filed, recorded and deposited, and (ii) Lessee shall have furnished Lessor and Security Trustee an opinion of counsel in form and substance reasonably satisfactory to them to the effect that such statement has been so filed, recorded and deposited and that such filing, recordation and deposit will protect Lessor's interest in such Items of Equipment and the Security Interest of the Security Trustee under the Security Agreement. Upon the reasonable request of Lessor, Lessee shall make the Equipment available to Lessor for inspection and shall also make Lessee's records pertaining to the Equipment reasonably available to Lessor for inspection, it being understood and agreed that Lessor shall have no obligation to make such inspection and shall incur no liability for failure to do so. During the continuance of a Default or an Event of Default, such inspection shall be at Lessee's expense.

SECTION 13. Assignments and Subleases.

(a) **By Lessee.** Lessee will not, without the prior written consent of Lessor, assign its lease of any Item of Equipment, or transfer or encumber its rights or obligations hereunder, and any attempted assignment, transfer or encumbering by Lessee shall be null and void; provided, however, subject to the receipt of any necessary regulatory approvals, Lessee may so long as no Default or Event of Default shall have occurred and be continuing assign its lease of any Item of Equipment to an Affiliate which is a "public utility company" within the meaning of the Public Utility Holding Company Act of 1935 or a "public utility" within the meaning of the Federal Power Act without the prior consent of Lessor if Lessee gives written notice and a copy of such assignment to Lessor within 45 days after such assignment; provided, further, subject to the receipt of

any necessary regulatory approvals, Lessee may may so long as no Default or Event of Default shall have occurred and be continuing without the prior consent of Lessor, sublease any Item of Equipment to any Affiliate, railroad company or other Person for a period not to exceed 270 days in accordance with customary industry practice so long as such assignment or sublease does not cause the Items of Equipment to be "tax-exempt use property" within the meaning of Section 168(h)(i) of the Code and so long as such assignment or sublease does not extend beyond the end of the Lease Term. Any such sublease or assignment shall be subject to all the terms and conditions of this Lease and Lessee's obligations hereunder shall continue in full force and effect as the obligations of a principal and not of a surety irrespective of such sublease or assignment. Each sublease or assignment permitted by this paragraph shall be expressly subject and subordinate to all of the provisions of this Lease and to the rights and remedies of the Security Trustee under the Security Agreement and Lessor under this Lease in respect of the Items of Equipment covered by such sublease or assignment.

(b) **Transfers by Lessor or Owner Participant.** Lessor and Owner Participant shall not be entitled to transfer their respective interests in this Lease and the Trust Estate other than the assignment of this Lease by the Lessor to the Security Trustee pursuant to the Security Agreement except in compliance with Section 3.12 of the Trust Agreement, with respect to Lessor, and Section 3.6(d) of the Participation Agreement, with respect to Owner Participant. No such transfer by Lessor or Owner Participant shall interfere with Lessee's rights under this Lease with respect to Lessee's use of the Items of Equipment. Lessee shall provide such information concerning the location of the Equipment as Lessor may reasonably request in connection with any such transfer.

Upon written notice by Lessor to Lessee of any such sale or assignment, Lessee shall thereafter make payments of all Fixed Rent and other sums due hereunder to the party specified in such notice and such payments shall discharge the obligation of Lessee to Lessor hereunder to the extent of such payments. Lessee shall be under no obligation to any assignee of Lessor, except upon written notice of such assignment to Lessee. Lessee hereby acknowledges and consents to the security interest and other rights and interests granted to the Security Trustee pursuant to the Security Agreement. Such notice is hereby given of the assignment of this Lease and all Rent and other payments to be made to the Lessor hereunder to the Security Trustee under and pursuant to the Security Agreement, and the Lessee agrees to make all payments of Rent in accordance with the provisions of Section 6(d). Upon any such sale or assignment under this Section 13(b), Lessee shall not be required to execute any documents in connection therewith other than a form of acknowledgment, any required Uniform Commercial Code Financing Statements or any filings required by the ICC or AAR. Any expenses incurred in connection with any such sale or assignment shall be borne solely by Lessor. Lessee shall not be required to prepare any documents in connection with any such sale or assignment.

SECTION 14. Liens.

Assuming that the Lease has been filed with the ICC, Lessee represents and warrants to Lessor that at the time an Item of Equipment is accepted by it under the Lease, such Item will be free and clear of all Liens except Permitted Encumbrances. Lessee will not create, incur, assume or suffer to exist any Lien on or with respect to the Equipment or any part or Item thereof, Lessor's title thereto, or any interest therein, except Permitted Encumbrances. Lessee, at its own expense, will pay, satisfy and otherwise take such actions as may be necessary to keep the Equipment free and clear of,

and to duly discharge or eliminate or bond in a manner satisfactory to Lessor, any such Lien other than Permitted Encumbrances if the same shall arise at any time during the Lease Term. Lessee will notify Lessor upon becoming aware of any tax or other Lien (other than any Lien excepted above) that shall attach to the Equipment or any Item of Equipment.

SECTION 15. Loss, Damage or Destruction.

(a) **Risk of Loss, Damage or Destruction.** Lessee hereby assumes all risk of loss, damage, theft, taking, destruction, confiscation or requisition, partial or complete, of or to each Item of Equipment, however caused or occasioned, such risk to be borne by Lessee with respect to each Item of Equipment from the Acceptance Date, and continuing until the expiration or early termination of the Lease Term. Lessee shall promptly notify Lessor of any loss or casualty damage (other than any such loss or damage which constitutes an Event of Loss) to any Item or Items of Equipment where such loss or damage is estimated to exceed the amount of self-insurance or deductible amount maintained by the Lessee pursuant to and in accordance with Section 16 hereof. Lessee shall, within 90 days of notifying Lessor of such loss or casualty damage, notify Lessor that Lessee intends to repair such Item or Items of Equipment and provide Lessor with an estimated cost and time frame with respect to such repairs.

(b) **Payment of Stipulated Loss Value Upon an Event of Loss.** If an Event of Loss occurs with respect to an Item or Items of Equipment during the Lease Term, Lessee shall, within thirty (30) days after the occurrence of such Event of Loss, inform Lessor and Owner Participant in regard thereto and Lessee shall, on the Rent Payment Date next following the date of such Event of Loss, pay (i) the greater of (a) Stipulated Loss Value for such Item (computed as of such Rent Payment Date) or (b) the sum of (I) Stipulated Loss Value for such Item (computed as of such Rent Payment Date) plus (II) 50% of the excess of (A) the settlement amount for such Item determined in accordance with Rule 107 of the Field Manual of the Interchange Rules of the AAR (or any successor procedure for the settlement for cars destroyed in interchange service) over (B) Stipulated Loss Value for such Item, plus (ii) the Fixed Rent and any Supplemental Rent due for such Item or Items of Equipment on such Rent Payment Date, plus (iii) all accrued and unpaid Fixed Rent and any Supplemental Rent owing for such Item or Items of Equipment through any prior Rent Payment Date. So long as no Default or Event of Default has occurred and is continuing, any payments received by Lessor or by Lessee from any insurer or other party (except Lessee) as a result of the occurrence of such Event of Loss will be applied in reduction of Lessee's obligation to pay the foregoing amounts, if not already paid by Lessee, or, if already paid by Lessee, will be applied to reimburse Lessee for its payment of such amount, and any such payments in excess of the amounts described in clause (i)(b)(II)(A) of the first sentence of this Section 15(b) shall be paid to or retained by Lessor, and after the occurrence and continuance of a Default or an Event of Default such payments shall be paid to the Security Trustee so long as the Lien of the Security Agreement shall not have been discharged and thereafter shall be paid to the Lessor. Upon payment in full of the amounts described in the first sentence of this Section 15(b), (A) the obligation of Lessee to pay Fixed Rent hereunder with respect to such Item or Items of Equipment for all Rental Periods commencing after the date of the payment of such amounts shall terminate and the Lease Term of such Item or Items shall thereupon terminate, (B) Lessee shall request the Lessor to execute a release with respect to such Item or Items of Equipment releasing such Equipment from the Lease and shall request the Lessor to request the Security Trustee, so long as the Lien of the Security Agreement remains

undischarged, to execute a release with respect to such Item or Items of Equipment releasing such Equipment from the Lien of the Security Agreement and (C) Lessee shall, as agent for Lessor, as soon as practicable, dispose of such Item or Items of Equipment in a manner reasonably acceptable to Lessor.

(c) **Application of Payments Not Relating to an Event of Loss.** So long as no Default or Event of Default shall have occurred and be continuing, any payments (including, without limitation, insurance proceeds) received at any time by Lessor or Lessee from any governmental authority or other party with respect to any loss or damage to any Item or Items of Equipment not constituting an Event of Loss, will be applied directly in payment of repairs or for replacement of property in accordance with the provisions of Section 11, 12 and 16 hereof, if not already paid by Lessee, or if already paid by Lessee, shall be applied to reimburse Lessee for such payment, and any balance remaining after compliance with said Sections with respect to such loss or damage shall be retained by Lessor, and after the occurrence and continuance of a Default or an Event of Default such payments shall be paid to the Security Trustee so long as the Lien of the Security Agreement shall not have been discharged and thereafter shall be paid to the Lessor. Lessee's obligation to pay all installments of Rent and other sums shall continue for the duration of such requisitioning or taking unless and until the same shall become an Event of Loss.

SECTION 16. Insurance.

Lessee will cause to be carried and maintained, at its sole expense, with respect to the Equipment, (a) physical damage insurance insuring against physical loss or damage to the Equipment, in an amount equal to the lower of (1) the full insurable value of the Equipment, and (2) the Stipulated Loss Value of the Equipment, and (b) insurance against liability for bodily injury, death and property damage resulting from the use, operation, ownership and possession of the Equipment in an amount not less than $10,000,000 per occurrence.

Such insurance policies shall: (i) name and insure the Lessor, in its individual and trust capacities, Owner Participant, Security Trustee and each holder of a Note as additional insureds under the comprehensive public liability insurance and under the property insurance, shall insure the Security Trustee or, in the event the Lien of the Security Agreement has been discharged, the Lessor, as sole loss payee under a standard loss payee clause satisfactory to the Security Trustee or the Lessor, as the case may be, (ii) with respect to property insurance, provide insurer's waiver its right of subrogation, set-off or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability against any additional insured except for claims as shall arise from the willful misconduct or gross negligence of such additional insured, (iii) with respect to property insurance, provide that such insurance as to the interest of the Lessor, Owner Participant, Security Trustee and each holder of a Note shall not be invalidated by any action or inaction of Lessee or any other Person (other than such claimant), regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee or any other Person (other than such claimant), (iv) with respect to property insurance, provide that all such insurance is primary without right of contribution from any other insurance which might otherwise be maintained by the Lessor or any assignee under Section 13(b) and shall expressly provide that all provisions except the limits of liability, shall operate in the same manner as if there were a separate policy covering each such additional insured, (v) provide therein or by endorsement that thirty (30) days prior

written notice of expiration, cancellation or modification shall be given to the Lessor, Owner Participant, Security Trustee and each holder of a Note and shall provide that such cancellation, change or modification shall not be effective during such 30 day period as to any of the Lessor, Owner Participant, Security Trustee and each holder of a Note, and (vi) provide that no additional insured shall have any obligation or liability for premiums in connection with such insurance.

Lessee shall furnish the Lessor, Owner Participant, Security Trustee and each holder of a Note with certificates or other satisfactory evidence of maintenance of the insurance so required and shall furnish binders or other formal confirmation reasonably acceptable to the Lessor evidencing renewals thereof as soon as practicable but in no event later than three (3) Business Days prior to such renewal and certificates of insurance within thirty (30) days after such renewal is effected or the expiration date of the original policy or policies, as the case may be. All other terms of insurance shall be in accordance with such insurance carried by Lessee or its Affiliates with respect to other railcars in its fleet.

If the loss covered by said physical damage insurance is less than $2,500,000, the proceeds of such insurance shall be payable to Lessee provided that no Default or Event of Default shall have occurred and be continuing and after the occurrence and continuance of a Default or an Event of Default such proceeds shall be paid to the Security Trustee so long as the Lien of the Security Agreement shall not have been discharged and thereafter shall be paid to the Lessor. If such loss equals or exceeds $2,500,000, the proceeds of such insurance shall be payable to the Security Trustee or, in the event that the Lien of the Security Agreement has been discharged, the Lessor provided that the Security Trustee or the Lessor, as the case may be, shall, so long as no Default or Event of Default has occurred or is continuing, remit all such insurance proceeds to Lessee at such time as Lessee either (i) provides Lessor evidence that the damage has been repaired and the Equipment has been restored to good working order and condition or (ii) has paid to Lessor or Security Trustee, as the case may be, the amounts otherwise due to Lessor on loss of such Equipment pursuant to Section 15(b) hereof. Lessee's obligation to maintain insurance with respect to any Item of Equipment shall commence on the Acceptance Date of such Item of Equipment and shall run until the earliest to occur of (x) the date on which such Item of Equipment is sold, pursuant to Section 19 hereof, (y) the termination of this Lease with respect to such Items of Equipment pursuant to and in accordance with Section 27 hereof, or (z) the return of the Equipment to the Lessor in accordance with Section 5 hereof. Upon the execution and delivery of this Lease, certificates of the insurance coverage required by this Section 16 shall be delivered by Lessee to Lessor. Lessee covenants that it will not use or operate or permit the use or operation of any Item of Equipment at any time when the insurance required by this Section 16 is not in force with respect to such Item of Equipment and will not use the Equipment in a manner which would violate the terms and provisions of such insurance policies. If Lessee shall fail to cause the insurance required under this Section 16 to be carried and maintained, Lessor may provide such insurance and Lessee shall reimburse Lessor upon demand for the cost thereof as Supplemental Rent hereunder. So long as no Event of Default has occurred and is continuing, Lessee may self-insure or maintain deductible provisions for the first $2,500,000 of the coverages specified in clauses (a) and (b) of the first sentence of this Section 16.

Nothing in this Section 16 shall prohibit Lessor, Owner Participant, Security Trustee or a holder of a Note from obtaining insurance for its own account and any proceeds payable thereunder shall be as provided in the insurance policy relating thereto;

provided that no such insurance may be obtained that would limit or otherwise adversely affect the coverage of any insurance to be obtained or maintained by Lessee pursuant to this Section 16.

SECTION 17. NO WARRANTIES.

LESSEE LEASES THE EQUIPMENT AS-IS, WHERE-IS, WITH ALL FAULTS, AND IN WHATEVER CONDITION IT MAY BE. NEITHER LESSOR, NOT BEING THE MANUFACTURER OR VENDOR OF THE EQUIPMENT, NOR OWNER PARTICIPANT NOR SECURITY TRUSTEE MAKES OR HAS MADE OR SHALL BE DEEMED TO MAKE OR HAVE MADE, ANY REPRESENTATION OR WARRANTY, EITHER EXPRESSED OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE DESIGN, OPERATION OR CONDITION OF THE EQUIPMENT, ITS MERCHANTABILITY, VALUE, DURABILITY, SUITABILITY OR ITS FITNESS FOR ANY PARTICULAR USE OR PURPOSE, LESSOR'S TITLE THERETO, LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE EQUIPMENT, OR THE CONFORMITY OF THE EQUIPMENT TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE ORDER OR ORDERS RELATING THERETO, AND EACH OF LESSOR, OWNER PARTICIPANT AND SECURITY TRUSTEE HEREBY DISCLAIMS ANY SUCH REPRESENTATION OR WARRANTY (WHICH DISCLAIMER LESSEE HEREBY ACKNOWLEDGES). WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, NEITHER LESSOR NOR OWNER PARTICIPANT NOR SECURITY TRUSTEE SHALL BE LIABLE OR RESPONSIBLE FOR ANY DEFECTS, EITHER PATENT OR LATENT (WHETHER OR NOT DISCOVERABLE BY LESSEE), IN THE EQUIPMENT, OR FOR ANY DIRECT OR INDIRECT DAMAGE TO PERSONS OR PROPERTY RESULTING THEREFROM, OR FOR LESSEE'S LOSS OF USE OF THE EQUIPMENT OR FOR ANY INTERRUPTION IN LESSEE'S BUSINESS CAUSED BY LESSEE'S INABILITY TO USE THE EQUIPMENT FOR ANY REASON WHATSOEVER, ALL OF WHICH ITEMS OF EQUIPMENT WERE SELECTED BY LESSEE ON THE BASIS OF ITS OWN JUDGMENT WITHOUT RELIANCE UPON ANY STATEMENTS, REPRESENTATIONS OR WARRANTIES MADE BY OWNER TRUSTEE, OWNER PARTICIPANT OR SECURITY TRUSTEE, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN LESSOR, WHETHER IN ITS INDIVIDUAL CAPACITY OR AS TRUSTEE, OWNER PARTICIPANT, SECURITY TRUSTEE AND THE HOLDER OF ANY NOTE ON THE ONE HAND AND LESSEE ON THE OTHER HAND, ARE TO BE BORNE BY LESSEE.

Neither Lessor, Owner Participant nor Security Trustee shall have any responsibility or liability to Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Item of Equipment or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Item of Equipment or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Item of Equipment. Lessee's delivery of a Lease Supplement relating to an Item of Equipment shall be conclusive evidence as between Lessee and Lessor that such Item of Equipment is in all respects satisfactory to Lessee, and Lessee will not assert any claim of any nature whatsoever against Lessor, Owner Participant or Security Trustee based on any of the foregoing matters.

So long as an Event of Default shall not have occurred and be continuing, and so long as the Equipment shall be subject to this Lease and Lessee shall be entitled to possession of the Equipment hereunder, Lessor authorizes Lessee, at Lessee's expense, to assert for Lessor's account, all rights and powers of Lessor under any manufacturer's, vendor's or dealer's warranty on the Equipment or any part thereof; provided, however, that Lessee shall indemnify, protect, save, defend and hold harmless Lessor from and against any and all claims, and all costs, expenses, damages, losses and liabilities incurred or suffered by Lessor in connection therewith, as a result of, or incident to, any action by Lessee pursuant to the foregoing authorization, and that Lessee shall provide Lessor with prior written notice of any action Lessee proposes to take on Lessor's behalf pursuant to the foregoing authorization.

SECTION 18. Events of Default.

Any of the following events shall constitute an Event of Default:

(a) Lessee shall fail to make any payment of Interim Rent or Fixed Rent within five (5) Business Days after the same is due and payable or any Supplemental Rent within ten (10) Business Days after receipt of written notice by Lessee; or

(b) Lessee shall fail to observe or perform any of the covenants or agreements of Lessee set forth in the first and second paragraphs of Section 16, the first sentence of Section 5, or the last sentence of Section 10 hereof; or

(c) any representation or warranty made by Lessee herein, or in any Lessee Agreement (other than the Tax Indemnification Agreement) or any certificate furnished in connection herewith or therewith shall prove to have been incorrect in any material respect when such was made and shall remain material and materially incorrect at the time in question, unless the fact, circumstance or condition that is the subject of such representation or warranty is made true within 30 days after notice thereof shall have been given to Lessee; or

(d) Lessee shall fail to perform or observe any covenant, condition, or agreement to be performed or observed by it under any Lessee Agreement, or in any agreement or certificate furnished in connection herewith, and such failure shall continue unremedied for thirty (30) days after receipt of written notice by Lessee specifying such failure and demanding the same to be remedied; provided that, no such default shall be deemed an Event of Default if (i) such default is curable but cannot be cured within such thirty (30) day period, and (ii) Lessee is diligently pursuing such cure and effects such cure within 360 days of the date of such default or before the last day of the Lease Term, whichever shall occur first; or

(e) Lessee becomes insolvent (however such insolvency may be evidenced) or admits insolvency or bankruptcy or its inability to pay its debts as they mature, makes an assignment for the benefit of creditors or applies for or consents to the appointment of a custodian, trustee or receiver for Lessee, or for the major part of its property or commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or

(f) a proceeding shall have been instituted in a court having jurisdiction in the premises, seeking a decree or order (i) for relief in respect of Lessee in an involuntary case under any applicable bankruptcy, reorganization, insolvency or other similar law now or hereafter in effect or (ii) for the appointment of a custodian, receiver, trustee or similar official of Lessee or of its property, or (iii) for the winding up or liquidation of the affairs of Lessee, and either (I) any such proceeding shall remain undismissed or unstayed and in effect for a period of 60 consecutive days or (II) such court shall enter a decree or order granting the relief sought in such proceeding or Lessee shall consent to such entry.

SECTION 19. Remedies Upon Default.

Upon the occurrence of any Event of Default, Lessor may exercise one or more of the following remedies as Lessor in its sole discretion shall elect:

(a) Lessor may terminate this Lease, without prejudice to any other remedies of Lessor hereunder, with respect to all or any Item of Equipment, and may enter the premises of Lessee to take immediate possession of the Equipment and remove all or any Item of Equipment by summary proceedings or otherwise, or may cause Lessee, at Lessee's expense, to surrender and deliver possession of the Equipment or such Item in the same manner as provided in Section 5 hereof;

(b) Lessor may hold, keep idle or lease to others the Equipment or any Item of Equipment, as Lessor in its sole discretion may determine, free and clear of any rights of Lessee and without any duty to account to Lessee with respect to such action or inaction or for any proceeds with respect thereto, except that Lessee's obligation to pay Fixed Rent for any Rental Periods commencing after Lessee shall have been deprived of possession pursuant to this Section 19 shall be reduced by the net proceeds, if any, received by Lessor from leasing the Equipment or such Item to any Person other than Lessee for the same Rental Periods or any portion thereof;

(c) Lessor may sell the Equipment or any Item of Equipment at public or private sale as Lessor may determine, free and clear of any rights of Lessee, and Lessee shall pay to Lessor, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Fixed Rent due for the Equipment so sold for any Rental Period commencing after the date on which such sale occurs), all unpaid Fixed Rent payable for all Rental Periods up to and including the Rental Period in which such sale occurs, plus an amount equal to the excess, if any, of (i) the Stipulated Loss Value of the Equipment so sold, computed as of the Rent Payment Date coincident with or next following the date of such sale, over (ii) the net proceeds of such sale;

(d) Lessor, by written notice to Lessee, may demand that Lessee pay to Lessor, and Lessee shall pay to Lessor, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Fixed Rent due for any Item(s) of Equipment for any Rental Period commencing after the Event of Default and in lieu of the exercise by Lessor of its rights under such subsection (c) above with respect to the same Item(s) of Equipment), all unpaid Fixed Rent payable therefor for all Rental Periods up to and including the Rental Period in which the Event of Default occurs, plus whichever of the following amounts Lessor, in its sole discretion, shall specify in such notice: (i) an amount, with respect to each Item of Equipment, equal to the excess, if any, of the Fixed Rent payable for such Item of Equipment for the

remainder of the then current Lease Term, over the fair market rental value of such Item of Equipment for the remainder of the then current Lease Term, after discounting such excess to present worth as of the payment date specified in such notice at the interest rate of the Notes(s); or (ii) an amount, with respect to each Item of Equipment, equal to the excess, if any, of the Stipulated Loss Value of such Item of Equipment computed as of the Rent Payment Date coincident with or next following the Event of Default, over the fair market sales value of the Equipment as of the said date;

(e) Lessor may proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof or to rescind this Lease; and

(f) Lessor may exercise any other right or remedy which may be available to it under applicable law.

For the purpose of subsection (d) above, the "fair market rental value" or the "fair market sales value" of the Equipment shall mean such value as has been determined by an independent qualified appraiser, selected by Lessor and reasonably acceptable to Lessee and the cost of any such appraisal shall be borne by Lessee.

No remedy referred to in this Section 19 is intended to be exclusive, but each shall be cumulative and may be exercised concurrently or consecutively and shall be in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity, and the exercise in whole or in part by Lessor of any one or more of such remedies shall not preclude the simultaneous or later exercise by Lessor of any or all such other remedies. Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is effective under applicable law. Lessee hereby waives any and all existing or future claims to any offset against the rent payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by Lessee or on its behalf. Except as otherwise provided in this Lease, Lessee, to the full extent effective under applicable law, hereby waives all statutory or other legal requirements for any notice of any kind, any other requirements with respect to the enforcement of Lessor's rights under this Lease and any and all rights of redemption. No waiver by Lessor of any Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default.

In addition, the Lessee shall be liable for any and all unpaid Rent due hereunder before or during the exercise of any of the foregoing remedies and for all reasonable legal fees and other costs and expenses incurred by reason of the occurrence of any Default or Event of Default or the exercise of the Lessor's remedies with respect thereto, including without limitation, the repayment in full of any costs and expenses necessary to be expended in repairing or modifying any Item in order to cause it to be in compliance with all maintenance and regulatory standards imposed by this Lease.

Upon the date of termination of this Lease by Lessor pursuant to Section 19(a), Lessee shall, without expense to the Lessor, promptly redeliver the Items of Equipment or cause the Items of Equipment to be redelivered, to the Lessor with all reasonable dispatch, in the same manner and in the same condition as if such Items of Equipment were being redelivered on the last day of the Lease Term in accordance with the provisions of Section 5, and all obligations of the Lessee under Section 5(b) shall apply to such redelivery. Lessor, without further notice, may, but shall be under no obligation

to, retake such Items of Equipment wherever found, without the Lessor incurring any liability by reason of such retaking, whether for the restoration of damage to property caused by such retaking or otherwise.

Without in any way limiting the obligation of Lessee under the foregoing provisions of this Section, Lessee hereby irrevocably appoints Lessor as the agent and attorney of Lessee with full power and authority to, upon the occurrence and continuance of an Event of Default hereunder, exercise Lessor's rights under this Section, at any time while Lessee is obligated to deliver possession of any Item of Equipment to Lessor, to demand and take possession of such Item of Equipment in the name and on behalf of Lessee from whomever shall then be in possession of such Item.

SECTION 20. Lessor's Right to Perform for Lessee.

If Lessee fails to perform or comply with any of its agreements or covenants contained herein, Lessor may (but shall not be obligated to) itself, after notice to Lessee, perform or comply with such agreement or covenant or make advances to perform the same, and the amount of the reasonable expenses of Lessor incurred in connection with the performance of or compliance with such agreement or covenants, shall, if not paid by Lessee to Lessor on demand, be payable as Supplemental Rent hereunder.

SECTION 21. Late Charges.

Lessee shall pay to Lessor as Supplemental Rent, to the extent permitted by applicable law, interest on any amount of Interim Rent, Fixed Rent and on any Supplemental Rent which is not paid when due, for any period for which the same is overdue (without regard to any grace period) at a rate equal to the Late Rate.

SECTION 22. Covenant of Quiet Enjoyment.

During the Lease Term of any Item of Equipment hereunder and so long as no Default or Event of Default has occurred and is continuing, Lessor covenants and agrees that Lessee shall have the right to uninterrupted use and enjoyment of such Item on the terms and conditions provided herein without any interference from Lessor or Owner Participant or those claiming through or against Lessor (other than claims of mechanics, suppliers, materialmen and laborers for work or services performed or materials furnished in connection with the Equipment or any Item thereof which are claims by or through the Lessor), including, but not limited to any assignee or lender or mortgagee of Lessor or Owner Participant. For purposes of this Section 22, the delivery of notices of default or nonperformance delivered under and pursuant to Section 18 shall not be deemed to constitute a violation of this Section 22.

SECTION 23. Other Documents.

Except as otherwise provided herein, Lessee will, at Lessor's expense, execute and deliver to Lessor such other documents, including, without limitation, such amendments to this Lease as may be reasonably required by Lessor, and Uniform Commercial Code financing statements and continuation statements and any filings required by the ICC or the AAR.

SECTION 24. Notices and Requests.

Unless otherwise expressly specified or permitted by the terms hereof, all communications and notices provided for herein shall be in writing or by a telecommunications device capable of creating a written record, and any such notice shall become effective (a) upon personal delivery thereof, including, without limitation, by overnight express mail and courier service, (b) five (5) days after the date on which it shall have been mailed by United States mail, certified or registered, postage prepaid, return receipt requested, or, (c) in the case of notice by such a telecommunications device, upon confirmation of receipt by such device with confirmation delivered by overnight express mail, in each case addressed to each party hereto at its address set forth below or, in the case of any such party hereto, at such other address as such party may from time to time designate by written notice to the other parties hereto:

If to Lessee:	Indiana Michigan Power Company c/o American Electric Power Service Corporation 1 Riverside Plaza Columbus, Ohio 43215 Attention: Vice President - Finance Fax No.: (614) 223-1687 Confirmation No.: (614) 223-2860
If to Lessor:	The Connecticut National Bank, as Trustee under Indiana Michigan Trust No. 91-3 777 Main Street Hartford, Connecticut 06115 Attention: Corporate Trust Administration Fax No.: (203) 240-7920

All notices required to be delivered under this Lease to Lessor shall, so long as the Lien of the Security Agreement shall not have been discharged, also be delivered to the Security Trustee.

SECTION 25. Lessee's Renewal and Purchase Options.

(a) **Lessee's Renewal Option.** If (i) no Default or Event of Default shall have occurred and be continuing, and (ii) this Lease shall not have been earlier terminated, Lessee shall be entitled, at its option upon written notice to Lessor, as hereinafter provided, to renew this Lease with respect to any Item(s) of Equipment then subject to this Lease for two Renewal Terms. The first, Renewal Term of any Item of Equipment shall be for a period of five years. The second Renewal Term of any Item of Equipment shall be for a period of at least one year, as selected by Lessee, but in no event shall such Renewal Term when added to the Interim Term, the Basic Term and all other Renewal Terms exceed 80% of the economic life of such Item(s) of Equipment determined in the manner described in Section 25(c) hereof. All of the provisions of this Lease shall be applicable during each Renewal Term for each such Item of Equipment, except that, during each Renewal Term, Fixed Rent shall be the fair market rental value thereof determined in accordance with Section 25(c) hereof, and said Fixed Rent shall be payable quarterly in

arrears during each Renewal Term, on the twenty-seventh day of each calendar quarter thereof; provided, however, that the Fixed Rent payable during the first Renewal Term of an Item of Equipment shall not exceed 50% of the mean average amount of each installment of Fixed Rent payable in respect of such Item during the Basic Term. Stipulated Loss Values and Termination Values for each Item of Equipment on any Rent Payment Date during any Renewal Term shall be an amount equal to Stipulated Loss Value or the Termination Value, as the case may be, for such Item of Equipment determined as of the last Rent Payment Date of the Basic Term. If Lessee intends to exercise said renewal option with respect to any of said Renewal Terms, Lessee shall give written irrevocable notice to Lessor to such effect at least one hundred and twenty (120) days prior to the expiration of the Basic Term or Renewal Term of such Item(s) of Equipment.

(b) **Lessee's Purchase Option.** If (i) no Default or Event of Default shall have occurred and be continuing, and (ii) this Lease shall not have been earlier terminated, Lessee shall be entitled, at its option, upon written notice to Lessor as hereinafter provided, to purchase any Item(s) of Equipment then subject to this Lease on the date immediately following the date of the expiration of the Basic Term of each such Item of Equipment or, as the case may be, the expiration of the then Renewal Term of each such Item of Equipment, for an amount, with respect to each such Item of Equipment, payable in immediately available funds, equal to the fair market sales value thereof determined in accordance with Section 25(c) hereof, plus any applicable sales, excise or other taxes imposed as a result of such sale (other than gross or net income taxes attributable to such sale). If Lessee intends to exercise said purchase option, Lessee shall give written irrevocable notice to Lessor to such effect at least one hundred and twenty (120) days prior to the expiration of the Basic Term or Renewal Term of such Item(s) of Equipment. In the event that Lessee exercises its purchase option under this Section 25(b), Lessor shall execute and deliver to Lessee a bill of sale, in which Lessor transfers the Item to Lessee "as is" and represents only that it is transferring whatever title was transferred to it, free and clear of all liens in favor of any person claiming by, through or under Lessor, in a form reasonably acceptable to Lessee, upon payment of the sale price by Lessee.

(c) **Determination of Fair Market Sales Value and Fair Market Rental Value; Appraisal Procedure.** If Lessee has elected to exercise its renewal option, as provided in Section 25(a) hereof, or has elected to exercise its purchase option, as provided in Section 25(b) hereof, then as soon as practicable following Lessor's receipt of the written notice from Lessee of Lessee's intent to exercise such option with respect to any Item(s) of Equipment (to the extent permitted by Section 25(a) and (b) hereof), Lessor and Lessee shall consult for the purpose of determining the fair market rental value or fair market sales value, as the case may be, of each such Item of Equipment as of the end of the Basic Term thereof, or, if this Lease has been renewed pursuant to Section 25(a) hereof, then as of the end of the then current Renewal Term thereof, and in the event this Lease is being renewed, the economic life of such Equipment as set forth in Section 25(a) and any values or economic life agreed upon in writing shall constitute such fair market rental value, fair market sales value or economic life of each such Item of Equipment for the purposes of this Section 25. If Lessor and Lessee fail to agree upon such values or economic life sixty (60) days prior to the expiration of the Basic Term, or, if this Lease has been so renewed, the then current Renewal Term, of such Item(s) of Equipment, either party may request, by written notice to the other, that such values or economic life be determined by the appraisal procedure hereinafter specified.

For all purposes of this Section 25, fair market sales value and fair market rental value shall be determined on the basis of, and shall equal in value, the amount which would be obtained in an arm's-length transaction between an informed and willing buyer-user or lessee (other than a lessee currently in possession) and an informed and willing seller or Lessor under no compulsion to sell or lease, and in such determination, costs of removal from the location of current use shall not be a deduction from such value.

In the event Lessor and Lessee fail to agree upon such fair market sales value or fair market rental value, as the case may be, or such economic life of any Item(s) of Equipment, and either Lessor or Lessee shall have requested a determination of such values or such economic life, Lessor and Lessee shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 5 Business Days after such notice is given, each party shall appoint an independent appraiser within 10 Business Days after such notice is given, and the two appraisers so appointed shall within 5 Business Days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 5 Business Days after such notice is given, either party may request the American Arbitration Association to make such appointment, and both parties shall be bound by any such appointment. The above-described procedure shall be from time to time referred to as the "Appraisal Procedure".

Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the fair market sales value and/or the fair market rental value, as the case may be, and the economic life, if applicable, of such Item(s) of Equipment within 30 days after the appointment of such appraiser(s). If the parties shall have appointed a single appraiser, its determination of value and economic life shall be final. If three appraisers shall be appointed, the values and the economic life, if applicable, determined by the three appraisers shall be averaged, and, unless such average shall equal the value and the economic life, if applicable, determined by the middle appraisal (in which event such average shall be final), the determination which differs most from such average shall be excluded, the remaining two determinations shall be averaged and such average shall be final. The fees and expenses of any appraiser appointed under this Section 25(c) shall be shared equally by Lessor and Lessee.

SECTION 26. Financial Information; Reports.

(a) Lessee agrees to furnish Lessor, the Security Trustee and each holder of a Note (1) within 120 days after the close of its fiscal year, an annual report of Lessee, consisting of its audited financial statements including balance sheets as of the end of such fiscal year, statements of income and cash flows for the year then ended with all notes thereto in each case certified as true and correct by the auditor thereof; (2) within 90 days after the close of each of the first three quarterly periods of Lessee's fiscal year, a balance sheet of Lessee as of the end of such quarter, and comparative statements of income and cash flows for such quarter; (3) promptly upon Lessee obtaining knowledge that there has occurred and is continuing any condition, event, act or omission which constitutes a Default or an Event of Default or a Lien (other than Permitted Encumbrances) on the Equipment, notice of such condition, event, act or omission and the steps which Lessee has taken or is taking to remedy the same; and (4) such additional information concerning the location, condition, use and operation of the Equipment and financial condition and operations of Lessee as Lessor, Security Trustee or such holder may from time to time reasonably request.

(b) Lessee shall permit any person designated by Lessor to visit and inspect the Equipment and the records (and to make copies thereof) maintained in connection therewith, all at such reasonable times as Lessor may reasonably request.

SECTION 27. Voluntary Termination for Obsolescence.

So long as no Default or Event of Default shall have occurred and be continuing hereunder, Lessee shall have the right at its option on or after September 27, 1996 on at least one hundred eighty (180) days' prior irrevocable written notice to Lessor, to terminate this Lease with respect to any such Item(s) of Equipment then leased hereunder if, in Lessee's good faith opinion as evidenced by a certificate of the President, any Vice President or the Chairman of the Board of the Lessee, such Item(s) shall have become no longer useful in, or surplus to, Lessee in its business, such termination to be effective on the Rent Payment Date specified in such notice (for purposes of this Section 27, called the "termination date"), upon payment to Lessor of the sum of (i) the installment of Fixed Rent due on such Rent Payment Date, (ii) any Rent or other sums due and owing on or in respect of the Equipment, (iii) an amount equal to the Termination Value of such Equipment as of the date of such termination, and (iv) an amount equal to the Make Whole Premium then due and payable by Lessor on the Notes under and pursuant to Section 6.2 of the Security Agreement. If Lessee shall fail to pay all amounts due under and pursuant to this Section 27, this Lease shall continue in full force and effect and it shall be deemed that Lessee has rescinded its notice of termination. Lessee shall not be entitled to terminate this Lease pursuant to this Section 27 more than one time during any 12 consecutive month period during the Lease Term. During the period from the giving of such notice until the termination date, Lessee, as non-exclusive agent for Lessor, shall use its reasonable efforts to secure the highest obtainable bids for the purchase of such Item(s) and in the event it receives any bid during such period, Lessee shall promptly certify to Lessor in writing the amount and terms of such bid and the name and address of the party submitting such bid. Lessor or the Owner Participant may obtain bids, but shall be under no duty to solicit bids, inquire into the efforts of Lessee to obtain bids or otherwise take any action in connection with arranging such sale. On the termination date, Lessee shall deliver possession of such Item(s) to the bidder, if any, which shall have submitted the highest bid during such period, and Lessor shall, without recourse or warranty, simultaneously therewith sell such Item(s) on an "as-is", "where-is" basis for cash to such bidder. Neither Lessee nor any person, firm or corporation, Affiliated with Lessee, may purchase any such Item(s) of Equipment.

Upon, but not until, payment by the Lessee of all sums required to be paid pursuant to this Section 27, including without limitation the Make Whole Premium payable thereunder, Lessor shall sell the Equipment for cash to the highest bidder certified by Lessee or obtained by Lessor or the Owner Participant and the proceeds realized at such sale in an amount equal to the sum of the amounts specified in clauses (iii) and (iv) of the first sentence of the first paragraph of this Section 27 shall be retained by Lessee and any proceeds in excess of such amounts specified in such clauses shall be retained by Lessor; provided further that the Owner Participant shall have the option to retain the Equipment upon payment to Lessee of an amount equal to the lesser of such highest bid (if any) or the Termination Value paid by Lessee to Lessor pursuant to this Section 27 as reimbursement to Lessee of the Termination Value paid by Lessee to Lessor pursuant to this Section 27. Upon, but not until, disposition of the Equipment and payment of the sums required by this Section 27, including without limitation the Make Whole Premium payable thereunder, this

Lease shall terminate with respect to the Equipment. In disposing of the Equipment pursuant to this Section, Lessee shall take such action as Lessor or the Owner Participant shall reasonably request to terminate any contingent liability which Lessor or the Owner Participant might have arising after such disposition.

SECTION 28. Consolidation, Merger and Sale of All Assets.

Lessee will not merge or consolidate with any other corporation or sell, lease or otherwise dispose of all or substantially all of its assets to any person, firm or corporation unless (a) immediately after such transaction, no Default or Event of Default shall have occurred and be continuing, and (b) the corporation which is to be the surviving or acquiring corporation in such transaction (i) shall be a corporation organized and existing under the laws of the United States of America or a state thereof, (ii) shall be either a "public utility company" within the meaning of the Public Utility Holding Company Act of 1935 or a "public utility" within the meaning of the Federal Power Act, and (iii) shall, if the surviving or acquiring corporation is other than Lessee, by agreement in writing, satisfactory to the Participants, expressly assume the due and punctual payment of the Rent and other sums due and to become due under this Lease, the Participation Agreement and the Tax Indemnification Agreement and the Participants shall have received an opinion of counsel reasonably satisfactory to the Participants, in form and substance reasonably satisfactory to them, to the effect that the instrument of assumption has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of the surviving corporation enforceable in accordance with its terms, except as enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally.

SECTION 29. Miscellaneous.

The parties hereto agree that the other party shall not by act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder unless such waiver is given in writing. A waiver on one occasion shall not be construed to be a waiver on any other occasion. The captions in this Lease are for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof. Any provision of this Lease 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 or diminishing Lessor's or Lessee's rights under 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. No term or provision of this Lease may be amended, altered, waived, discharged or terminated orally, but may be amended, altered, waived, discharged or terminated only by an instrument in writing signed by a duly authorized officer of the party against which the enforcement of the amendment, alteration, waiver, discharge or termination is sought. All of the covenants, conditions and obligations contained in this Lease shall be binding upon and shall inure to the benefit of the respective successors and assigns of Lessor and Lessee. This Lease, each Lease Supplement and each related instrument, document, agreement and certificate, collectively constitute the entire agreement of Lessor and Lessee with respect to the acquisition and leasing of the Equipment, and cancel and supersede any and all prior oral or written understandings with respect thereto. This Lease shall in all respects be governed by, and construed in

accordance with, the laws of the State of New York, including all matters of construction, validity and performance.

SECTION 30. Third-Party Beneficiaries.

Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than Owner Participant, Security Trustee and each holder from time to time of a Note and the permitted successors and assigns of any such person and any party hereto) and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of a third party except as aforesaid.

SECTION 31. Liability of Lessor Limited.

It is expressly agreed, anything herein to the contrary notwithstanding, that each and all of the representations, warranties, covenants, undertakings and agreements herein made on the part of Lessor are made and intended not as personal representations, warranties, covenants, undertakings and agreements by The Connecticut National Bank, or for the purpose or with the intention of binding The Connecticut National Bank personally, but are made and intended for the purpose of binding only the Trust Estate, and this Lease is executed and delivered by The Connecticut National Bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or personal responsibility, except in the case of willful misconduct or gross negligence of Lessor (other than with respect to the handling of funds, in which case Lessor shall be accountable for its failure to exercise ordinary care), is assumed by or shall at any time be asserted or enforceable against The Connecticut National Bank on account of this Lease or on account of any representation, warranty, covenant, undertaking or agreement of Lessor, either expressed or implied herein, all such personal liability, if any, being expressly waived and released by Lessee and by all persons claiming by, through or under it, and that all recourse against The Connecticut National Bank under this Lease shall be limited to the Trust Estate.

SECTION 32. Execution.

This Lease may be executed in any number of counterparts and by the different parties hereto on separate counterparts (or upon separate signature pages bound together into one or more counterparts), each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. To the extent, if any, that this Lease or any Lease Supplement constitutes chattel paper or other collateral within the meaning of the Uniform Commercial Code (or other law respecting security interests) as in effect in any applicable jurisdiction, no security interest in Lessor's interest under this Lease or any such Lease Supplement may be created through the transfer or possession of any counterpart of this Lease or such Supplement other than the original executed Counterpart No. 1 hereof or thereof which shall be identified on the cover hereof.

IN WITNESS WHEREOF, Lessor and Lessee have caused this instrument to be executed, all as of the day and year first above written.

INDIANA MICHIGAN POWER COMPANY,
an Indiana corporation

By _____
Its: Vice President

THE CONNECTICUT NATIONAL BANK,
not individually but solely as Owner
Trustee under Indiana Michigan Trust
No. 91-3

By _____
Its: _____

STATE OF OHIO)
) ss.:
COUNTY OF FRANKLIN)

On this, the 2nd day of August, 1991, before me, a Notary Public in and for said County and State, personally appeared G. P. MALONEY, the Vice President of INDIANA MICHIGAN POWER COMPANY, who acknowledged himself to be a duly authorized officer of INDIANA MICHIGAN POWER COMPANY, and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

Mary M. Soltesz

Name: Mary M. Soltesz
Notary Public
My Commission Expires: 7-13-94
Residing in Franklin County, Ohio

STATE OF)
) ss.:
COUNTY OF)

On this, the _____ day of _____, 1991, before me, a Notary Public in and for said County and State, personally appeared _____, the _____ of THE CONNECTICUT NATIONAL BANK, who acknowledged himself to be a duly authorized officer of THE CONNECTICUT NATIONAL BANK, and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

_____

Name:
Notary Public
My Commission Expires:
Residing in _____

DEFINITIONS

Re: INDIANA MICHIGAN POWER TRUST NO. 91-3
Annex 1

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DEFINITIONS

Re: INDIANA MICHIGAN POWER TRUST NO. 91-3

General Provisions

The following terms shall have the following meanings for all purposes of the Operative Agreements referred to below, unless otherwise defined in an Operative Agreement or the context thereof shall otherwise require. In the case of any conflict between the provisions of this Definition Annex and the provisions of the main body of any Operative Agreement, the provisions of the main body of such Operative Agreement shall control the construction of such Operative Agreement.

Unless the context otherwise requires, (i) references to agreements shall be deemed to mean and include such agreements as the same may be amended and supplemented from time to time, and (ii) references to parties to agreements shall be deemed to include the successors and permitted assigns of such parties.

Defined Terms

"AAR" shall mean the Association of American Railroads or any successor thereto.

"Acceptance Date" for each Item of Equipment means the date on which Lessee has accepted such Item for lease under the Lease, as evidenced by Lessee's execution and delivery of a Lease Supplement for such Item dated such date.

"Acquisition Agreement" shall have the meaning specified in the Recitals of the Participation Agreement.

"Affiliate" shall mean any person, firm or corporation who or which, directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with, another person, firm or corporation. 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, firm or corporation, whether though the ownership of voting securities, by contract or otherwise.

"After-Tax Basis" means (i) with respect to any payment to be received by Lessor or the Owner Participant, the amount of such payment supplemented by a further payment or payments so that, after deducting from such payments the amount of all taxes (net of any current credits or deductions or other tax benefits arising therefrom) with respect to such payments payable by the Lessor, the Owner Participant and any Affiliate of the Owner Participant (whether or not such taxes are payable or such tax benefits are received in the year of receipt or accrual), the sum of such payments shall be equal to the original payment to be received, and (ii) with respect to any payment to be made by Lessor, the amount of such payment supplemented by a further payment or payments so that, after increasing such payment by the amount of any credits or other tax benefits received by the Lessor, the Owner Participant and any Affiliate of the Owner Participant (whether or not such credits or benefits are received in the year of payment) resulting from the making of such payment, the sum of such payments (net of such credits or benefits) shall be equal to the original payment to be made.

"Appraisal Procedure" shall have the meaning specified in Section 25(c) of the Lease.

"Assigned Agreements" shall mean the Lease and all of the other agreements referred to in Division III of the Granting Clauses of the Security Agreement.

"Bankruptcy Code" shall mean the Bankruptcy Code as amended from time to time, 11 U.S.C. ¶ 101 et seq.

"Basic Term" shall have the meaning specified in Section 4 of the Lease.

"Basic Term Commencement Date" shall have the meaning specified in Section 4 of the Lease.

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

"Bill of Sale" shall mean the Bill of Sale dated the Closing Date from the Seller to the Owner Trustee pursuant to which the Seller shall convey title to the Equipment to the Owner Trustee.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which banking institutions in the states of New York, Connecticut, Indiana or Delaware are authorized or required to be closed.

"Closing Date" shall have the meaning specified in Section 2.3 of the Participation Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" shall have the meaning specified in the Granting Clauses of the Security Agreement.

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

"Default" under the Security Agreement shall mean any event which would constitute an Event of Default under the Security Agreement if any requirement in connection therewith for the giving of notice, or the lapse of time, or both, had been satisfied.

"Employee benefit plan" has the meaning specified in Section 3 of ERISA.

"Enforcement Date" shall have the meaning specified in Section 7.3 of the Security Agreement.

"Equipment" shall mean collectively those items of railroad rolling stock described in the Lease Supplement delivered on the Closing Date, together with any and all accessions, additions, improvements and replacements from time to time incorporated or installed on any item thereof which are the property of the Owner Trustee pursuant to

the terms of the Lease, and "Item" or "Item of Equipment" shall mean individually a railcar.

"Equipment Lease" - See "Lease."

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor law.

"Event of Default" under the Lease is defined in Section 18 thereof.

"Event of Default" under the Security Agreement is defined in Section 7.1 thereof.

"Event of Loss" with respect to any Item of Equipment means the loss of such Item of Equipment or any substantial part thereof or of the use thereof due to theft or disappearance for a period in excess of 180 days during the Lease Term, or existing at the expiration or earlier termination of the Lease Term, or the destruction, damage beyond repair, or rendition of such Item of Equipment or any substantial part thereof permanently unfit for normal use for any reason whatsoever, or the condemnation, confiscation, seizure, or requisition of use or title to such Item of Equipment or any substantial part thereof by any governmental authority under the power of eminent domain or otherwise for a period in excess of 180 days.

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

"Fair Market Sales Value" shall mean with respect to the Equipment or any Item thereof, the fair market sales value of the Equipment or such Item, determined in accordance with Section 25 of the Lease, as the case may be.

"Fair Market Rental Value" shall mean with respect to the Equipment or any Item thereof, the fair market rental value of the Equipment or such Item, determined in accordance with Section 25 of the Lease, as the case may be.

"Final Determination", with respect to a Loss, shall mean (i) a decision, judgment, decree or other order by any court of competent jurisdiction, which decision, judgment, decree or other order has become final (i.e., when all allowable appeals have been exhausted by all parties to the action) or, in any case where judicial review shall at the time be unavailable because the proposed adjustment involves a decrease in a net operating loss carry forward or a business credit carry forward, a decision, judgment, decree or other order of an administrative official or agency of competent jurisdiction, which decision, judgment, decree or other order has become final (i.e., when all administrative appeals have been exhausted by all parties thereto), (ii) a closing agreement entered into under Section 7121 of the Code or any other settlement agreement entered into in connection with any administrative or judicial proceeding (including any settlement of a proposed adjustment entered into by Owner Participant in accordance with Section 7(a) of the Tax Indemnification Agreement) or (iii) the expiration of the time for instituting a claim for refund, or if such a claim was filed, the expiration of the time for instituting suit with respect thereto.

"Fixed Rent" shall mean all rent payable pursuant to Section 6(b) of the Lease for the Basic Term and all Rent payable pursuant to Section 25(a) of the Lease for the Renewal Term, if any.

"Guidelines" shall mean the guidelines set forth in Revenue Procedure 75-21, 1975-1 C.B. 715, as further set forth in Revenue Procedure 75-28, 1975-1 C.B. 752, and as modified in Revenue Procedure 76-30, 1976-2 C.B. 647 and Revenue Procedure 79-48, 1979-2 C.B. 529 that are applied by the Internal Revenue Service in determining, for advance ruling purposes, whether leveraged lease transactions (other than transactions which are treated as leases pursuant to Section 168(f)(8) of the Code) are leases for Federal income tax purposes.

"ICC" means the Interstate Commerce Commission or any successor thereto.

"Indemnified Parties" shall mean the Participants, the Owner Trustee (in its individual or trust capacities), the Trust Estate and the Security Trustee (in its individual or trust capacities), and successors, assigns, agents, servants, officers and employees of each of the foregoing.

"Independent Tax Counsel" means independent tax counsel selected by Owner Participant and reasonably acceptable to Lessee.

"Interchange Rules" shall have the meaning specified in Section 10 of the Lease.

"Interest" shall mean the Beneficial Interest or a Note, individually, and **"Interests"** shall mean the Beneficial Interest and the Notes, collectively.

"Interim Rent" shall mean for the Equipment, the aggregate amounts payable for such Equipment pursuant to Section 6(a) of the Lease during the Interim Term.

"Interim Rent Payment Date" shall mean September 27, 1991.

"Interim Term" shall have the meaning specified in Section 4 of the Lease.

"Investment Grade Quality", when used with respect to any class of securities, means (i) if such securities are rated by Moody's Investors Service, Inc., Standard & Poor's Corporation or any successor of either that issues nationally accepted securities ratings, the rating is at least "Baa" (or such other rating which at the time is the equivalent thereof) by Moody's Investors Service, Inc., or "BBB" (or such other rating which at the time is the equivalent thereof) by Standard & Poor's Corporation, or (ii) if such securities are not rated by Moody's Investors Service, Inc. or Standard & Poor's Corporation, they are of a credit quality equivalent to the ratings specified in clause (i) above.

"IRS" shall mean the Internal Revenue Service or any successor agency.

"Late Rate" shall mean interest at the annual rate equal to the greater of (a) the Prime Rate plus 1%, and (b) 10.73%.

"Lease" or **"Equipment Lease"** shall mean the Railcar Lease dated as of July 1, 1991 between the Lessor, as lessor, and the Lessee, as lessee as amended or supplemented from time to time.

"Lease Supplement" shall mean a Lease Supplement, substantially in the form of Exhibit B to the Lease, entered into between the Owner Trustee and the Lessee pursuant to Section 3 of the Lease, and shall include any supplement, amendment or

restatement thereof. Each Lease Supplement shall contain a description of the Equipment, shall confirm that the Equipment has been accepted by the Lessee and shall set forth a summary of the Purchase Price of the Equipment. Each reference to "the Lease" shall include the Lease and the Lease Supplements.

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

"Lessee" shall mean Indiana Michigan Power Company, an Indiana corporation, and any corporation which succeeds thereto by merger or consolidation or which acquires all or substantially all of the assets thereof.

"Lessee Agreements" shall mean the Operative Agreements to which the Lessee is a party.

"Lessor" shall mean the Owner Trustee, as lessor under the Lease.

"Lessor's Liens" shall mean Liens arising as a result of (i) claims against Lessor, in its individual capacity or as Owner Trustee or Owner Participant not related to the transactions contemplated by the Participation Agreement, (ii) acts of Lessor in its individual capacity or as Owner Trustee, and in the case of Lessor arising out of its gross negligence or willful misconduct either not related to the transactions contemplated by the Participation Agreement or expressly prohibited under the Lease or under the Participation Agreement, (iii) "taxes, fees or other charges" as defined in Section 6(a) of the Participation Agreement imposed against Lessor, in its individual capacity or as Owner Trustee, Owner Participant, the Trust or the Trust Estate which are not indemnified against by Lessee pursuant to Section 6 of the Participation Agreement or (iv) claims against Lessor arising out of the voluntary transfer by Lessor or Owner Participant of its interest in the Equipment other than a transfer of the Equipment pursuant to Sections 15, 25 or 27 and other than a transfer pursuant to the exercise of the remedies set forth in Section 19 of the Lease.

"Lien" shall mean any mortgage, pledge, security interest, lien, encumbrance or other charge of any kind on property.

"Loss" shall have the meaning given in Section 4 of the Tax Indemnification Agreement.

"Make Whole Premium" shall mean, with respect to the termination of the Lease pursuant to Section 27 of the Lease and the prepayment of the Notes under Section 5.1(e) and 7.3 of the Security Agreement, the excess of (a) the present value of the principal and interest payments on and in respect of the Notes being prepaid or paid, as the case may be, that would otherwise become due and payable (without giving effect to such prepayment or payment) (including the final payment on the maturity date of Notes), all determined by discounting such payments and prepayments quarterly at a rate which is equal to the Treasury Rate over (b) the aggregate principal amount of the Notes then to be paid or prepaid. To the extent that the Treasury Rate at the time of such payment is equal to or higher than, 9.73%, the Make Whole Premium is zero.

"Net Economic Return" means Owner Participant's expected net after-tax yield and net after-tax cash flow (preserving its originally expected aggregate book earnings over the five-year period next succeeding the date of determination) resulting

from the transactions described in and contemplated by the Operative Agreements, based on the Interim Rent and Fixed Rent during the Interim Term and Basic Term originally set forth on Exhibit C to the Lease and based on the assumptions set forth in Section 2 of the Tax Indemnification Agreement; provided, however, that in determining the amount of any increase or decrease in Fixed Rent or other amount or amounts required to preserve Owner Participant's Net Economic Return, it is intended that Owner Participant's net after-tax yield, net after-tax cash flow and originally expected aggregate book earnings over the five-year period next succeeding the date of determination shall each be maintained (or, where one such component must be enhanced in order to preserve the other components, enhanced). Net Economic Return shall not mean or include Owner Participant's return on equity or return on assets.

"**Note**" shall mean any of, and "**Notes**" shall mean all of, the then outstanding Notes, and "**outstanding**", when used with reference to Notes shall mean, as of any particular time, all Notes delivered by the Debtor and secured by the Security Agreement, except:

(a) Notes theretofore cancelled by the Security Trustee or delivered to the Security Trustee for cancellation;

(b) Notes for the payment or prepayment of which moneys in the necessary amount shall have been deposited in trust with the Security Trustee; provided, that if such Notes are to be prepaid prior to the maturity thereof, notice of such prepayment shall have been given as in Section 6.3 of the Security Agreement provided, or provision satisfactory to the Security Trustee shall have been made for giving such notice; and

(c) Notes in lieu of or in substitution for which other Notes shall have been delivered pursuant to the terms of Section 2.4 of the Security Agreement.

"**Noteholder**" shall mean the holder of any Note issued and outstanding under the Security Agreement.

"**Note Purchasers**" shall mean the Note Purchasers named in Schedule 2 to the Participation Agreement and their respective successors and assigns, including successive holders of the Notes.

"**Officer's Certificate**" shall mean a certificate signed in the case of a corporation by the Chairman of the Board, the President or any Vice President, the Treasurer or an Assistant Treasurer of such corporation, in the case of a partnership by the Chairman of the Board, the President or any Vice President, the Treasurer or an Assistant Treasurer of a corporate general partner, and in the case of a commercial bank or trust company, the Chairman or Vice Chairman of the Executive Committee, or the Treasurer, any Trust Officer, any Vice President, any Executive or Senior or Second or Assistant Vice President, Secretary or Assistant Secretary, or any other officer or assistant officer customarily performing the functions similar to those performed by the Persons who at the time shall be such officers, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

"**Operative Agreements**" shall mean and include the Participation Agreement, the Bill of Sale, the Acquisition Agreements, the Trust Agreement, the Lease,

the Lease Supplement, the Notes outstanding at the time of reference, the Security Agreement, the Security Agreement Supplement and the Tax Indemnity Agreement.

"Owner Participant" shall mean Chase Manhattan Service Corporation, a New York corporation, and its successors and permitted assigns of its Beneficial Interest.

"Owner Participant Agreements" shall mean the Operative Agreements to which the Owner Participant is a party.

"Owner Trustee" shall mean The Connecticut National Bank not in its individual capacity but solely in its capacity as trustee under the Trust Agreement and its successors in trust thereunder.

"Owner Trustee Agreements" shall mean the Operative Agreements to which The Connecticut National Bank, either in its individual or trust capacity, is a party.

"Participants" shall mean the Note Purchasers and the Owner Participant.

"Participation Agreement" shall mean the Participation Agreement dated as of July 1, 1991, among the Lessee, the Participants, the Owner Trustee and the Security Trustee.

"Permitted Contest" shall mean a good-faith contest which will be conducted in a manner so as to prevent the imposition of any criminal penalty on, or adverse effect on the title, property or right of, such Indemnified Party, of the legality or validity of any of the taxes, assessments, levies, fees or other governmental charges, or other claims, Liens or impositions which, under the terms of the Lease, are required to be paid or discharged by the Lessee or the Lessor, as the case may be, but for such contest.

"Permitted Encumbrances" with respect to the Equipment and each Item thereof, shall mean (i) the interest of the Lessee and the Owner Trustee, respectively, under the Lease; (ii) any Liens thereon for taxes, assessments, levies, fees and other governmental and similar charges not due and payable or the amount or validity of which is being contested by a Permitted Contest; (iii) any Liens of mechanics, suppliers, materialmen and laborers for work or services performed or materials furnished in connection with the Equipment or any Item thereof which are not more than 30 days past due or the amount or validity of which is being contested by a Permitted Contest; (iv) the Lien and security interest granted to the Security Trustee under and pursuant to the Security Agreement; and (v) the rights of any sublessee or assignee pursuant to Section 13 of the Lease in respect of the Equipment.

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

"Pricing Assumptions" shall mean the assumptions set forth in Annex 2 to the Lease.

"Prime Rate" shall mean for any day the rate announced by The Chase Manhattan Bank, N.A., from time to time at its principal office in New York, New York, as its prime rate for domestic (United States) commercial loans in effect on such day (such Prime Rate is not necessarily intended to be the lowest rate of interest charged by The Chase Manhattan Bank, N.A. in connection with the extensions of credit).

"Purchase Price" shall mean with respect to the Equipment $6,508,560.00.

"Reasonable Basis" for a position shall exist if tax counsel may properly advise reporting such position on a tax return in accordance with Formal Opinion 85-352 issued by the Standing Committee on Ethics and Professional Responsibility of the American Bar Association.

"Register" shall mean the register caused to be kept by the Owner Trustee at the principal office of the Security Trustee for the purpose of recording the registration and transfer of the Notes.

"Regulations" shall mean the income tax regulations issued, published or promulgated under the Code.

"Renewal Term" shall mean any term in respect of which the Lessee shall have exercised its option to renew the Lease pursuant to Section 25(a) hereof.

"Rent" shall mean Interim Rent, Fixed Rent and Supplemental Rent.

"Rent Payment Dates" shall mean for each Item of Equipment (i) for the Basic Term thereof, December 27, 1991 and the twenty-seventh day of each March, June, September and December thereafter throughout, to and including September 27, 2011, and (ii) for each Renewal Term thereof, each date on which a payment of Fixed Rent is due and payable for such Item as provided in Section 25(a) of the Lease.

"Responsible Officer" of the Owner Trustee shall mean any Officer in the Corporate Trust Administration department of the Owner Trustee.

"Responsible Officer" of the Security Trustee shall mean the President, any Vice President, Trust Officer, Corporate Trust Officer or any other Officer of the Corporate Trust Administration of the Security Trustee.

"Secured Indebtedness" shall mean the outstanding Notes and all principal thereof (and premium, if any) and interest 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 outstanding Notes or the Security Agreement.

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

"Security Agreement" shall mean the Security Agreement - Trust Deed dated as of July 1, 1991 between the Owner Trustee, as debtor, and the Security Trustee, as secured party, as amended or supplemented from time to time.

"Security Agreement Supplement" shall mean the Security Agreement Supplement, substantially in the form of Exhibit B to the Security Agreement, entered into between the Debtor and the Security Trustee on the Closing Date, covering the Equipment.

"Security Trustee" shall mean Wilmington Trust Company and its successors in trust not in its individual capacity but solely as security trustee under the Security Agreement.

"Seller" shall mean Bethlehem Steel Corporation.

The term **"separate account"** shall have the meaning specified in Section 3 of ERISA.

"Stipulated Loss Value" of an Item as of any Rent Payment Date shall mean the amount determined in accordance with Exhibit C of the Lease as such percentage or percentages may be adjusted in accordance with the provisions of Section 6(e) of the Lease. Notwithstanding any other provision of the Lease, the Participation Agreement or the Security Agreement, each Stipulated Loss Value for the Equipment shall be, under any circumstances and in any event, an amount, together with Fixed Rent due and owing through the date of payment of Stipulated Loss Value, at least sufficient to pay in full as of such date of payment the aggregate unpaid principal amount of and accrued interest on the Notes outstanding on such date of payment.

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

"Supplemental Rent" shall mean all amounts, liabilities and obligations (other than Fixed Rent) which the Lessee is obligated to pay under the Lease or the Participation Agreement, including, but not limited to, Stipulated Loss Value and Termination Value payments, payment of the Make Whole Premium under Section 27 of the Lease, and amounts, if any, payable, under Section 2.6 of the Participation Agreement (to the extent such payment does not give rise to a rental adjustment under Section 6(e) of the Lease) by the Lessee.

"Tax Assumptions" shall have the meaning given in Section 2 of the Tax Indemnification Agreement.

"Tax Indemnification Agreement" shall mean the Tax Indemnification Agreement dated as of July 1, 1991 between the Lessee and Owner Participant.

"Term" shall mean the Lease Term.

"Termination Value" of the Equipment as of the Rent Payment Date next following the date on which the Equipment shall have been leased under the provisions of the Lease and all Rent Payment Dates thereafter shall mean with respect to the Equipment an amount determined in accordance with Exhibit C of the Lease as such percentage or percentages may be adjusted in accordance with the provisions of Section 6(e) of the Lease. Notwithstanding any other provision of the Lease, the Participation Agreement or the Security Agreement, each Termination Value for the Equipment shall be, under any circumstances and in any event, an amount, together with Fixed Rent due and owing through the date of payment of Termination Value, at least sufficient to pay in full as of such date of payment the aggregate unpaid principal amount of and accrued interest on the Notes outstanding on such date of payment.

"Transaction Costs" shall have the meaning set forth in Section 2.6 of the Participation Agreement.

"Treasury Rate" shall mean at any time with respect to the Notes being prepaid the sum of (i) .50%, plus (ii) the weekly average of the yield to maturity on the United States Treasury obligations with a constant maturity (as compiled by and published in the most recently published issue of the United States Federal Reserve Statistical Release designated H.15(519) or its successor publication) most nearly equal to (by rounding to the nearest month) the Weighted Average Life to Maturity of the Notes then being prepaid. If no maturity exactly corresponding to such Weighted Average Life to Maturity of the Notes shall appear therein, the weekly average yields for the two most closely corresponding published maturities shall be calculated pursuant to the foregoing sentence and the Treasury Rate shall be interpolated from such yields on a straight-line basis (rounding, in the case of relevant periods, to the nearest month).

"Trust" shall have the meaning specified in the Trust Agreement.

"Trust Agreement" shall mean the Trust Agreement dated as of July 1, 1991 between the Owner Participant and The Connecticut National Bank.

"Trust Estate" shall mean all the estate, right, title and interest of the Owner Trustee in, to and under the Equipment and the Operative Agreements including, without limitation, all funds advanced to the Owner Trustee by the Owner Participant, all proceeds from the sale of the Notes, all installments and other payments of Rent, insurance proceeds, Stipulated Loss Values, Termination Values, condemnation awards, purchase price and sale proceeds, and all other proceeds of any kind for or with respect to the Equipment and the Operative Agreements excluding any and all payments payable or made to the Owner Trustee in its individual capacity or to the Owner Participant for its own account and excluding all Excepted Rights in Collateral.

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

"Weighted Average Life to Maturity" with respect to the Notes shall mean, as at the time of determination, the number of years obtained by dividing the then Remaining Dollar-years of the Notes by the remaining scheduled principal payments on such Notes. The term "Remaining Dollar-years" of the Notes means the product obtained by (1) multiplying (A) the amount of each then scheduled required principal payment (including payment at final maturity), by (B) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination of the Weighted Average Life to Maturity of the Notes and the date of such required payment is due, and (2) totalling all the products obtained in (1).

PRICING ASSUMPTIONS

Closing Date:	August 2, 1991
Assets:	141 new 110-ton gondola coalporter railcars, as listed in Exhibit B to the Railcar Lease.
Purchase Price of Assets:	$46,160 per railcar; total cost equals $6,508,560
Interim Term Commencement Date:	August 2, 1991
Basic Term Commencement Date:	September 27, 1991
Basic Term:	Twenty years
Interim Rent:	Interest only on Notes, payable by the Lessee on the last day of the Interim Term.
Fixed Rent during the Basic Term:	As set forth in Exhibit C to the Railcar Lease.
Interest Rate on Notes:	9.73%
Percentage of Purchase Price of Assets Funded by Notes:	76.7228336%
Amortization of Notes:	As set forth in Annex II of the Security Agreement.
Tax Assumptions:	As set forth in Section 2 of the Tax Indemnification Agreement.
Total Purchase Price of Assets for Related Transactions:	$53,145,027
Total Transactions Costs for Related Transactions:	$352,883
Total Other Transaction Expenses for Related Transactions:	$186,008

Transaction Cost Ratio:	The ratio of (a) Total Transaction Costs for Related Transactions to (b) Total Purchase Price of Assets for Related Transactions, .664%.
Other Transaction Expenses Ratio:	The ratio of a (a) Total Other Transaction Expenses for Related Transactions to (b) Total Purchase Price of Assets for Related Transactions, .35%. [Note: Pricing will only be adjusted for a change in this ratio to the extent that change is caused by an adjustment to the denominator.]
Transaction Costs:	The product of (a) Purchase Price of Assets and (b) Transaction Cost Ratio, $43,217.
Other Transaction Expenses:	The product of (a) Purchase Price of Assets and (b) Other Transaction Expenses Ratio, $22,780.

Definitions

Related Transactions:	This financing is one of six related financings between Chase Manhattan Service Corporation ("CMSC"), as Owner Participant, and Ohio Power Company and Indiana Michigan Power Company, separately as Lessees, to be entered into pursuant to a commitment letter, dated June 7, 1990 from CMSC to American Electric Power Service Corporation.
Transaction Costs:	The expenses described in Section 2.6(a) of the Participation Agreement defined as Transaction Costs.
Other Transaction Expenses:	Those expenses described in Section 2.6(a) of the Participation Agreement, that are not defined as Transaction Costs.

DESCRIPTION OF EQUIPMENT

141-110-ton gondola coalporter railcars as more specifically described below:

Car Numbers

AEPX 3201	AEPX 3245	AEPX 3289	AEPX 3333
AEPX 3202	AEPX 3246	AEPX 3290	AEPX 3334
AEPX 3203	AEPX 3247	AEPX 3291	AEPX 3335
AEPX 3204	AEPX 3248	AEPX 3292	AEPX 3336
AEPX 3205	AEPX 3249	AEPX 3293	AEPX 3337
AEPX 3206	AEPX 3250	AEPX 3294	AEPX 3338
AEPX 3207	AEPX 3251	AEPX 3295	AEPX 3339
AEPX 3208	AEPX 3252	AEPX 3296	AEPX 3340
AEPX 3209	AEPX 3253	AEPX 3297	AEPX 3341
AEPX 3210	AEPX 3254	AEPX 3298	
AEPX 3211	AEPX 3255	AEPX 3299	
AEPX 3212	AEPX 3256	AEPX 3300	
AEPX 3213	AEPX 3257	AEPX 3301	
AEPX 3214	AEPX 3258	AEPX 3302	
AEPX 3215	AEPX 3259	AEPX 3303	
AEPX 3216	AEPX 3260	AEPX 3304	
AEPX 3217	AEPX 3261	AEPX 3305	
AEPX 3218	AEPX 3262	AEPX 3306	
AEPX 3219	AEPX 3263	AEPX 3307	
AEPX 3220	AEPX 3264	AEPX 3308	
AEPX 3221	AEPX 3265	AEPX 3309	
AEPX 3222	AEPX 3266	AEPX 3310	
AEPX 3223	AEPX 3267	AEPX 3311	
AEPX 3224	AEPX 3268	AEPX 3312	
AEPX 3225	AEPX 3269	AEPX 3313	
AEPX 3226	AEPX 3270	AEPX 3314	
AEPX 3227	AEPX 3271	AEPX 3315	
AEPX 3228	AEPX 3272	AEPX 3316	
AEPX 3229	AEPX 3273	AEPX 3317	
AEPX 3230	AEPX 3274	AEPX 3318	
AEPX 3231	AEPX 3275	AEPX 3319	
AEPX 3232	AEPX 3276	AEPX 3320	
AEPX 3233	AEPX 3277	AEPX 3321	
AEPX 3234	AEPX 3278	AEPX 3322	
AEPX 3235	AEPX 3279	AEPX 3323	
AEPX 3236	AEPX 3280	AEPX 3324	
AEPX 3237	AEPX 3281	AEPX 3325	
AEPX 3238	AEPX 3282	AEPX 3326	
AEPX 3239	AEPX 3283	AEPX 3327	
AEPX 3240	AEPX 3284	AEPX 3328	
AEPX 3241	AEPX 3285	AEPX 3329	
AEPX 3242	AEPX 3286	AEPX 3330	
AEPX 3243	AEPX 3287	AEPX 3331	
AEPX 3244	AEPX 3288	AEPX 3332	

EXHIBIT A
(to Equipment Lease)

LEASE SUPPLEMENT NO. __

THIS LEASE SUPPLEMENT NO. ____ dated as of _____, 1991 between THE CONNECTICUT NATIONAL BANK, not individually but solely as Owner Trustee under Indiana Michigan Trust No. 91-3 ("Lessor"), and INDIANA MICHIGAN POWER COMPANY, an Indiana corporation ("Lessee"),

WITNESSETH:

1. Lessor and Lessee have heretofore entered into a Railcar Lease dated as of July 1, 1991 (the "Lease") providing for the execution and delivery of Lease Supplements substantially in the form hereof. The terms defined in the Lease shall have the same meanings when used herein.

2. Lessee hereby acknowledges and confirms that on or prior to the date hereof, the Equipment described in Schedule 1 attached hereto has been delivered and assembled. Lessee represents that the Equipment is free and clear of all liens and encumbrances, except for Permitted Encumbrances.

3. Lessee hereby certifies that the date of acceptance of the Equipment and commencement of the Lease Term with respect thereto is _____, 1991.

4. Lessee hereby certifies that such Purchase Price for the Equipment as of the date hereof is $_____.

5. Interim Rent for the Equipment is payable in the amount of $ _____ on September 27, 1991. Fixed Rent, Stipulated Loss Values and Termination Values for the Equipment is payable in the amounts and on the Rent Payment Dates set forth in Schedule 2 attached hereto.

Counterpart No. __ of __.

EXHIBIT B
(to Equipment Lease)

IN WITNESS WHEREOF, Lessor and Lessee have caused this instrument to be executed, all as of the day and year first above written.

INDIANA MICHIGAN POWER COMPANY,
an Indiana corporation

By_____
Its_____

THE CONNECTICUT NATIONAL BANK,
not individually but solely as Owner
Trustee under Indiana Michigan Trust
No. 91-3

By_____
Its_____

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

On this, the _____ day of _____, 1991, before me, a Notary Public in and for said County and State, personally appeared _____, the _____ _____ of INDIANA MICHIGAN POWER COMPANY, who acknowledged himself to be a duly authorized officer of INDIANA MICHIGAN POWER COMPANY, and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

_____
Name:
Notary Public
My Commission Expires:
Residing in Franklin County, Ohio

STATE OF)
) ss.:
COUNTY OF)

On this, the _____ day of _____, 1991, before me, a Notary Public in and for said County and State, personally appeared _____, the _____ of THE CONNECTICUT NATIONAL BANK, who acknowledged himself to be a duly authorized officer of THE CONNECTICUT NATIONAL BANK, and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

_____
Name:
Notary Public
My Commission Expires:
Residing in _____

DESCRIPTION OF EQUIPMENT

SCHEDULE OF FIXED RENT, STIPULATED LOSS VALUE AND TERMINATION VALUE RATE FACTORS

Rent Payment Date	Rent Installment For the Equipment Equal to Purchase Price for the Equipment Times the Following Fixed Rent Factor

SCHEDULE 2
(to Lease Supplement No. __)

STIPULATED LOSS VALUE AND TERMINATION VALUE

Rent Payment Date	Stipulated Loss Value or Termination Value, as a percent of the Purchase Price of the Equipment (in Addition to Fixed Rent installment for the Equipment due on such date)

SCHEDULE 2
(to Lease Supplement No. __)

SCHEDULE OF FIXED RENT, STIPULATED LOSS VALUE AND TERMINATION VALUE

Rent Payment Date		Rent Installment For the Equipment Equal to Purchase Price for the Equipment Times the Following Fixed Rent Factor
Sep 27 1991	1	1.16161
Dec 27 1991	2	2.17415
Mar 27 1992	3	2.17415
Jun 27 1992	4	2.17415
Sep 27 1992	5	2.17415
Dec 27 1992	6	2.17415
Mar 27 1993	7	2.17415
Jun 27 1993	8	2.17415
Sep 27 1993	9	2.17415
Dec 27 1993	10	2.17415
Mar 27 1994	11	2.17415
Jun 27 1994	12	2.17415
Sep 27 1994	13	2.17415
Dec 27 1994	14	2.17415
Mar 27 1995	15	2.17415
Jun 27 1995	16	2.17415
Sep 27 1995	17	2.17415
Dec 27 1995	18	2.17415
Mar 27 1996	19	2.17415
Jun 27 1996	20	2.17415
Sep 27 1996	21	2.17415
Dec 27 1996	22	2.17415
Mar 27 1997	23	2.17415
Jun 27 1997	24	2.17415
Sep 27 1997	25	2.17415
Dec 27 1997	26	2.17415
Mar 27 1998	27	2.17415
Jun 27 1998	28	2.17415
Sep 27 1998	29	2.17415
Dec 27 1998	30	2.17415
Mar 27 1999	31	2.17415
Jun 27 1999	32	2.17415
Sep 27 1999	33	2.17415
Dec 27 1999	34	2.17415
Mar 27 2000	35	2.17415
Jun 27 2000	36	2.17415
Sep 27 2000	37	2.17415
Dec 27 2000	38	2.17415
Mar 27 2001	39	2.17415
Jun 27 2001	40	2.17415
Sep 27 2001	41	2.17415
Dec 27 2001	42	2.65730
Mar 27 2002	43	2.65730
Jun 27 2002	44	2.65730
Sep 27 2002	45	2.65730
Dec 27 2002	46	2.65730
Mar 27 2003	47	2.65730
Jun 27 2003	48	2.65730
Sep 27 2003	49	2.65730
Dec 27 2003	50	2.65730
Mar 27 2004	51	2.65730

EXHIBIT C
(to Equipment Lease)

Rent Payment Date		Rent Installment For the Equipment Equal to Purchase Price for the Equipment Times the Following Fixed Rent Factor
Jun 27 2004	52	2.65730
Sep 27 2004	53	2.65730
Dec 27 2004	54	2.65730
Mar 27 2005	55	2.65730
Jun 27 2005	56	2.65730
Sep 27 2005	57	2.65730
Dec 27 2005	58	2.65730
Mar 27 2006	59	2.65730
Jun 27 2006	60	2.65730
Sep 27 2006	61	2.65730
Dec 27 2006	62	2.65730
Mar 27 2007	63	2.65730
Jun 27 2007	64	2.65730
Sep 27 2007	65	2.65730
Dec 27 2007	66	2.65730
Mar 27 2008	67	2.65730
Jun 27 2008	68	2.65730
Sep 27 2008	69	2.65730
Dec 27 2008	70	2.65730
Mar 27 2009	71	2.65730
Jun 27 2009	72	2.65730
Sep 27 2009	73	2.65730
Dec 27 2009	74	2.65730
Mar 27 2010	75	2.65730
Jun 27 2010	76	2.65730
Sep 27 2010	77	2.65730
Dec 27 2010	78	2.65730
Mar 27 2011	79	2.65730
Jun 27 2011	80	2.65730
Sep 27 2011	81	2.65730

STIPULATED LOSS VALUE AND TERMINATION VALUE

Rent Payment Date	Stipulated Loss Value or Termination Value, as a percent of the Purchase Price of the Equipment (in Addition to Fixed Rent installment for the Equipment due on such date)
Sep 27 1991	101 99072
Dec 27 1991	103 02389
Mar 27 1992	103.93858
Jun 27 1992	104 76588
Sep 27 1992	105.45001
Dec 27 1992	106 02994
Mar 27 1993	106.50224
Jun 27 1993	106 87558
Sep 27 1993	107 14350
Dec 27 1993	107 33295
Mar 27 1994	107 44137
Jun 27 1994	107 47527
Sep 27 1994	107 43065
Dec 27 1994	107 32580
Mar 27 1995	107 15876
Jun 27 1995	106 93454
Sep 27 1995	106 65099
Dec 27 1995	106 32011
Mar 27 1996	105 94037
Jun 27 1996	105.52034
Sep 27 1996	105 08336
Dec 27 1996	104 63545
Mar 27 1997	104 17635
Jun 27 1997	103 70577
Sep 27 1997	103.22342
Dec 27 1997	102 72902
Mar 27 1998	102.22225
Jun 27 1998	101.70282
Sep 27 1998	101 17040
Dec 27 1998	100.62467
Mar 27 1999	100 06530
Jun 27 1999	99 49194
Sep 27 1999	98 90425
Dec 27 1999	98 30187

Rent Payment Date	Stipulated Loss Value or Termination Value, as a percent of the Purchase Price of the Equipment (in Addition to Fixed Rent installment for the Equipment due on such date)
Mar 27 2000	97 68872
Jun 27 2000	97 06217
Sep 27 2000	96 42935
Dec 27 2000	95 78539
Mar 27 2001	95.13000
Jun 27 2001	94 46031
Sep 27 2001	93.78587
Dec 27 2001	92 61739
Mar 27 2002	91 42566
Jun 27 2002	90 20707
Sep 27 2002	88 97689
Dec 27 2002	87 72575
Mar 27 2003	86 45316
Jun 27 2003	85 15359
Sep 27 2003	83 84169
Dec 27 2003	82 50747
Mar 27 2004	81 15036
Jun 27 2004	79 81171
Sep 27 2004	78 48343
Dec 27 2004	77 13677
Mar 27 2005	75 77222
Jun 27 2005	74 39188
Sep 27 2005	72.99967
Dec 27 2005	71 58980
Mar 27 2006	70 16182
Jun 27 2006	68 71816
Sep 27 2006	67 26323
Dec 27 2006	65 79071
Mar 27 2007	64 30013
Jun 27 2007	62 79422
Sep 27 2007	61 27699
Dec 27 2007	59 74114
Mar 27 2008	58 18615
Jun 27 2008	56 61503
Sep 27 2008	55 03323
Dec 27 2008	53 43308
Mar 27 2009	51 81404
Jun 27 2009	50.17950
Sep 27 2009	48 53555
Dec 27 2009	46 87374
Mar 27 2010	45 19356
Jun 27 2010	43 49881
Sep 27 2010	41 79625
Dec 27 2010	40 07663
Mar 27 2011	38.33944
Jun 27 2011	36 62819
Sep 27 2011	35 00000

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INTERSTATE COMMERCE COMMISSION

RAILCAR LEASE

Dated as of July 1, 1991

Between

THE CONNECTICUT NATIONAL BANK,
not in its individual capacity but solely
as Owner Trustee under the Trust Agreement
dated as of July 1, 1991 with
Chase Manhattan Service Corporation,

as Lessor

and

INDIANA MICHIGAN POWER COMPANY,

as Lessee

(Indiana Michigan Trust No. 91-3)

This Lease has been executed in several counterparts. To the extent, if any, that this Lease constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease may be created through the transfer or possession of any counterpart hereof other than the "Counterpart No. 1". This Counterpart is Counterpart No. 4 of 20. Certain rights of the Lessor under this Railcar Lease have been assigned as security to, and are subject to a security interest in favor of Wilmington Trust Company, as Security Trustee under the Trust Indenture and Security Agreement dated as of the date hereof between the Lessor and the Security Trustee, for the benefit of the holders of the Notes referred to therein.

CNB

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ATTACHMENTS TO RAILCAR LEASE:

Annex 1 Definitions
Annex 2 Pricing Assumptions

Exhibits

A Equipment Description

B Lease Supplement

C Fixed Rent, Stipulated Loss Values and Termination Values

RAILCAR LEASE

This RAILCAR LEASE dated as of July 1, 1991 (the "Lease"), by and between The Connecticut National Bank, a national banking association, not in its individual capacity but solely as Owner Trustee under the Trust Agreement dated as of July 1, 1991 with Chase Manhattan Service Corporation, a New York corporation (the "Lessor"), and Indiana Michigan Power Company, an Indiana corporation (the "Lessee").

In consideration of the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

SECTION 1. Definitions.

For purposes of this Lease, capitalized terms used herein shall have the meanings assigned to them in Annex 1 hereto, as the same may be amended from time to time (such definitions to be equally applicable to both the singular and plural forms of the terms defined). Any term defined by reference to an agreement, instrument or other document shall have the meaning so assigned to it whether or not such document is in effect. Unless otherwise indicated, references in this Lease to sections, paragraphs, clauses, appendices, schedules and exhibits are to the same contained in or attached to this Lease.

SECTION 2. Agreement for Lease of Equipment.

Subject to, and upon all of the terms and conditions of this Lease, Lessor hereby agrees to lease to Lessee and Lessee hereby agrees to lease from Lessor each Item of Equipment for the Lease Term.

SECTION 3. Delivery and Acceptance of Equipment.

Lessor shall not be liable to Lessee for any failure or delay in obtaining any Item of Equipment or making delivery thereof. Upon execution and delivery of a Lease Supplement substantially in the form attached hereto as Exhibit B by Lessor and Lessee, the Items described therein shall be deemed to have been delivered to and accepted by Lessee for all purposes of this Lease, and thereupon shall be subject to all of the terms, provisions and conditions of this Lease.

Lessee's execution and delivery of a Lease Supplement shall be evidence that the Items of Equipment listed therein have been subjected to this Lease on the terms hereof. Lessee's execution and delivery of a Lease Supplement with respect to an Item of Equipment pursuant to this Section 3 shall conclusively establish that, as between Lessor and Lessee, but without limiting or otherwise affecting Lessor's or Lessee's rights, if any, against any other Person, such Item of Equipment is acceptable to and irrevocably accepted by Lessee under the Lease, notwithstanding any defect with respect to design, manufacture, condition or any other matter or the failure of any such Item of Equipment to comply to the specifications applicable thereto or to all applicable United States Department of Transportation and ICC requirements and specifications, if any, or to all standards recommended by the AAR applicable to railroad equipment of the character of

the Equipment as of the date hereof, and that, as between Lessor and Lessee, such Item of Equipment is in good order and condition.

SECTION 4. Lease Term.

The interim term (the "Interim Term") for each Item of Equipment shall commence on the Acceptance Date for such Item of Equipment and shall terminate at the end of the day on September 26, 1991 unless this Lease is sooner terminated with respect to such Item pursuant to the provisions hereof. The basic term (the "Basic Term") for each Item of Equipment shall commence on September 27, 1991 (the "Basic Term Commencement Date") for such Item and, unless this Lease is sooner terminated with respect to such Item (or all Equipment) pursuant to the provisions hereof, shall terminate on September 27, 2011. If not sooner terminated pursuant to the provisions hereof, the Lease Term for each Item of Equipment shall end on the last day of the Basic Term thereof, or if this Lease is renewed pursuant to Section 25(a) hereof, on the last day of the last Renewal Term thereof.

SECTION 5. Return of Equipment.

(a) **Return of Equipment Upon Expiration of Term.** Upon the expiration or earlier termination of the Lease Term with respect to each Item of Equipment and so long as no Default or Event of Default has occurred and is continuing (and provided, in the case of the expiration of the Lease Term, that Lessee has not exercised its purchase option under Section 25(b) hereof), Lessee will undertake to deliver possession of each Item of Equipment to Lessor, at two locations selected by the Lessee in the condition described below. The location of each such Item shall be specified in a written notice given by Lessee to Lessor at least thirty (30) days prior to such redelivery (each, a "Redelivery Location"). Lessee at Lessee's expense and risk shall permit Lessor to store the Equipment at the Redelivery Locations for a period not exceeding 10 Business Days. In addition, Lessee will use its best efforts to assist the Lessor in securing storage space at Lessor's expense and risk for an additional period of time. Any Item of Equipment delivered to a Redelivery Location shall be deemed to be redelivered hereunder on the date on which such Item of Equipment shall have been delivered to any Redelivery Location in the condition described in the following paragraph provided that Lessee has given the notice set forth above. Subject to the following paragraph, Fixed Rent or Renewal Rent, as the case may be, with respect to any Item of Equipment so deemed to have been redelivered shall cease to accrue. Unless an Item of Equipment has been acquired by Lessee in accordance with this Lease, Lessee shall pay as Supplemental Rent for each day after the Lease Term that such Item has not been timely delivered or delivered in the condition required by the following paragraph an amount equal to (i) the average annual Fixed Rent payment or Renewal Rent payment, as the case may be, which would have been payable during the Lease Term or the Renewal Term, as the case may be, had such Item of Equipment been the only Item of Equipment subject hereto for purposes of determining the Purchase Price of this Equipment, divided by (ii) 365. Any such Supplemental Rent shall be payable on the date such Item of Equipment shall have been delivered to such Redelivery Location in the condition required by the following paragraph.

At the time of any return, the Items of Equipment so being returned shall be free and clear of all Liens (except Permitted Encumbrances, it being understood that the

Lessee will promptly and diligently cause any such Permitted Encumbrances (other than Liens referred to in clauses (i), (iv) and (v) of the definition of Permitted Encumbrances) to be discharged and, at Lessor's request, Lessee (unless the senior secured indebtedness of Lessee shall at such time be rated at least Investment Grade Quality) shall bond or provide such other form of security for payment and discharge of such Liens as Lessor may reasonably request and shall be in the condition required by Sections 9 and 10. Each Item of Equipment returned to Lessor pursuant to this Section 5 shall (i) be in the condition required by Section 10, (ii) have attached or affixed thereto any addition, modification or improvement owned by Lessor as provided in Section 11, (iii) if requested by Lessor, at Lessee's expense, have removed therefrom any such addition, modification or improvement which, as provided by Section 11, is owned by Lessee and is not purchased by Lessor pursuant to Section 11, and (iv) at Lessee's expense, have removed therefrom any logos or other identification marks. Lessee shall provide to Lessor, with respect to each Item of Equipment returned to Lessor pursuant to this Section 5, true, correct and complete copies of all available records, logs and other materials maintained by Lessee in accordance with Section 10, without further representation or warranty as to the completeness or accuracy of the information contained therein, except with respect to any such inaccuracy or incompleteness attributable to Lessee's gross negligence or willful misconduct.

If any Item of Equipment is inspected pursuant to this Section 5 and is deemed not in the condition required by Section 10, Lessee, at its expense and risk, shall within 30 days thereafter make such repairs and perform such work as shall be necessary to place such Item of Equipment in the condition required by Section 10. Lessee will provide Lessor with notice that such Item of Equipment has been repaired so as to be in the condition required by Section 10. If Lessee reasonably determines that it cannot repair an Item of Equipment pursuant to this Section 5 within the period permitted herein, Lessee may elect to declare an Event of Loss with respect to that Item of Equipment which such Event of Loss shall be deemed to have occurred on the last day of the Basic Lease Term or the Renewal Term, as the case may be; provided, that such declaration of an Event of Loss shall have no effect on or application to the amounts payable by the Lessee under and pursuant to Section 27 hereof including, without limitation, the amount of Make Whole Premium due in connection with the termination of this Lease pursuant to said Section 27. Upon the occurrence of such Event of Loss the Lessee shall pay to the Lessor an amount equal to that amount which would be due and payable under and pursuant to Section 15 with respect to such Event of Loss including, without limitation, all accrued Supplemental Rent due with respect to such Item of Equipment calculated in accordance with the preceding paragraph.

Upon the request of Lessor, and at Lessor's sole expense, Lessee shall cooperate with Lessor in obtaining the valid and effective issuance, or, as the case may be, transfer or amendment of all governmental action necessary or, in the reasonable opinion of Lessor, desirable for the ownership of the Items of Equipment by Lessor or any transferee, lessee or assignee thereof.

Not later than 10 Business Days after the redelivery of an Item of Equipment pursuant to this Section 5, Lessor or its agent may inspect such Item of Equipment to determine whether such item of Equipment is in the condition required by Section 10. If Lessor fails to object to the condition of an Item of Equipment during such period, such Item of Equipment shall be deemed to have satisfied the conditions of Section 10. At any such inspection, inspectors or surveyors representing both Lessee and Lessor, or an inspector or surveyor satisfactory to both sides, shall be present and shall determine and state the agreed repairs or work necessary to place each Item of Equipment in the

condition required by Section 10. Lessee and Lessor shall bear the cost of their respective inspectors or surveyors.

Any Item of Equipment not delivered on the date of expiration of the Lease Term in accordance with the terms of this Section 5, shall continue to be subject to all of the obligations of Lessee set forth in this Lease. If the Lessee shall, for any reason whatsoever, fail to return any Item of Equipment at the time and in the condition specified herein, the obligations of Lessee as provided in this Lease shall continue in effect with respect to such item of Equipment until the Item of Equipment is deemed to be returned to Lessor; but this paragraph shall not be construed as permitting Lessee to fail to meet its obligations to return any Item of Equipment in accordance with the requirements of this Lease or constitute a waiver of an Event of Default.

(b) **Return of Equipment upon Default.** If the Lessor shall terminate this Lease pursuant to Section 19 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item to the Lessor as above required, the Lessee shall at its own cost, expense and risk: (i) forthwith deliver such Items to not more than two (2) locations as the Lessor shall designate, and (ii) permit the Lessor to store such Item for a period of 360 days and so store at such locations without charge for insurance, rent or storage, and during such period of storage the Lessee shall continue to maintain all insurance required by Section 16 hereof.

Each such Item will, when placed in storage, be in the condition required by Section 10 hereof and the Lessee shall comply as required by the Lessor to enable the Items to be sold or leased to a third party for use in interchange service under the Interchange Rules. Lessee agrees that no Item shall be considered to have been returned under this Section 5(b) until the Lessee has returned such Item in such condition.

The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 5(b), the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority (which power is coupled with an interest), at any time while the Lessee is obligated to deliver possession of any Items of Equipment to the Lessor after the occurrence of an Event of Default, to demand and take possession of such Item in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Item.

SECTION 6. Rent.

(a) **Interim Rent.** Lessee hereby agrees to pay Lessor Interim Rent for the use by Lessee of each Item of Equipment during the Interim Term in one installment payable on September 27, 1991 in an amount equal to .000203618% of the Purchase Price of such Equipment for each day from and including the Closing Date for such Equipment to but not including September 27, 1991.

(b) **Fixed Rent.** Lessee hereby agrees to pay Lessor Fixed Rent for the use by Lessee of each Item of Equipment during the Basic Term, in consecutive quarterly installments, in arrears, due and payable on each Rent Payment Date and continuing until the expiration or earlier termination of the Basic Term, with each such installment to be in an amount equal to the product obtained by multiplying (i) the Purchase Price of such Item of Equipment by (ii) the applicable percentages set forth in Exhibit C attached hereto. Lessee hereby agrees to pay Lessor Fixed Rent for each Item of Equipment during each Renewal Term thereof as specified in Section 25(a) hereof.

(c) **Supplemental Rent.** Lessee also agrees to pay to Lessor, or to whomever shall be entitled thereto, all Supplemental Rent, as the same shall become due and owing. Lessee shall also pay to Lessor (and, in the case of payments of Supplemental Rent payable to other persons hereunder, such other persons) on demand, as Supplemental Rent, to the extent permitted by applicable law, interest at the Late Rate on any part of any installment of Interim Rent or Fixed Rent not paid when due at or prior to the time specified for such payment for any period for which the same shall be overdue and on any payment of Supplemental Rent payable to the Note Purchasers or the Security Trustee and not paid when due for the period from the due date thereof until the same shall be paid and at a rate per annum equal to 1% plus the Prime Rate on any payment of Supplemental Rent payable to the Owner Participant or the Owner Trustee and not paid when due for the period from the due date thereof until the same shall be paid. The payment or satisfaction of Lessee's obligation with respect to Fixed Rent or any installment thereof shall not limit any obligation of Lessee which may have accrued during the Lease Term with respect to Supplemental Rent. In the event of any failure on the part of Lessee to pay any such Supplemental Rent hereunder Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise in the case of nonpayment of Rent.

(d) **Method of Payment.** All payments of Interim Rent, Fixed Rent and Supplemental Rent required to be made by Lessee to Lessor shall be made by 11.00 A.M. Wilmington, Delaware time on the date payment is due in United States dollars and in immediately available funds. If any such date is not a Business Day, then payment shall be due on the next succeeding Business Day and if paid on such Business Day by 11:00 A.M. Wilmington, Delaware time, such payment shall be without interest or penalty. In the event of any assignment pursuant to Section 13(b) hereof, all payments or right to payments which are properly assigned thereunder, whether Interim Rent, Fixed Rent, Supplemental Rent or otherwise, shall be paid to such address as shall be designated by Lessor and any such assignee. All payments of Rent (other than payments with respect to Excepted Rights in Collateral, which shall be paid to the person entitled thereto) shall be paid by Lessee to Lessor at its office at 777 Main Street, Hartford, Connecticut 06115, Attention: Corporate Trust Administration, or as Lessor may otherwise direct from time to time in writing; provided, that so long as the Security Agreement shall not have been discharged pursuant to Section 12.4 thereof, Lessor hereby directs, and Lessee agrees, that all payments of Rent and all other amounts payable to Lessor hereunder (other than payments with respect to Excepted Rights in Collateral, which shall be paid to the person entitled thereto) shall be paid directly to the Security Trustee at its office at Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration, or as the Security Trustee may otherwise direct, at such time so as to be received by the Security Trustee prior to 11:00 A.M. Wilmington, Delaware time on the date of payment.

(e) **Minimum Payments.** Notwithstanding anything to the contrary contained herein or in any other Operative Agreement, in all events and irrespective of

any adjustment thereto, (i) the installment of Interim Rent payable on September 27, 1991 shall be at least equal to the amount of accrued interest due and payable on such date in respect of all Notes then outstanding, (ii) each installment of Fixed Rent payable on each Rent Payment Date shall be at least equal to the aggregate amount of principal and accrued interest due and payable on such date in respect of all Notes then outstanding and (iii) each payment of Stipulated Loss Value and Termination Value (when added to all other amounts required to be paid by the Lessee under this Lease in respect of any Event of Loss or termination of this Lease) shall be at least equal to an amount sufficient, as of the date of payment, to pay in full the principal of and premium, if any, and interest on all Notes outstanding on and as of such date of payment. Nothing in this Section 6(e) shall be deemed to constitute a guarantee by Lessee of the indebtedness evidenced by the Notes or a guarantee of the residual value of any Item of Equipment.

(f) **Adjustments to Rent.** The percentages for Fixed Rent, Stipulated Loss Value and Termination Value set forth in Exhibit C, have been calculated in part on the basis of the Pricing Assumptions. If any such Pricing Assumption proves to have been incorrect, then such percentages for Fixed Rent, Stipulated Loss Value and Termination Value shall be adjusted (upward or downward) so as to preserve Owner Participant's Net Economic Return. Any adjustments pursuant to this Section 6(f) shall (A) satisfy the provisions of Revenue Procedure 75-28 and any other applicable statutes, regulations, revenue procedures, revenue rulings or technical information releases relating to the subject matter of such Revenue Procedure, (B) be made in a manner designed to avoid application of Section 467(b)(2) of the Code and any regulations thereunder or any other similar provision of Federal income tax law and not otherwise cause any adverse effect under any Federal income tax law in effect at the time of such adjustment, (C) not cause the transaction effected pursuant to this Lease to be classified by Owner Participant as other than a leveraged lease as defined under then current generally accepted accounting principles for leveraged leases, (D) to the extent possible and not inconsistent with the foregoing, minimize the net present value cost of the Fixed Rent to Lessee to the extent the foregoing criteria are met (subject to the requirements of Section 6(e) hereof), and (E) not adjust the Fixed Rent rates or the Stipulated Loss Values and Termination Values to an amount less than those Fixed Rent rates and Stipulated Loss Values and Termination Values required to enable Lessor to satisfy in full its obligations in respect of the Notes.

(g) **Computation of Adjustments.** (i) Upon the occurrence of an event requiring adjustments to the percentages for Fixed Rent, Stipulated Loss Value and Termination Value pursuant to Section 6(f), Owner Participant shall make the necessary computations on a basis consistent with that used by Owner Participant in the computation of the percentages for Fixed Rent, Stipulated Loss Value and Termination Value in connection with the execution and delivery of the Participation Agreement and this Lease, taking into account only the event giving rise to the adjustments. Subject to paragraph (ii) of this Section 6(g), such adjustments shall be effective from and including the date Owner Participant shall have furnished to Lessee a certificate signed on behalf of Owner Participant by a responsible officer confirming that such adjustments have been properly computed in accordance with the provisions of this Lease, and shall remain effective until changed in consequence of any inaccuracy discovered in the course of any verification procedure conducted pursuant to paragraph (ii) of this Section 6(g).

(ii) Within 30 days after Owner Participant shall have provided Lessee with a certificate pursuant to paragraph (i) of this Section 6(g), Lessee either shall confirm the accuracy of such computation or shall notify Owner Participant that such computation, and the resulting adjustments proposed by Owner Participant, are

inaccurate. In the latter event, Owner Participant and Lessee agree to submit the matter to an independent Person acceptable to them, the conclusion of such firm or other Person as to the proper adjustments shall be conclusive and binding on Lessee, Owner Participant and Lessor. All expenses incurred by Owner Participant and Lessee in connection with the verification procedures described in this paragraph (ii) shall be paid by Lessee, unless the adjustments of the percentages for Fixed Rent proposed by Owner Participant shall exceed the actual adjustments of such percentages, properly computed and confirmed, by more than 5%, in which case all such expenses shall be paid by Owner Participant. Each adjustment of the percentages for Fixed Rent, Stipulated Loss Value and Termination Value may, but need not (unless requested by Lessee, Lessor or Owner Participant), be evidenced by the execution and delivery of a supplement to this Lease in form and substance satisfactory to Lessee, Lessor and Owner Participant, and shall be effective as provided herein without regard to the date on which such supplement to this Lease is so executed and delivered. So long as the Lien of the Security Agreement shall remain outstanding, copies of the certificates, proposed adjustments and final adjustments shall be forwarded by the Owner Participant to the Security Trustee.

SECTION 7. Net Lease.

This Lease is a net lease and Lessee acknowledges and agrees that Lessee's obligations hereunder shall be absolute and unconditional under any and all circumstances and shall be paid without notice or demand and without any abatement, reduction, suspension, diminution, deferral, setoff, defense, counterclaim or recoupment whatsoever, including, without limitation, any abatement, reduction, suspension, diminution, deferral, setoff, defense, counterclaim or recoupment due or alleged to be due to, or by reason of, any past, present or future claims which Lessee may have against Lessor, Owner Participant, any assignee, Security Trustee, any vendor or manufacturer of the Equipment or any part or Item thereof, the holders from time to time of the Notes, or any other Person, either under this Lease or otherwise, for any reason whatsoever; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the obligations of Lessee be otherwise affected for any reason whatsoever, including any defect in or damage to or loss of possession or loss of use of the Equipment or any part or Item thereof, the condition, design, operation or fitness for use thereof, any damage to, or any loss or destruction of, the Equipment or any part or Item thereof, any Liens or rights of others with respect to the Equipment or any part or Item thereof, any prohibition or interruption of or other restriction against Lessee's use, operation or possession of the Equipment or any part or Item thereof, or any interference with such use, operation or possession by any Person or entity (including confiscation, requisition or other taking by any governmental authority, any person acting under governmental authority or otherwise, or action of any public or private person, whether by eviction by paramount title or for any other reason whatsoever), the invalidity or unenforceability or lack of due authorization of this Lease, or any other Operative Agreement, any defect in the title to, compliance with plans or specifications for, condition, design or fitness for use of all or any of the Items of Equipment, any insolvency of or any bankruptcy, reorganization or other proceeding against Lessee, Lessor or any other person, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention and agreement of the parties hereto, and the basis of the bargain, that (to the extent permitted by applicable law) Interim Rent, Fixed Rent, Renewal Rent, Supplemental Rent and other amounts payable by Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless and until the obligation to pay the same shall be terminated pursuant to the express

provisions of this Lease (in the case of any return of the Equipment to the Lessor, any item of Equipment shall not be deemed to have been returned to the Lessor's possession until all of the Lessee's obligations with respect to the return thereof have been performed). To the extent permitted by applicable law, Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease of any of the Items of Equipment except in accordance with the express terms hereof. Each Interim Rent, Fixed Rent, Renewal Rent, Supplemental Rent or other payment made by Lessee hereunder shall be final and Lessee shall not seek to recover all or any part of such payment (except for any excess payment made in error) from Lessor, Owner Participant, Security Trustee, or any holder or former holder of a Note for any reason whatsoever.

(ii) Without limiting the generality of the foregoing, Lessee covenants that it will remain obligated under this Lease in accordance with its terms, and will not take any action to terminate (except in accordance with the express provisions hereof), rescind or avoid this Lease for any reason, notwithstanding any insolvency, bankruptcy, organization or other proceeding affecting Lessor or Owner Participant, or any property of Lessor or Owner Participant, or any action which may be taken by any receiver, trustee or liquidator (or other similar official) or by any court.

(iii) Nothing in this Section or in any other provision of this Lease shall preclude any separate, independent claim (not by way of abatement or reduction of any amount at any time payable by Lessee hereunder) by Lessee for the breach of any representation, covenant, undertaking or agreement made herein and in any other Operative Agreement for the benefit of Lessee by Lessor or Owner Participant.

SECTION 8. Lessor's Title; Equipment to be and Remain Personal Property.

Title to the Equipment shall at all times remain in Lessor and at no time during the Lease Term shall title become vested in Lessee. This Lease is and is intended to be a true lease and not a lease intended as security or a lease in the nature of a security interest. Lessee shall acquire no right, title or interest in or to the Equipment, except the right to use the same pursuant to the terms of this Lease. It is the intention and understanding of both Lessor and Lessee that the Equipment shall be and at all times remain personal property.

SECTION 9. Use of Equipment; Compliance with Laws.

Lessee shall pay all costs, expenses, fees and charges incurred in connection with the use and operation of the Equipment during the lease thereof. Lessee agrees that the Equipment will be used and operated solely in the regular course of its business and in compliance with all statutes, laws, ordinances, rules and regulations of any Federal, state or local governmental body, agency or authority applicable to the use and operation of the Equipment. If such laws or rules require any alteration, replacement or addition of or to any part on any Item of Equipment, Lessee will conform therewith at its own expense. Lessee agrees not to operate or locate any Item of Equipment, or to suffer any Item of Equipment to be operated or located, in any area excluded from coverage by any insurance policy required by the terms of Section 16 hereof or to operate or locate any Item of Equipment in such a manner as to violate the terms of any insurance policy required by the terms of said Section 16, except in the case of a requisition for use by the United States

Government where Lessee (or any sublessee) has obtained, prior to the operation or location of the Item of Equipment in such area, indemnification or insurance in lieu of such indemnification from the United States Government against the risks and in the amounts required by, and in compliance with, Section 16 hereof covering such area.

Lessee shall procure and maintain in effect all licenses, registrations, certificates, permits, approvals and consents required by Federal, state or local laws or by any governmental body, agency or authority in connection with the use and operation of each Item of Equipment, including any instruments required by the AAR. Notwithstanding the foregoing sentence, however, Lessee will cause this Lease and the Bill of Sale to be filed and recorded with the Interstate Commerce Commission ("ICC") in accordance with Section 20c of the Interstate Commerce Act, and will do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) this Lease and any and all amendments or supplements to this Lease, or otherwise with respect to or including any other Operative Agreement, in connection with any assignment or sublease pursuant to Section 13(a) or otherwise, any financing statements or similar instruments, and any and all further instruments required by law or reasonably requested by Lessor, for the purpose of protecting Lessor's title to any Item of Equipment to the satisfaction of Lessor and Lessor's counsel or for the purpose of carrying out the intention of this Lease, including, without limitation, any such filings and recordings as shall be necessary to evidence any change in name of Lessee or Lessor, or any merger or consolidation thereof. Lessee will pay all costs, charges and expenses incident to any such filing, refiling, recording and re-recording or depositing and redepositing of any such instruments or incident to the taking of such action. This Lease shall be filed and recorded with the ICC prior to the delivery and acceptance hereunder of any Item.

The Equipment will at all times during the Lease Term be and remain in the possession and control of Lessee, subject to the terms of Section 13(a) hereof. Lessee shall operate the Equipment and permit the Equipment to be located only in the continental United States. Lessee shall not use and will not permit any other person to use any Equipment or allow the same to be used for any unlawful purpose. Lessee shall use and operate the Equipment or cause it to be used and operated only by personnel authorized by Lessee, and Lessee shall use every reasonable precaution to prevent loss or damage to each Item of Equipment from fire and other hazards. Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear; provided, that the Lessee shall not, except with respect to the transportation of coal, use the Equipment and shall not permit the Equipment to be used to transport or store hazardous or toxic substances or materials or other substances or materials containing or contaminated by hazardous or toxic substances or materials. Lessee shall use the Equipment together with all other railcars owned or leased by Lessee in a rotational manner which shall attempt to equalize the wear and tear on all such equipment so that no one Item of Equipment is used or employed in a disproportionate manner or amount of time in relation to all other railcars owned or leased by Lessee.

SECTION 10. Maintenance and Repair of Equipment.

Lessee shall, at its own expense, (i) keep the Equipment in satisfactory repair, condition and working order consistent with accepted industry practice, and as otherwise may be required by any insurance policies maintained pursuant to Section 16 or to enforce warranty claims against each vendor and manufacturer of each Item of

Equipment, ordinary wear and tear excepted; (ii) maintain the Equipment in accordance with the standards then in effect under the Interchange Rules of the AAR (the "Interchange Rules"), and at least equal to the standards of maintenance which Lessee performs on similar equipment owned or leased by Lessee; (iii) maintain all records, logs and other materials required by the AAR or the United States Department of Transportation (to the extent that the Department of Transportation shall have jurisdiction over Items of Equipment or Lessee) or any other governmental authority having jurisdiction over the Items of Equipment or Lessee, to be maintained in respect of each Item of Equipment, (iv) comply with all requirements of law applicable to the maintenance and condition of the Equipment. In addition to the foregoing, Lessee agrees that, at its cost and expense prior to the twenty-fifth anniversary of the manufacture of any Item of Equipment, such Item will be rebuilt in order to meet the mechanical requirements for rebuilt cars as listed in Sections B and D of the AAR Office Manual and Sections A and B of the AAR Field Manual as required in AAR Rule 88 (as of June 4, 1990), and will be inspected and approved by the Mechanical Division, and approved by the Transportation Division, of the AAR and thereby receive official rebuilt status recognition pursuant to such AAR Rule 88. Each Item of Equipment shall be identified as having undergone such rebuilding.

SECTION 11. Replacements; Alterations; Modifications.

(a) Lessee shall make all alterations, modifications, additions or attachments deemed necessary by any Federal, state or local governmental agency for the continued usefulness of the Equipment. Lessee may, at its sole expense, make other alterations, modifications, additions or attachments to the Equipment so long as the value and general usefulness of the Equipment is not reduced thereby and so long as such alterations, modifications, additions or attachments do not cause such Items to become a limited use property within the meaning of Revenue Procedure 76-30, 1976-2 C.B. 647 (or such other successor tax provision). So long as no Event of Default has occurred and is continuing, and so long as the value and usefulness of the Equipment (exclusive of any such alterations, modifications, additions or attachments) is not reduced thereby, any such alteration, modification, addition or attachment, which was paid for by Lessee and not reimbursed or otherwise compensated for by Lessor, shall remain the property of Lessee and may (subject to the last two sentences of this Section 11(a)), be removed by Lessee prior to return of the Equipment pursuant to Section 5 hereof. If any alteration, modification, addition or attachment to an Item of Equipment (i) is a replacement of existing parts constituting part of the Items of Equipment, (ii) was made in the course of ordinary and proper maintenance of the Items of Equipment, (iii) is required by Federal, state or local law in order to permit the continued usefulness of the Equipment; or (iv) cannot physically be removed without damage to the Equipment, it shall become the property of Lessor, and shall be subject to all the terms of this Lease. Upon termination of this Lease, Lessor shall have the option to purchase from Lessee any alterations, modifications, additions or attachments to any Item of Equipment not described in the preceding sentence at the fair market sales value of such alterations, modifications, additions or attachments, as the case may be.

(b) **Warranty Rights and Payments.** Lessor shall assign or otherwise make available to Lessee all of its rights under any vendor's or manufacturer's warranty (excluding any warranty of title) on any Item of Equipment. Any payments made by any such vendor or manufacturer pursuant to such warranty for any Item of Equipment shall be payable to Lessee so long as no Default or Event of Default shall have occurred and be

continuing and after the occurrence and continuance of a Default or an Event of Default shall be paid to the Security Trustee so long as the Lien of the Security Agreement shall not have been discharged and thereafter shall be paid to the Lessor. Such payment is to be used to repair or replace damaged components in accordance with this Section 11, if feasible, and if not used, such amount shall be paid promptly to Lessor.

SECTION 12. Identification Marks; Inspection.

Lessee agrees, at Lessee's cost and expense, to place markings on the Equipment by stencil or by a metal tag or plate affixed thereto showing Lessor's title thereto and ownership thereof and the Security Trustee's interest therein; provided, however, that such identification markings are to be placed so as not to interfere with the usefulness and utility of such Item of Equipment. If during the Lease Term any such identification marking shall be defaced or destroyed, Lessee shall cause such defaced or destroyed identification marking to be restored or replaced. Lessee will cause each Item of Equipment to be kept numbered with the road number and serial number as shall be set forth in any Lease Supplement hereto extending this Lease to cover such Item of Equipment. Lessee shall not allow the name of any other Person to be placed on any Item of Equipment as a designation that might be identified as a claim of ownership or any other interest therein; provided, that nothing herein contained shall prohibit Lessee or its permitted sublessees from placing its customary colors and insignia on any Item of Equipment or from naming each Item of Equipment. Lessee will not change the identification number of any Item of Equipment unless and until (i) a statement of a new number or numbers to be substituted therefor shall have been delivered to Security Trustee and Lessor and filed, recorded and deposited by Lessee in all appropriate public offices, including the public offices where this Lease and the Security Agreement shall have been filed, recorded and deposited, and (ii) Lessee shall have furnished Lessor and Security Trustee an opinion of counsel in form and substance reasonably satisfactory to them to the effect that such statement has been so filed, recorded and deposited and that such filing, recordation and deposit will protect Lessor's interest in such Items of Equipment and the Security Interest of the Security Trustee under the Security Agreement. Upon the reasonable request of Lessor, Lessee shall make the Equipment available to Lessor for inspection and shall also make Lessee's records pertaining to the Equipment reasonably available to Lessor for inspection, it being understood and agreed that Lessor shall have no obligation to make such inspection and shall incur no liability for failure to do so. During the continuance of a Default or an Event of Default, such inspection shall be at Lessee's expense.

SECTION 13. Assignments and Subleases.

(a) **By Lessee.** Lessee will not, without the prior written consent of Lessor, assign its lease of any Item of Equipment, or transfer or encumber its rights or obligations hereunder, and any attempted assignment, transfer or encumbering by Lessee shall be null and void; provided, however, subject to the receipt of any necessary regulatory approvals, Lessee may so long as no Default or Event of Default shall have occurred and be continuing assign its lease of any Item of Equipment to an Affiliate which is a "public utility company" within the meaning of the Public Utility Holding Company Act of 1935 or a "public utility" within the meaning of the Federal Power Act without the prior consent of Lessor if Lessee gives written notice and a copy of such assignment to Lessor within 45 days after such assignment; provided, further, subject to the receipt of

any necessary regulatory approvals, Lessee may may so long as no Default or Event of Default shall have occurred and be continuing without the prior consent of Lessor, sublease any Item of Equipment to any Affiliate, railroad company or other Person for a period not to exceed 270 days in accordance with customary industry practice so long as such assignment or sublease does not cause the Items of Equipment to be "tax-exempt use property" within the meaning of Section 168(h)(i) of the Code and so long as such assignment or sublease does not extend beyond the end of the Lease Term. Any such sublease or assignment shall be subject to all the terms and conditions of this Lease and Lessee's obligations hereunder shall continue in full force and effect as the obligations of a principal and not of a surety irrespective of such sublease or assignment. Each sublease or assignment permitted by this paragraph shall be expressly subject and subordinate to all of the provisions of this Lease and to the rights and remedies of the Security Trustee under the Security Agreement and Lessor under this Lease in respect of the Items of Equipment covered by such sublease or assignment.

(b) **Transfers by Lessor or Owner Participant.** Lessor and Owner Participant shall not be entitled to transfer their respective interests in this Lease and the Trust Estate other than the assignment of this Lease by the Lessor to the Security Trustee pursuant to the Security Agreement except in compliance with Section 3.12 of the Trust Agreement, with respect to Lessor, and Section 3.6(d) of the Participation Agreement, with respect to Owner Participant. No such transfer by Lessor or Owner Participant shall interfere with Lessee's rights under this Lease, with respect to Lessee's use of the Items of Equipment. Lessee shall provide such information concerning the location of the Equipment as Lessor may reasonably request in connection with any such transfer.

Upon written notice by Lessor to Lessee of any such sale or assignment, Lessee shall thereafter make payments of all Fixed Rent and other sums due hereunder to the party specified in such notice and such payments shall discharge the obligation of Lessee to Lessor hereunder to the extent of such payments. Lessee shall be under no obligation to any assignee of Lessor, except upon written notice of such assignment to Lessee. Lessee hereby acknowledges and consents to the security interest and other rights and interests granted to the Security Trustee pursuant to the Security Agreement. Such notice is hereby given of the assignment of this Lease and all Rent and other payments to be made to the Lessor hereunder to the Security Trustee under and pursuant to the Security Agreement, and the Lessee agrees to make all payments of Rent in accordance with the provisions of Section 6(d). Upon any such sale or assignment under this Section 13(b), Lessee shall not be required to execute any documents in connection therewith other than a form of acknowledgment, any required Uniform Commercial Code Financing Statements or any filings required by the ICC or AAR. Any expenses incurred in connection with any such sale or assignment shall be borne solely by Lessor. Lessee shall not be required to prepare any documents in connection with any such sale or assignment.

SECTION 14. Liens.

Assuming that the Lease has been filed with the ICC, Lessee represents and warrants to Lessor that at the time an Item of Equipment is accepted by it under the Lease, such Item will be free and clear of all Liens except Permitted Encumbrances. Lessee will not create, incur, assume or suffer to exist any Lien on or with respect to the Equipment or any part or Item thereof, Lessor's title thereto, or any interest therein, except Permitted Encumbrances. Lessee, at its own expense, will pay, satisfy and otherwise take such actions as may be necessary to keep the Equipment free and clear of,

and to duly discharge or eliminate or bond in a manner satisfactory to Lessor, any such Lien other than Permitted Encumbrances if the same shall arise at any time during the Lease Term. Lessee will notify Lessor upon becoming aware of any tax or other Lien (other than any Lien excepted above) that shall attach to the Equipment or any Item of Equipment.

SECTION 15. Loss, Damage or Destruction.

(a) **Risk of Loss, Damage or Destruction.** Lessee hereby assumes all risk of loss, damage, theft, taking, destruction, confiscation or requisition, partial or complete, of or to each Item of Equipment, however caused or occasioned, such risk to be borne by Lessee with respect to each Item of Equipment from the Acceptance Date, and continuing until the expiration or early termination of the Lease Term. Lessee shall promptly notify Lessor of any loss or casualty damage (other than any such loss or damage which constitutes an Event of Loss) to any Item or Items of Equipment where such loss or damage is estimated to exceed the amount of self-insurance or deductible amount maintained by the Lessee pursuant to and in accordance with Section 16 hereof. Lessee shall, within 90 days of notifying Lessor of such loss or casualty damage, notify Lessor that Lessee intends to repair such Item or Items of Equipment and provide Lessor with an estimated cost and time frame with respect to such repairs.

(b) **Payment of Stipulated Loss Value Upon an Event of Loss.** If an Event of Loss occurs with respect to an Item or Items of Equipment during the Lease Term, Lessee shall, within thirty (30) days after the occurrence of such Event of Loss, inform Lessor and Owner Participant in regard thereto and Lessee shall, on the Rent Payment Date next following the date of such Event of Loss, pay (i) the greater of (a) Stipulated Loss Value for such Item (computed as of such Rent Payment Date) or (b) the sum of (I) Stipulated Loss Value for such Item (computed as of such Rent Payment Date) plus (II) 50% of the excess of (A) the settlement amount for such Item determined in accordance with Rule 107 of the Field Manual of the Interchange Rules of the AAR (or any successor procedure for the settlement for cars destroyed in interchange service) over (B) Stipulated Loss Value for such Item, plus (ii) the Fixed Rent and any Supplemental Rent due for such Item or Items of Equipment on such Rent Payment Date, plus (iii) all accrued and unpaid Fixed Rent and any Supplemental Rent owing for such Item or Items of Equipment through any prior Rent Payment Date. So long as no Default or Event of Default has occurred and is continuing, any payments received by Lessor or by Lessee from any insurer or other party (except Lessee) as a result of the occurrence of such Event of Loss will be applied in reduction of Lessee's obligation to pay the foregoing amounts, if not already paid by Lessee, or, if already paid by Lessee, will be applied to reimburse Lessee for its payment of such amount, and any such payments in excess of the amounts described in clause (i)(b)(II)(A) of the first sentence of this Section 15(b) shall be paid to or retained by Lessor, and after the occurrence and continuance of a Default or an Event of Default such payments shall be paid to the Security Trustee so long as the Lien of the Security Agreement shall not have been discharged and thereafter shall be paid to the Lessor. Upon payment in full of the amounts described in the first sentence of this Section 15(b), (A) the obligation of Lessee to pay Fixed Rent hereunder with respect to such Item or Items of Equipment for all Rental Periods commencing after the date of the payment of such amounts shall terminate and the Lease Term of such Item or Items shall thereupon terminate, (B) Lessee shall request the Lessor to execute a release with respect to such Item or Items of Equipment releasing such Equipment from the Lease and shall request the Lessor to request the Security Trustee, so long as the Lien of the Security Agreement remains

undischarged, to execute a release with respect to such Item or Items of Equipment releasing such Equipment from the Lien of the Security Agreement and (C) Lessee shall, as agent for Lessor, as soon as practicable, dispose of such Item or Items of Equipment in a manner reasonably acceptable to Lessor.

(c) **Application of Payments Not Relating to an Event of Loss.** So long as no Default or Event of Default shall have occurred and be continuing, any payments (including, without limitation, insurance proceeds) received at any time by Lessor or Lessee from any governmental authority or other party with respect to any loss or damage to any Item or Items of Equipment not constituting an Event of Loss, will be applied directly in payment of repairs or for replacement of property in accordance with the provisions of Section 11, 12 and 16 hereof, if not already paid by Lessee, or if already paid by Lessee, shall be applied to reimburse Lessee for such payment, and any balance remaining after compliance with said Sections with respect to such loss or damage shall be retained by Lessor, and after the occurrence and continuance of a Default or an Event of Default such payments shall be paid to the Security Trustee so long as the Lien of the Security Agreement shall not have been discharged and thereafter shall be paid to the Lessor. Lessee's obligation to pay all installments of Rent and other sums shall continue for the duration of such requisitioning or taking unless and until the same shall become an Event of Loss.

SECTION 16. Insurance.

Lessee will cause to be carried and maintained, at its sole expense, with respect to the Equipment, (a) physical damage insurance insuring against physical loss or damage to the Equipment, in an amount equal to the lower of (1) the full insurable value of the Equipment, and (2) the Stipulated Loss Value of the Equipment, and (b) insurance against liability for bodily injury, death and property damage resulting from the use, operation, ownership and possession of the Equipment in an amount not less than $10,000,000 per occurrence.

Such insurance policies shall: (i) name and insure the Lessor, in its individual and trust capacities, Owner Participant, Security Trustee and each holder of a Note as additional insureds under the comprehensive public liability insurance and under the property insurance, shall insure the Security Trustee or, in the event the Lien of the Security Agreement has been discharged, the Lessor, as sole loss payee under a standard loss payee clause satisfactory to the Security Trustee or the Lessor, as the case may be, (ii) with respect to property insurance, provide insurer's waiver its right of subrogation, set-off or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability against any additional insured except for claims as shall arise from the willful misconduct or gross negligence of such additional insured, (iii) with respect to property insurance, provide that such insurance as to the interest of the Lessor, Owner Participant, Security Trustee and each holder of a Note shall not be invalidated by any action or inaction of Lessee or any other Person (other than such claimant), regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee or any other Person (other than such claimant), (iv) with respect to property insurance, provide that all such insurance is primary without right of contribution from any other insurance which might otherwise be maintained by the Lessor or any assignee under Section 13(b) and shall expressly provide that all provisions except the limits of liability, shall operate in the same manner as if there were a separate policy covering each such additional insured, (v) provide therein or by endorsement that thirty (30) days prior

written notice of expiration, cancellation or modification shall be given to the Lessor, Owner Participant, Security Trustee and each holder of a Note and shall provide that such cancellation, change or modification shall not be effective during such 30 day period as to any of the Lessor, Owner Participant, Security Trustee and each holder of a Note, and (vi) provide that no additional insured shall have any obligation or liability for premiums in connection with such insurance.

Lessee shall furnish the Lessor, Owner Participant, Security Trustee and each holder of a Note with certificates or other satisfactory evidence of maintenance of the insurance so required and shall furnish binders or other formal confirmation reasonably acceptable to the Lessor evidencing renewals thereof as soon as practicable but in no event later than three (3) Business Days prior to such renewal and certificates of insurance within thirty (30) days after such renewal is effected or the expiration date of the original policy or policies, as the case may be. All other terms of insurance shall be in accordance with such insurance carried by Lessee or its Affiliates with respect to other railcars in its fleet.

If the loss covered by said physical damage insurance is less than $2,500,000, the proceeds of such insurance shall be payable to Lessee provided that no Default or Event of Default shall have occurred and be continuing and after the occurrence and continuance of a Default or an Event of Default such proceeds shall be paid to the Security Trustee so long as the Lien of the Security Agreement shall not have been discharged and thereafter shall be paid to the Lessor. If such loss equals or exceeds $2,500,000, the proceeds of such insurance shall be payable to the Security Trustee or, in the event that the Lien of the Security Agreement has been discharged, the Lessor provided that the Security Trustee or the Lessor, as the case may be, shall, so long as no Default or Event of Default has occurred or is continuing, remit all such insurance proceeds to Lessee at such time as Lessee either (i) provides Lessor evidence that the damage has been repaired and the Equipment has been restored to good working order and condition or (ii) has paid to Lessor or Security Trustee, as the case may be, the amounts otherwise due to Lessor on loss of such Equipment pursuant to Section 15(b) hereof. Lessee's obligation to maintain insurance with respect to any Item of Equipment shall commence on the Acceptance Date of such Item of Equipment and shall run until the earliest to occur of (x) the date on which such Item of Equipment is sold, pursuant to Section 19 hereof, (y) the termination of this Lease with respect to such Items of Equipment pursuant to and in accordance with Section 27 hereof, or (z) the return of the Equipment to the Lessor in accordance with Section 5 hereof. Upon the execution and delivery of this Lease, certificates of the insurance coverage required by this Section 16 shall be delivered by Lessee to Lessor. Lessee covenants that it will not use or operate or permit the use or operation of any Item of Equipment at any time when the insurance required by this Section 16 is not in force with respect to such Item of Equipment and will not use the Equipment in a manner which would violate the terms and provisions of such insurance policies. If Lessee shall fail to cause the insurance required under this Section 16 to be carried and maintained, Lessor may provide such insurance and Lessee shall reimburse Lessor upon demand for the cost thereof as Supplemental Rent hereunder. So long as no Event of Default has occurred and is continuing, Lessee may self-insure or maintain deductible provisions for the first $2,500,000 of the coverages specified in clauses (a) and (b) of the first sentence of this Section 16.

Nothing in this Section 16 shall prohibit Lessor, Owner Participant, Security Trustee or a holder of a Note from obtaining insurance for its own account and any proceeds payable thereunder shall be as provided in the insurance policy relating thereto;

provided that no such insurance may be obtained that would limit or otherwise adversely affect the coverage of any insurance to be obtained or maintained by Lessee pursuant to this Section 16.

SECTION 17. NO WARRANTIES.

LESSEE LEASES THE EQUIPMENT AS-IS, WHERE-IS, WITH ALL FAULTS, AND IN WHATEVER CONDITION IT MAY BE. NEITHER LESSOR, NOT BEING THE MANUFACTURER OR VENDOR OF THE EQUIPMENT, NOR OWNER PARTICIPANT NOR SECURITY TRUSTEE MAKES OR HAS MADE OR SHALL BE DEEMED TO MAKE OR HAVE MADE, ANY REPRESENTATION OR WARRANTY, EITHER EXPRESSED OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE DESIGN, OPERATION OR CONDITION OF THE EQUIPMENT, ITS MERCHANTABILITY, VALUE, DURABILITY, SUITABILITY OR ITS FITNESS FOR ANY PARTICULAR USE OR PURPOSE, LESSOR'S TITLE THERETO, LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE EQUIPMENT, OR THE CONFORMITY OF THE EQUIPMENT TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE ORDER OR ORDERS RELATING THERETO, AND EACH OF LESSOR, OWNER PARTICIPANT AND SECURITY TRUSTEE HEREBY DISCLAIMS ANY SUCH REPRESENTATION OR WARRANTY (WHICH DISCLAIMER LESSEE HEREBY ACKNOWLEDGES). WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, NEITHER LESSOR NOR OWNER PARTICIPANT NOR SECURITY TRUSTEE SHALL BE LIABLE OR RESPONSIBLE FOR ANY DEFECTS, EITHER PATENT OR LATENT (WHETHER OR NOT DISCOVERABLE BY LESSEE), IN THE EQUIPMENT, OR FOR ANY DIRECT OR INDIRECT DAMAGE TO PERSONS OR PROPERTY RESULTING THEREFROM, OR FOR LESSEE'S LOSS OF USE OF THE EQUIPMENT OR FOR ANY INTERRUPTION IN LESSEE'S BUSINESS CAUSED BY LESSEE'S INABILITY TO USE THE EQUIPMENT FOR ANY REASON WHATSOEVER, ALL OF WHICH ITEMS OF EQUIPMENT WERE SELECTED BY LESSEE ON THE BASIS OF ITS OWN JUDGMENT WITHOUT RELIANCE UPON ANY STATEMENTS, REPRESENTATIONS OR WARRANTIES MADE BY OWNER TRUSTEE, OWNER PARTICIPANT OR SECURITY TRUSTEE, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN LESSOR, WHETHER IN ITS INDIVIDUAL CAPACITY OR AS TRUSTEE, OWNER PARTICIPANT, SECURITY TRUSTEE AND THE HOLDER OF ANY NOTE ON THE ONE HAND AND LESSEE ON THE OTHER HAND, ARE TO BE BORNE BY LESSEE.

Neither Lessor, Owner Participant nor Security Trustee shall have any responsibility or liability to Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Item of Equipment or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Item of Equipment or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Item of Equipment. Lessee's delivery of a Lease Supplement relating to an Item of Equipment shall be conclusive evidence as between Lessee and Lessor that such Item of Equipment is in all respects satisfactory to Lessee, and Lessee will not assert any claim of any nature whatsoever against Lessor, Owner Participant or Security Trustee based on any of the foregoing matters.

So long as an Event of Default shall not have occurred and be continuing, and so long as the Equipment shall be subject to this Lease and Lessee shall be entitled to possession of the Equipment hereunder, Lessor authorizes Lessee, at Lessee's expense, to assert for Lessor's account, all rights and powers of Lessor under any manufacturer's, vendor's or dealer's warranty on the Equipment or any part thereof; provided, however, that Lessee shall indemnify, protect, save, defend and hold harmless Lessor from and against any and all claims, and all costs, expenses, damages, losses and liabilities incurred or suffered by Lessor in connection therewith, as a result of, or incident to, any action by Lessee pursuant to the foregoing authorization, and that Lessee shall provide Lessor with prior written notice of any action Lessee proposes to take on Lessor's behalf pursuant to the foregoing authorization.

SECTION 18. Events of Default.

Any of the following events shall constitute an Event of Default:

(a) Lessee shall fail to make any payment of Interim Rent or Fixed Rent within five (5) Business Days after the same is due and payable or any Supplemental Rent within ten (10) Business Days after receipt of written notice by Lessee; or

(b) Lessee shall fail to observe or perform any of the covenants or agreements of Lessee set forth in the first and second paragraphs of Section 16, the first sentence of Section 5, or the last sentence of Section 10 hereof; or

(c) any representation or warranty made by Lessee herein, or in any Lessee Agreement (other than the Tax Indemnification Agreement) or any certificate furnished in connection herewith or therewith shall prove to have been incorrect in any material respect when such was made and shall remain material and materially incorrect at the time in question, unless the fact, circumstance or condition that is the subject of such representation or warranty is made true within 30 days after notice thereof shall have been given to Lessee; or

(d) Lessee shall fail to perform or observe any covenant, condition, or agreement to be performed or observed by it under any Lessee Agreement, or in any agreement or certificate furnished in connection herewith, and such failure shall continue unremedied for thirty (30) days after receipt of written notice by Lessee specifying such failure and demanding the same to be remedied; provided that, no such default shall be deemed an Event of Default if (i) such default is curable but cannot be cured within such thirty (30) day period, and (ii) Lessee is diligently pursuing such cure and effects such cure within 360 days of the date of such default or before the last day of the Lease Term, whichever shall occur first; or

(e) Lessee becomes insolvent (however such insolvency may be evidenced) or admits insolvency or bankruptcy or its inability to pay its debts as they mature, makes an assignment for the benefit of creditors or applies for or consents to the appointment of a custodian, trustee or receiver for Lessee, or for the major part of its property or commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or

(f) a proceeding shall have been instituted in a court having jurisdiction in the premises, seeking a decree or order (i) for relief in respect of Lessee in an involuntary case under any applicable bankruptcy, reorganization, insolvency or other similar law now or hereafter in effect or (ii) for the appointment of a custodian, receiver, trustee or similar official of Lessee or of its property, or (iii) for the winding up or liquidation of the affairs of Lessee, and either (I) any such proceeding shall remain undismissed or unstayed and in effect for a period of 60 consecutive days or (II) such court shall enter a decree or order granting the relief sought in such proceeding or Lessee shall consent to such entry.

SECTION 19. Remedies Upon Default.

Upon the occurrence of any Event of Default, Lessor may exercise one or more of the following remedies as Lessor in its sole discretion shall elect:

(a) Lessor may terminate this Lease, without prejudice to any other remedies of Lessor hereunder, with respect to all or any Item of Equipment, and may enter the premises of Lessee to take immediate possession of the Equipment and remove all or any Item of Equipment by summary proceedings or otherwise, or may cause Lessee, at Lessee's expense, to surrender and deliver possession of the Equipment or such Item in the same manner as provided in Section 5 hereof;

(b) Lessor may hold, keep idle or lease to others the Equipment or any Item of Equipment, as Lessor in its sole discretion may determine, free and clear of any rights of Lessee and without any duty to account to Lessee with respect to such action or inaction or for any proceeds with respect thereto, except that Lessee's obligation to pay Fixed Rent for any Rental Periods commencing after Lessee shall have been deprived of possession pursuant to this Section 19 shall be reduced by the net proceeds, if any, received by Lessor from leasing the Equipment or such Item to any Person other than Lessee for the same Rental Periods or any portion thereof;

(c) Lessor may sell the Equipment or any Item of Equipment at public or private sale as Lessor may determine, free and clear of any rights of Lessee, and Lessee shall pay to Lessor, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Fixed Rent due for the Equipment so sold for any Rental Period commencing after the date on which such sale occurs), all unpaid Fixed Rent payable for all Rental Periods up to and including the Rental Period in which such sale occurs, plus an amount equal to the excess, if any, of (i) the Stipulated Loss Value of the Equipment so sold, computed as of the Rent Payment Date coincident with or next following the date of such sale, over (ii) the net proceeds of such sale;

(d) Lessor, by written notice to Lessee, may demand that Lessee pay to Lessor, and Lessee shall pay to Lessor, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Fixed Rent due for any Item(s) of Equipment for any Rental Period commencing after the Event of Default and in lieu of the exercise by Lessor of its rights under such subsection (c) above with respect to the same Item(s) of Equipment), all unpaid Fixed Rent payable therefor for all Rental Periods up to and including the Rental Period in which the Event of Default occurs, plus whichever of the following amounts Lessor, in its sole discretion, shall specify in such notice: (i) an amount, with respect to each Item of Equipment, equal to the excess, if any, of the Fixed Rent payable for such Item of Equipment for the

remainder of the then current Lease Term, over the fair market rental value of such Item of Equipment for the remainder of the then current Lease Term, after discounting such excess to present worth as of the payment date specified in such notice at the interest rate of the Notes(s); or (ii) an amount, with respect to each Item of Equipment, equal to the excess, if any, of the Stipulated Loss Value of such Item of Equipment computed as of the Rent Payment Date coincident with or next following the Event of Default, over the fair market sales value of the Equipment as of the said date;

(e) Lessor may proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof or to rescind this Lease; and

(f) Lessor may exercise any other right or remedy which may be available to it under applicable law.

For the purpose of subsection (d) above, the "fair market rental value" or the "fair market sales value" of the Equipment shall mean such value as has been determined by an independent qualified appraiser, selected by Lessor and reasonably acceptable to Lessee and the cost of any such appraisal shall be borne by Lessee.

No remedy referred to in this Section 19 is intended to be exclusive, but each shall be cumulative and may be exercised concurrently or consecutively and shall be in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity, and the exercise in whole or in part by Lessor of any one or more of such remedies shall not preclude the simultaneous or later exercise by Lessor of any or all such other remedies. Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is effective under applicable law. Lessee hereby waives any and all existing or future claims to any offset against the rent payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by Lessee or on its behalf. Except as otherwise provided in this Lease, Lessee, to the full extent effective under applicable law, hereby waives all statutory or other legal requirements for any notice of any kind, any other requirements with respect to the enforcement of Lessor's rights under this Lease and any and all rights of redemption. No waiver by Lessor of any Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default.

In addition, the Lessee shall be liable for any and all unpaid Rent due hereunder before or during the exercise of any of the foregoing remedies and for all reasonable legal fees and other costs and expenses incurred by reason of the occurrence of any Default or Event of Default or the exercise of the Lessor's remedies with respect thereto, including without limitation, the repayment in full of any costs and expenses necessary to be expended in repairing or modifying any Item in order to cause it to be in compliance with all maintenance and regulatory standards imposed by this Lease.

Upon the date of termination of this Lease by Lessor pursuant to Section 19(a), Lessee shall, without expense to the Lessor, promptly redeliver the Items of Equipment or cause the Items of Equipment to be redelivered, to the Lessor with all reasonable dispatch, in the same manner and in the same condition as if such Items of Equipment were being redelivered on the last day of the Lease Term in accordance with the provisions of Section 5, and all obligations of the Lessee under Section 5(b) shall apply to such redelivery. Lessor, without further notice, may, but shall be under no obligation

to, retake such Items of Equipment wherever found, without the Lessor incurring any liability by reason of such retaking, whether for the restoration of damage to property caused by such retaking or otherwise.

Without in any way limiting the obligation of Lessee under the foregoing provisions of this Section, Lessee hereby irrevocably appoints Lessor as the agent and attorney of Lessee with full power and authority to, upon the occurrence and continuance of an Event of Default hereunder, exercise Lessor's rights under this Section, at any time while Lessee is obligated to deliver possession of any Item of Equipment to Lessor, to demand and take possession of such Item of Equipment in the name and on behalf of Lessee from whomever shall then be in possession of such Item.

SECTION 20. Lessor's Right to Perform for Lessee.

If Lessee fails to perform or comply with any of its agreements or covenants contained herein, Lessor may (but shall not be obligated to) itself, after notice to Lessee, perform or comply with such agreement or covenant or make advances to perform the same, and the amount of the reasonable expenses of Lessor incurred in connection with the performance of or compliance with such agreement or covenants, shall, if not paid by Lessee to Lessor on demand, be payable as Supplemental Rent hereunder.

SECTION 21. Late Charges.

Lessee shall pay to Lessor as Supplemental Rent, to the extent permitted by applicable law, interest on any amount of Interim Rent, Fixed Rent and on any Supplemental Rent which is not paid when due, for any period for which the same is overdue (without regard to any grace period) at a rate equal to the Late Rate.

SECTION 22. Covenant of Quiet Enjoyment.

During the Lease Term of any Item of Equipment hereunder and so long as no Default or Event of Default has occurred and is continuing, Lessor covenants and agrees that Lessee shall have the right to uninterrupted use and enjoyment of such Item on the terms and conditions provided herein without any interference from Lessor or Owner Participant or those claiming through or against Lessor (other than claims of mechanics, suppliers, materialmen and laborers for work or services performed or materials furnished in connection with the Equipment or any Item thereof which are claims by or through the Lessor), including, but not limited to any assignee or lender or mortgagee of Lessor or Owner Participant. For purposes of this Section 22, the delivery of notices of default or nonperformance delivered under and pursuant to Section 18 shall not be deemed to constitute a violation of this Section 22.

SECTION 23. Other Documents.

Except as otherwise provided herein, Lessee will, at Lessor's expense, execute and deliver to Lessor such other documents, including, without limitation, such amendments to this Lease as may be reasonably required by Lessor, and Uniform Commercial Code financing statements and continuation statements and any filings required by the ICC or the AAR.

SECTION 24. Notices and Requests.

Unless otherwise expressly specified or permitted by the terms hereof, all communications and notices provided for herein shall be in writing or by a telecommunications device capable of creating a written record, and any such notice shall become effective (a) upon personal delivery thereof, including, without limitation, by overnight express mail and courier service, (b) five (5) days after the date on which it shall have been mailed by United States mail, certified or registered, postage prepaid, return receipt requested, or, (c) in the case of notice by such a telecommunications device, upon confirmation of receipt by such device with confirmation delivered by overnight express mail, in each case addressed to each party hereto at its address set forth below or, in the case of any such party hereto, at such other address as such party may from time to time designate by written notice to the other parties hereto:

If to Lessee:	Indiana Michigan Power Company c/o American Electric Power Service Corporation 1 Riverside Plaza Columbus, Ohio 43215 Attention: Vice President - Finance Fax No.: (614) 223-1687 Confirmation No.: (614) 223-2860
If to Lessor:	The Connecticut National Bank, as Trustee under Indiana Michigan Trust No. 91-3 777 Main Street Hartford, Connecticut 06115 Attention: Corporate Trust Administration Fax No.: (203) 240-7920

All notices required to be delivered under this Lease to Lessor shall, so long as the Lien of the Security Agreement shall not have been discharged, also be delivered to the Security Trustee.

SECTION 25. Lessee's Renewal and Purchase Options.

(a) **Lessee's Renewal Option.** If (i) no Default or Event of Default shall have occurred and be continuing, and (ii) this Lease shall not have been earlier terminated, Lessee shall be entitled, at its option upon written notice to Lessor, as hereinafter provided, to renew this Lease with respect to any Item(s) of Equipment then subject to this Lease for two Renewal Terms. The first, Renewal Term of any Item of Equipment shall be for a period of five years. The second Renewal Term of any Item of Equipment shall be for a period of at least one year, as selected by Lessee, but in no event shall such Renewal Term when added to the Interim Term, the Basic Term and all other Renewal Terms exceed 80% of the economic life of such Item(s) of Equipment determined in the manner described in Section 25(c) hereof. All of the provisions of this Lease shall be applicable during each Renewal Term for each such Item of Equipment, except that, during each Renewal Term, Fixed Rent shall be the fair market rental value thereof determined in accordance with Section 25(c) hereof, and said Fixed Rent shall be payable quarterly in

arrears during each Renewal Term, on the twenty-seventh day of each calendar quarter thereof; provided, however, that the Fixed Rent payable during the first Renewal Term of an Item of Equipment shall not exceed 50% of the mean average amount of each installment of Fixed Rent payable in respect of such Item during the Basic Term. Stipulated Loss Values and Termination Values for each Item of Equipment on any Rent Payment Date during any Renewal Term shall be an amount equal to Stipulated Loss Value or the Termination Value, as the case may be, for such Item of Equipment determined as of the last Rent Payment Date of the Basic Term. If Lessee intends to exercise said renewal option with respect to any of said Renewal Terms, Lessee shall give written irrevocable notice to Lessor to such effect at least one hundred and twenty (120) days prior to the expiration of the Basic Term or Renewal Term of such Item(s) of Equipment.

(b) **Lessee's Purchase Option.** If (i) no Default or Event of Default shall have occurred and be continuing, and (ii) this Lease shall not have been earlier terminated, Lessee shall be entitled, at its option, upon written notice to Lessor as hereinafter provided, to purchase any Item(s) of Equipment then subject to this Lease on the date immediately following the date of the expiration of the Basic Term of each such Item of Equipment or, as the case may be, the expiration of the then Renewal Term of each such Item of Equipment, for an amount, with respect to each such Item of Equipment, payable in immediately available funds, equal to the fair market sales value thereof determined in accordance with Section 25(c) hereof, plus any applicable sales, excise or other taxes imposed as a result of such sale (other than gross or net income taxes attributable to such sale). If Lessee intends to exercise said purchase option, Lessee shall give written irrevocable notice to Lessor to such effect at least one hundred and twenty (120) days prior to the expiration of the Basic Term or Renewal Term of such Item(s) of Equipment. In the event that Lessee exercises its purchase option under this Section 25(b), Lessor shall execute and deliver to Lessee a bill of sale, in which Lessor transfers the Item to Lessee "as is" and represents only that it is transferring whatever title was transferred to it, free and clear of all liens in favor of any person claiming by, through or under Lessor, in a form reasonably acceptable to Lessee, upon payment of the sale price by Lessee.

(c) **Determination of Fair Market Sales Value and Fair Market Rental Value; Appraisal Procedure.** If Lessee has elected to exercise its renewal option, as provided in Section 25(a) hereof, or has elected to exercise its purchase option, as provided in Section 25(b) hereof, then as soon as practicable following Lessor's receipt of the written notice from Lessee of Lessee's intent to exercise such option with respect to any Item(s) of Equipment (to the extent permitted by Section 25(a) and (b) hereof), Lessor and Lessee shall consult for the purpose of determining the fair market rental value or fair market sales value, as the case may be, of each such Item of Equipment as of the end of the Basic Term thereof, or, if this Lease has been renewed pursuant to Section 25(a) hereof, then as of the end of the then current Renewal Term thereof, and in the event this Lease is being renewed, the economic life of such Equipment as set forth in Section 25(a) and any values or economic life agreed upon in writing shall constitute such fair market rental value, fair market sales value or economic life of each such Item of Equipment for the purposes of this Section 25. If Lessor and Lessee fail to agree upon such values or economic life sixty (60) days prior to the expiration of the Basic Term, or, if this Lease has been so renewed, the then current Renewal Term, of such Item(s) of Equipment, either party may request, by written notice to the other, that such values or economic life be determined by the appraisal procedure hereinafter specified.

For all purposes of this Section 25, fair market sales value and fair market rental value shall be determined on the basis of, and shall equal in value, the amount which would be obtained in an arm's-length transaction between an informed and willing buyer-user or lessee (other than a lessee currently in possession) and an informed and willing seller or Lessor under no compulsion to sell or lease, and in such determination, costs of removal from the location of current use shall not be a deduction from such value.

In the event Lessor and Lessee fail to agree upon such fair market sales value or fair market rental value, as the case may be, or such economic life of any Item(s) of Equipment, and either Lessor or Lessee shall have requested a determination of such values or such economic life, Lessor and Lessee shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 5 Business Days after such notice is given, each party shall appoint an independent appraiser within 10 Business Days after such notice is given, and the two appraisers so appointed shall within 5 Business Days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 5 Business Days after such notice is given, either party may request the American Arbitration Association to make such appointment, and both parties shall be bound by any such appointment. The above-described procedure shall be from time to time referred to as the "Appraisal Procedure".

Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the fair market sales value and/or the fair market rental value, as the case may be, and the economic life, if applicable, of such Item(s) of Equipment within 30 days after the appointment of such appraiser(s). If the parties shall have appointed a single appraiser, its determination of value and economic life shall be final. If three appraisers shall be appointed, the values and the economic life, if applicable, determined by the three appraisers shall be averaged, and, unless such average shall equal the value and the economic life, if applicable, determined by the middle appraisal (in which event such average shall be final), the determination which differs most from such average shall be excluded, the remaining two determinations shall be averaged and such average shall be final. The fees and expenses of any appraiser appointed under this Section 25(c) shall be shared equally by Lessor and Lessee.

SECTION 26. Financial Information; Reports.

(a) Lessee agrees to furnish Lessor, the Security Trustee and each holder of a Note (1) within 120 days after the close of its fiscal year, an annual report of Lessee, consisting of its audited financial statements including balance sheets as of the end of such fiscal year, statements of income and cash flows for the year then ended with all notes thereto in each case certified as true and correct by the auditor thereof; (2) within 90 days after the close of each of the first three quarterly periods of Lessee's fiscal year, a balance sheet of Lessee as of the end of such quarter, and comparative statements of income and cash flows for such quarter; (3) promptly upon Lessee obtaining knowledge that there has occurred and is continuing any condition, event, act or omission which constitutes a Default or an Event of Default or a Lien (other than Permitted Encumbrances) on the Equipment, notice of such condition, event, act or omission and the steps which Lessee has taken or is taking to remedy the same; and (4) such additional information concerning the location, condition, use and operation of the Equipment and financial condition and operations of Lessee as Lessor, Security Trustee or such holder may from time to time reasonably request.

(b) Lessee shall permit any person designated by Lessor to visit and inspect the Equipment and the records (and to make copies thereof) maintained in connection therewith, all at such reasonable times as Lessor may reasonably request.

SECTION 27. Voluntary Termination for Obsolescence.

So long as no Default or Event of Default shall have occurred and be continuing hereunder, Lessee shall have the right at its option on or after September 27, 1996 on at least one hundred eighty (180) days' prior irrevocable written notice to Lessor, to terminate this Lease with respect to any such Item(s) of Equipment then leased hereunder if, in Lessee's good faith opinion as evidenced by a certificate of the President, any Vice President or the Chairman of the Board of the Lessee, such Item(s) shall have become no longer useful in, or surplus to, Lessee in its business, such termination to be effective on the Rent Payment Date specified in such notice (for purposes of this Section 27, called the "termination date"), upon payment to Lessor of the sum of (i) the installment of Fixed Rent due on such Rent Payment Date, (ii) any Rent or other sums due and owing on or in respect of the Equipment, (iii) an amount equal to the Termination Value of such Equipment as of the date of such termination, and (iv) an amount equal to the Make Whole Premium then due and payable by Lessor on the Notes under and pursuant to Section 6.2 of the Security Agreement. If Lessee shall fail to pay all amounts due under and pursuant to this Section 27, this Lease shall continue in full force and effect and it shall be deemed that Lessee has rescinded its notice of termination. Lessee shall not be entitled to terminate this Lease pursuant to this Section 27 more than one time during any 12 consecutive month period during the Lease Term. During the period from the giving of such notice until the termination date, Lessee, as non-exclusive agent for Lessor, shall use its reasonable efforts to secure the highest obtainable bids for the purchase of such Item(s) and in the event it receives any bid during such period, Lessee shall promptly certify to Lessor in writing the amount and terms of such bid and the name and address of the party submitting such bid. Lessor or the Owner Participant may obtain bids, but shall be under no duty to solicit bids, inquire into the efforts of Lessee to obtain bids or otherwise take any action in connection with arranging such sale. On the termination date, Lessee shall deliver possession of such Item(s) to the bidder, if any, which shall have submitted the highest bid during such period, and Lessor shall, without recourse or warranty, simultaneously therewith sell such Item(s) on an "as-is", "where-is" basis for cash to such bidder. Neither Lessee nor any person, firm or corporation, Affiliated with Lessee, may purchase any such Item(s) of Equipment.

Upon, but not until, payment by the Lessee of all sums required to be paid pursuant to this Section 27, including without limitation the Make Whole Premium payable thereunder, Lessor shall sell the Equipment for cash to the highest bidder certified by Lessee or obtained by Lessor or the Owner Participant and the proceeds realized at such sale in an amount equal to the sum of the amounts specified in clauses (iii) and (iv) of the first sentence of the first paragraph of this Section 27 shall be retained by Lessee and any proceeds in excess of such amounts specified in such clauses shall be retained by Lessor; provided further that the Owner Participant shall have the option to retain the Equipment upon payment to Lessee of an amount equal to the lesser of such highest bid (if any) or the Termination Value paid by Lessee to Lessor pursuant to this Section 27 as reimbursement to Lessee of the Termination Value paid by Lessee to Lessor pursuant to this Section 27. Upon, but not until, disposition of the Equipment and payment of the sums required by this Section 27, including without limitation the Make Whole Premium payable thereunder, this

Lease shall terminate with respect to the Equipment. In disposing of the Equipment pursuant to this Section, Lessee shall take such action as Lessor or the Owner Participant shall reasonably request to terminate any contingent liability which Lessor or the Owner Participant might have arising after such disposition.

SECTION 28. Consolidation, Merger and Sale of All Assets.

Lessee will not merge or consolidate with any other corporation or sell, lease or otherwise dispose of all or substantially all of its assets to any person, firm or corporation unless (a) immediately after such transaction, no Default or Event of Default shall have occurred and be continuing, and (b) the corporation which is to be the surviving or acquiring corporation in such transaction (i) shall be a corporation organized and existing under the laws of the United States of America or a state thereof, (ii) shall be either a "public utility company" within the meaning of the Public Utility Holding Company Act of 1935 or a "public utility" within the meaning of the Federal Power Act, and (iii) shall, if the surviving or acquiring corporation is other than Lessee, by agreement in writing, satisfactory to the Participants, expressly assume the due and punctual payment of the Rent and other sums due and to become due under this Lease, the Participation Agreement and the Tax Indemnification Agreement and the Participants shall have received an opinion of counsel reasonably satisfactory to the Participants, in form and substance reasonably satisfactory to them, to the effect that the instrument of assumption has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of the surviving corporation enforceable in accordance with its terms, except as enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally.

SECTION 29. Miscellaneous.

The parties hereto agree that the other party shall not by act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder unless such waiver is given in writing. A waiver on one occasion shall not be construed to be a waiver on any other occasion. The captions in this Lease are for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof. Any provision of this Lease 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 or diminishing Lessor's or Lessee's rights under 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. No term or provision of this Lease may be amended, altered, waived, discharged or terminated orally, but may be amended, altered, waived, discharged or terminated only by an instrument in writing signed by a duly authorized officer of the party against which the enforcement of the amendment, alteration, waiver, discharge or termination is sought. All of the covenants, conditions and obligations contained in this Lease shall be binding upon and shall inure to the benefit of the respective successors and assigns of Lessor and Lessee. This Lease, each Lease Supplement and each related instrument, document, agreement and certificate, collectively constitute the entire agreement of Lessor and Lessee with respect to the acquisition and leasing of the Equipment, and cancel and supersede any and all prior oral or written understandings with respect thereto. This Lease shall in all respects be governed by, and construed in

accordance with, the laws of the State of New York, including all matters of construction, validity and performance.

SECTION 30. Third-Party Beneficiaries.

Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than Owner Participant, Security Trustee and each holder from time to time of a Note and the permitted successors and assigns of any such person and any party hereto) and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of a third party except as aforesaid.

SECTION 31. Liability of Lessor Limited.

It is expressly agreed, anything herein to the contrary notwithstanding, that each and all of the representations, warranties, covenants, undertakings and agreements herein made on the part of Lessor are made and intended not as personal representations, warranties, covenants, undertakings and agreements by The Connecticut National Bank, or for the purpose or with the intention of binding The Connecticut National Bank personally, but are made and intended for the purpose of binding only the Trust Estate, and this Lease is executed and delivered by The Connecticut National Bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or personal responsibility, except in the case of willful misconduct or gross negligence of Lessor (other than with respect to the handling of funds, in which case Lessor shall be accountable for its failure to exercise ordinary care), is assumed by or shall at any time be asserted or enforceable against The Connecticut National Bank on account of this Lease or on account of any representation, warranty, covenant, undertaking or agreement of Lessor, either expressed or implied herein, all such personal liability, if any, being expressly waived and released by Lessee and by all persons claiming by, through or under it, and that all recourse against The Connecticut National Bank under this Lease shall be limited to the Trust Estate.

SECTION 32. Execution.

This Lease may be executed in any number of counterparts and by the different parties hereto on separate counterparts (or upon separate signature pages bound together into one or more counterparts), each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. To the extent, if any, that this Lease or any Lease Supplement constitutes chattel paper or other collateral within the meaning of the Uniform Commercial Code (or other law respecting security interests) as in effect in any applicable jurisdiction, no security interest in Lessor's interest under this Lease or any such Lease Supplement may be created through the transfer or possession of any counterpart of this Lease or such Supplement other than the original executed Counterpart No. 1 hereof or thereof which shall be identified on the cover hereof.

IN WITNESS WHEREOF, Lessor and Lessee have caused this instrument to be executed, all as of the day and year first above written.

INDIANA MICHIGAN POWER COMPANY,
an Indiana corporation

By_____
Its:_____

THE CONNECTICUT NATIONAL BANK,
not individually but solely as Owner
Trustee under Indiana Michigan Trust
No. 91-3

By_____
Its: Trust Officer

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

On this, the _____ day of _____, 1991, before me, a Notary Public in and for said County and State, personally appeared _____, the _____ _____ of INDIANA MICHIGAN POWER COMPANY, who acknowledged himself to be a duly authorized officer of INDIANA MICHIGAN POWER COMPANY, and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

_____
Name:
Notary Public
My Commission Expires:
Residing in Franklin County, Ohio

STATE OF Connecticut)
) ss.: Hartford
COUNTY OF Hartford)

On this, the 2nd day of August, 1991, before me, a Notary Public in and for said County and State, personally appeared W. R. MUNROE, the Trust Officer of THE CONNECTICUT NATIONAL BANK, who acknowledged himself to be a duly authorized officer of THE CONNECTICUT NATIONAL BANK, and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

Barbara G. Hager
Name:
Notary Public
My Commission Expires:
Residing in Glastonbury, CT

BARBARA G. HAGER
NOTARY PUBLIC
MY COMMISSION EXPIRES MAR. 31, 1996

DEFINITIONS

Re: INDIANA MICHIGAN POWER TRUST NO. 91-3
Annex 1

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DEFINITIONS

Re: INDIANA MICHIGAN POWER TRUST NO. 91-3

General Provisions

The following terms shall have the following meanings for all purposes of the Operative Agreements referred to below, unless otherwise defined in an Operative Agreement or the context thereof shall otherwise require. In the case of any conflict between the provisions of this Definition Annex and the provisions of the main body of any Operative Agreement, the provisions of the main body of such Operative Agreement shall control the construction of such Operative Agreement.

Unless the context otherwise requires, (i) references to agreements shall be deemed to mean and include such agreements as the same may be amended and supplemented from time to time, and (ii) references to parties to agreements shall be deemed to include the successors and permitted assigns of such parties.

Defined Terms

"AAR" shall mean the Association of American Railroads or any successor thereto.

"Acceptance Date" for each Item of Equipment means the date on which Lessee has accepted such Item for lease under the Lease, as evidenced by Lessee's execution and delivery of a Lease Supplement for such Item dated such date.

"Acquisition Agreement" shall have the meaning specified in the Recitals of the Participation Agreement.

"Affiliate" shall mean any person, firm or corporation who or which, directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with, another person, firm or corporation. 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, firm or corporation, whether though the ownership of voting securities, by contract or otherwise.

"After-Tax Basis" means (i) with respect to any payment to be received by Lessor or the Owner Participant, the amount of such payment supplemented by a further payment or payments so that, after deducting from such payments the amount of all taxes (net of any current credits or deductions or other tax benefits arising therefrom) with respect to such payments payable by the Lessor, the Owner Participant and any Affiliate of the Owner Participant (whether or not such taxes are payable or such tax benefits are received in the year of receipt or accrual), the sum of such payments shall be equal to the original payment to be received, and (ii) with respect to any payment to be made by Lessor, the amount of such payment supplemented by a further payment or payments so that, after increasing such payment by the amount of any credits or other tax benefits received by the Lessor, the Owner Participant and any Affiliate of the Owner Participant (whether or not such credits or benefits are received in the year of payment) resulting from the making of such payment, the sum of such payments (net of such credits or benefits) shall be equal to the original payment to be made.

"Appraisal Procedure" shall have the meaning specified in Section 25(c) of the Lease.

"Assigned Agreements" shall mean the Lease and all of the other agreements referred to in Division III of the Granting Clauses of the Security Agreement.

"Bankruptcy Code" shall mean the Bankruptcy Code as amended from time to time, 11 U.S.C. ¶ 101 et seq.

"Basic Term" shall have the meaning specified in Section 4 of the Lease.

"Basic Term Commencement Date" shall have the meaning specified in Section 4 of the Lease.

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

"Bill of Sale" shall mean the Bill of Sale dated the Closing Date from the Seller to the Owner Trustee pursuant to which the Seller shall convey title to the Equipment to the Owner Trustee.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which banking institutions in the states of New York, Connecticut, Indiana or Delaware are authorized or required to be closed.

"Closing Date" shall have the meaning specified in Section 2.3 of the Participation Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" shall have the meaning specified in the Granting Clauses of the Security Agreement.

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

"Default" under the Security Agreement shall mean any event which would constitute an Event of Default under the Security Agreement if any requirement in connection therewith for the giving of notice, or the lapse of time, or both, had been satisfied.

"Employee benefit plan" has the meaning specified in Section 3 of ERISA.

"Enforcement Date" shall have the meaning specified in Section 7.3 of the Security Agreement.

"Equipment" shall mean collectively those items of railroad rolling stock described in the Lease Supplement delivered on the Closing Date, together with any and all accessions, additions, improvements and replacements from time to time incorporated or installed on any item thereof which are the property of the Owner Trustee pursuant to

the terms of the Lease, and "Item" or "Item of Equipment" shall mean individually a railcar.

"Equipment Lease" - See "Lease."

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor law.

"Event of Default" under the Lease is defined in Section 18 thereof.

"Event of Default" under the Security Agreement is defined in Section 7.1 thereof.

"Event of Loss" with respect to any Item of Equipment means the loss of such Item of Equipment or any substantial part thereof or of the use thereof due to theft or disappearance for a period in excess of 180 days during the Lease Term, or existing at the expiration or earlier termination of the Lease Term, or the destruction, damage beyond repair, or rendition of such Item of Equipment or any substantial part thereof permanently unfit for normal use for any reason whatsoever, or the condemnation, confiscation, seizure, or requisition of use or title to such Item of Equipment or any substantial part thereof by any governmental authority under the power of eminent domain or otherwise for a period in excess of 180 days.

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

"Fair Market Sales Value" shall mean with respect to the Equipment or any Item thereof, the fair market sales value of the Equipment or such Item, determined in accordance with Section 25 of the Lease, as the case may be.

"Fair Market Rental Value" shall mean with respect to the Equipment or any Item thereof, the fair market rental value of the Equipment or such Item, determined in accordance with Section 25 of the Lease, as the case may be.

"Final Determination", with respect to a Loss, shall mean (i) a decision, judgment, decree or other order by any court of competent jurisdiction, which decision, judgment, decree or other order has become final (i.e., when all allowable appeals have been exhausted by all parties to the action) or, in any case where judicial review shall at the time be unavailable because the proposed adjustment involves a decrease in a net operating loss carry forward or a business credit carry forward, a decision, judgment, decree or other order of an administrative official or agency of competent jurisdiction, which decision, judgment, decree or other order has become final (i.e., when all administrative appeals have been exhausted by all parties thereto), (ii) a closing agreement entered into under Section 7121 of the Code or any other settlement agreement entered into in connection with any administrative or judicial proceeding (including any settlement of a proposed adjustment entered into by Owner Participant in accordance with Section 7(a) of the Tax Indemnification Agreement) or (iii) the expiration of the time for instituting a claim for refund, or if such a claim was filed, the expiration of the time for instituting suit with respect thereto.

"Fixed Rent" shall mean all rent payable pursuant to Section 6(b) of the Lease for the Basic Term and all Rent payable pursuant to Section 25(a) of the Lease for the Renewal Term, if any.

"Guidelines" shall mean the guidelines set forth in Revenue Procedure 75-21, 1975-1 C.B. 715, as further set forth in Revenue Procedure 75-28, 1975-1 C.B. 752, and as modified in Revenue Procedure 76-30, 1976-2 C.B. 647 and Revenue Procedure 79-48, 1979-2 C.B. 529 that are applied by the Internal Revenue Service in determining, for advance ruling purposes, whether leveraged lease transactions (other than transactions which are treated as leases pursuant to Section 168(f)(8) of the Code) are leases for Federal income tax purposes.

"ICC" means the Interstate Commerce Commission or any successor thereto.

"Indemnified Parties" shall mean the Participants, the Owner Trustee (in its individual or trust capacities), the Trust Estate and the Security Trustee (in its individual or trust capacities), and successors, assigns, agents, servants, officers and employees of each of the foregoing.

"Independent Tax Counsel" means independent tax counsel selected by Owner Participant and reasonably acceptable to Lessee.

"Interchange Rules" shall have the meaning specified in Section 10 of the Lease.

"Interest" shall mean the Beneficial Interest or a Note, individually, and **"Interests"** shall mean the Beneficial Interest and the Notes, collectively.

"Interim Rent" shall mean for the Equipment, the aggregate amounts payable for such Equipment pursuant to Section 6(a) of the Lease during the Interim Term.

"Interim Rent Payment Date" shall mean September 27, 1991.

"Interim Term" shall have the meaning specified in Section 4 of the Lease.

"Investment Grade Quality", when used with respect to any class of securities, means (i) if such securities are rated by Moody's Investors Service, Inc., Standard & Poor's Corporation or any successor of either that issues nationally accepted securities ratings, the rating is at least "Baa" (or such other rating which at the time is the equivalent thereof) by Moody's Investors Service, Inc., or "BBB" (or such other rating which at the time is the equivalent thereof) by Standard & Poor's Corporation, or (ii) if such securities are not rated by Moody's Investors Service, Inc. or Standard & Poor's Corporation, they are of a credit quality equivalent to the ratings specified in clause (i) above.

"IRS" shall mean the Internal Revenue Service or any successor agency.

"Late Rate" shall mean interest at the annual rate equal to the greater of (a) the Prime Rate plus 1%, and (b) 10.73%.

"Lease" or **"Equipment Lease"** shall mean the Railcar Lease dated as of July 1, 1991 between the Lessor, as lessor, and the Lessee, as lessee as amended or supplemented from time to time.

"Lease Supplement" shall mean a Lease Supplement, substantially in the form of Exhibit B to the Lease, entered into between the Owner Trustee and the Lessee pursuant to Section 3 of the Lease, and shall include any supplement, amendment or

restatement thereof. Each Lease Supplement shall contain a description of the Equipment, shall confirm that the Equipment has been accepted by the Lessee and shall set forth a summary of the Purchase Price of the Equipment. Each reference to "the Lease" shall include the Lease and the Lease Supplements.

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

"Lessee" shall mean Indiana Michigan Power Company, an Indiana corporation, and any corporation which succeeds thereto by merger or consolidation or which acquires all or substantially all of the assets thereof.

"Lessee Agreements" shall mean the Operative Agreements to which the Lessee is a party.

"Lessor" shall mean the Owner Trustee, as lessor under the Lease.

"Lessor's Liens" shall mean Liens arising as a result of (i) claims against Lessor, in its individual capacity or as Owner Trustee or Owner Participant not related to the transactions contemplated by the Participation Agreement, (ii) acts of Lessor in its individual capacity or as Owner Trustee, and in the case of Lessor arising out of its gross negligence or willful misconduct either not related to the transactions contemplated by the Participation Agreement or expressly prohibited under the Lease or under the Participation Agreement, (iii) "taxes, fees or other charges" as defined in Section 6(a) of the Participation Agreement imposed against Lessor, in its individual capacity or as Owner Trustee, Owner Participant, the Trust or the Trust Estate which are not indemnified against by Lessee pursuant to Section 6 of the Participation Agreement or (iv) claims against Lessor arising out of the voluntary transfer by Lessor or Owner Participant of its interest in the Equipment other than a transfer of the Equipment pursuant to Sections 15, 25 or 27 and other than a transfer pursuant to the exercise of the remedies set forth in Section 19 of the Lease.

"Lien" shall mean any mortgage, pledge, security interest, lien, encumbrance or other charge of any kind on property.

"Loss" shall have the meaning given in Section 4 of the Tax Indemnification Agreement.

"Make Whole Premium" shall mean, with respect to the termination of the Lease pursuant to Section 27 of the Lease and the prepayment of the Notes under Section 5.1(e) and 7.3 of the Security Agreement, the excess of (a) the present value of the principal and interest payments on and in respect of the Notes being prepaid or paid, as the case may be, that would otherwise become due and payable (without giving effect to such prepayment or payment) (including the final payment on the maturity date of Notes), all determined by discounting such payments and prepayments quarterly at a rate which is equal to the Treasury Rate over (b) the aggregate principal amount of the Notes then to be paid or prepaid. To the extent that the Treasury Rate at the time of such payment is equal to or higher than, 9.73%, the Make Whole Premium is zero.

"Net Economic Return" means Owner Participant's expected net after-tax yield and net after-tax cash flow (preserving its originally expected aggregate book earnings over the five-year period next succeeding the date of determination) resulting

from the transactions described in and contemplated by the Operative Agreements, based on the Interim Rent and Fixed Rent during the Interim Term and Basic Term originally set forth on Exhibit C to the Lease and based on the assumptions set forth in Section 2 of the Tax Indemnification Agreement; provided, however, that in determining the amount of any increase or decrease in Fixed Rent or other amount or amounts required to preserve Owner Participant's Net Economic Return, it is intended that Owner Participant's net after-tax yield, net after-tax cash flow and originally expected aggregate book earnings over the five-year period next succeeding the date of determination shall each be maintained (or, where one such component must be enhanced in order to preserve the other components, enhanced). Net Economic Return shall not mean or include Owner Participant's return on equity or return on assets.

"**Note**" shall mean any of, and "**Notes**" shall mean all of, the then outstanding Notes, and "**outstanding**", when used with reference to Notes shall mean, as of any particular time, all Notes delivered by the Debtor and secured by the Security Agreement, except:

(a) Notes theretofore cancelled by the Security Trustee or delivered to the Security Trustee for cancellation;

(b) Notes for the payment or prepayment of which moneys in the necessary amount shall have been deposited in trust with the Security Trustee; provided, that if such Notes are to be prepaid prior to the maturity thereof, notice of such prepayment shall have been given as in Section 6.3 of the Security Agreement provided, or provision satisfactory to the Security Trustee shall have been made for giving such notice; and

(c) Notes in lieu of or in substitution for which other Notes shall have been delivered pursuant to the terms of Section 2.4 of the Security Agreement.

"**Noteholder**" shall mean the holder of any Note issued and outstanding under the Security Agreement.

"**Note Purchasers**" shall mean the Note Purchasers named in Schedule 2 to the Participation Agreement and their respective successors and assigns, including successive holders of the Notes.

"**Officer's Certificate**" shall mean a certificate signed in the case of a corporation by the Chairman of the Board, the President or any Vice President, the Treasurer or an Assistant Treasurer of such corporation, in the case of a partnership by the Chairman of the Board, the President or any Vice President, the Treasurer or an Assistant Treasurer of a corporate general partner, and in the case of a commercial bank or trust company, the Chairman or Vice Chairman of the Executive Committee, or the Treasurer, any Trust Officer, any Vice President, any Executive or Senior or Second or Assistant Vice President, Secretary or Assistant Secretary, or any other officer or assistant officer customarily performing the functions similar to those performed by the Persons who at the time shall be such officers, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

"**Operative Agreements**" shall mean and include the Participation Agreement, the Bill of Sale, the Acquisition Agreements, the Trust Agreement, the Lease,

the Lease Supplement, the Notes outstanding at the time of reference, the Security Agreement, the Security Agreement Supplement and the Tax Indemnity Agreement.

"Owner Participant" shall mean Chase Manhattan Service Corporation, a New York corporation, and its successors and permitted assigns of its Beneficial Interest.

"Owner Participant Agreements" shall mean the Operative Agreements to which the Owner Participant is a party.

"Owner Trustee" shall mean The Connecticut National Bank not in its individual capacity but solely in its capacity as trustee under the Trust Agreement and its successors in trust thereunder.

"Owner Trustee Agreements" shall mean the Operative Agreements to which The Connecticut National Bank, either in its individual or trust capacity, is a party.

"Participants" shall mean the Note Purchasers and the Owner Participant.

"Participation Agreement" shall mean the Participation Agreement dated as of July 1, 1991, among the Lessee, the Participants, the Owner Trustee and the Security Trustee.

"Permitted Contest" shall mean a good-faith contest which will be conducted in a manner so as to prevent the imposition of any criminal penalty on, or adverse effect on the title, property or right of, such Indemnified Party, of the legality or validity of any of the taxes, assessments, levies, fees or other governmental charges, or other claims, Liens or impositions which, under the terms of the Lease, are required to be paid or discharged by the Lessee or the Lessor, as the case may be, but for such contest.

"Permitted Encumbrances" with respect to the Equipment and each Item thereof, shall mean (i) the interest of the Lessee and the Owner Trustee, respectively, under the Lease; (ii) any Liens thereon for taxes, assessments, levies, fees and other governmental and similar charges not due and payable or the amount or validity of which is being contested by a Permitted Contest; (iii) any Liens of mechanics, suppliers, materialmen and laborers for work or services performed or materials furnished in connection with the Equipment or any Item thereof which are not more than 30 days past due or the amount or validity of which is being contested by a Permitted Contest; (iv) the Lien and security interest granted to the Security Trustee under and pursuant to the Security Agreement; and (v) the rights of any sublessee or assignee pursuant to Section 13 of the Lease in respect of the Equipment.

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

"Pricing Assumptions" shall mean the assumptions set forth in Annex 2 to the Lease.

"Prime Rate" shall mean for any day the rate announced by The Chase Manhattan Bank, N.A., from time to time at its principal office in New York, New York, as its prime rate for domestic (United States) commercial loans in effect on such day (such Prime Rate is not necessarily intended to be the lowest rate of interest charged by The Chase Manhattan Bank, N.A. in connection with the extensions of credit).

"Purchase Price" shall mean with respect to the Equipment $6,508,560.00.

"Reasonable Basis" for a position shall exist if tax counsel may properly advise reporting such position on a tax return in accordance with Formal Opinion 85-352 issued by the Standing Committee on Ethics and Professional Responsibility of the American Bar Association.

"Register" shall mean the register caused to be kept by the Owner Trustee at the principal office of the Security Trustee for the purpose of recording the registration and transfer of the Notes.

"Regulations" shall mean the income tax regulations issued, published or promulgated under the Code.

"Renewal Term" shall mean any term in respect of which the Lessee shall have exercised its option to renew the Lease pursuant to Section 25(a) hereof.

"Rent" shall mean Interim Rent, Fixed Rent and Supplemental Rent.

"Rent Payment Dates" shall mean for each Item of Equipment (i) for the Basic Term thereof, December 27, 1991 and the twenty-seventh day of each March, June, September and December thereafter throughout, to and including September 27, 2011, and (ii) for each Renewal Term thereof, each date on which a payment of Fixed Rent is due and payable for such Item as provided in Section 25(a) of the Lease.

"Responsible Officer" of the Owner Trustee shall mean any Officer in the Corporate Trust Administration department of the Owner Trustee.

"Responsible Officer" of the Security Trustee shall mean the President, any Vice President, Trust Officer, Corporate Trust Officer or any other Officer of the Corporate Trust Administration of the Security Trustee.

"Secured Indebtedness" shall mean the outstanding Notes and all principal thereof (and premium, if any) and interest 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 outstanding Notes or the Security Agreement.

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

"Security Agreement" shall mean the Security Agreement - Trust Deed dated as of July 1, 1991 between the Owner Trustee, as debtor, and the Security Trustee, as secured party, as amended or supplemented from time to time.

"Security Agreement Supplement" shall mean the Security Agreement Supplement, substantially in the form of Exhibit B to the Security Agreement, entered into between the Debtor and the Security Trustee on the Closing Date, covering the Equipment.

"Security Trustee" shall mean Wilmington Trust Company and its successors in trust not in its individual capacity but solely as security trustee under the Security Agreement.

"Seller" shall mean Bethlehem Steel Corporation.

The term **"separate account"** shall have the meaning specified in Section 3 of ERISA.

"Stipulated Loss Value" of an Item as of any Rent Payment Date shall mean the amount determined in accordance with Exhibit C of the Lease as such percentage or percentages may be adjusted in accordance with the provisions of Section 6(e) of the Lease. Notwithstanding any other provision of the Lease, the Participation Agreement or the Security Agreement, each Stipulated Loss Value for the Equipment shall be, under any circumstances and in any event, an amount, together with Fixed Rent due and owing through the date of payment of Stipulated Loss Value, at least sufficient to pay in full as of such date of payment the aggregate unpaid principal amount of and accrued interest on the Notes outstanding on such date of payment.

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

"Supplemental Rent" shall mean all amounts, liabilities and obligations (other than Fixed Rent) which the Lessee is obligated to pay under the Lease or the Participation Agreement, including, but not limited to, Stipulated Loss Value and Termination Value payments, payment of the Make Whole Premium under Section 27 of the Lease, and amounts, if any, payable, under Section 2.6 of the Participation Agreement (to the extent such payment does not give rise to a rental adjustment under Section 6(e) of the Lease) by the Lessee.

"Tax Assumptions" shall have the meaning given in Section 2 of the Tax Indemnification Agreement.

"Tax Indemnification Agreement" shall mean the Tax Indemnification Agreement dated as of July 1, 1991 between the Lessee and Owner Participant.

"Term" shall mean the Lease Term.

"Termination Value" of the Equipment as of the Rent Payment Date next following the date on which the Equipment shall have been leased under the provisions of the Lease and all Rent Payment Dates thereafter shall mean with respect to the Equipment an amount determined in accordance with Exhibit C of the Lease as such percentage or percentages may be adjusted in accordance with the provisions of Section 6(e) of the Lease. Notwithstanding any other provision of the Lease, the Participation Agreement or the Security Agreement, each Termination Value for the Equipment shall be, under any circumstances and in any event, an amount, together with Fixed Rent due and owing through the date of payment of Termination Value, at least sufficient to pay in full as of such date of payment the aggregate unpaid principal amount of and accrued interest on the Notes outstanding on such date of payment.

"Transaction Costs" shall have the meaning set forth in Section 2.6 of the Participation Agreement.

"Treasury Rate" shall mean at any time with respect to the Notes being prepaid the sum of (i) .50%, plus (ii) the weekly average of the yield to maturity on the United States Treasury obligations with a constant maturity (as compiled by and published in the most recently published issue of the United States Federal Reserve Statistical Release designated H.15(519) or its successor publication) most nearly equal to (by rounding to the nearest month) the Weighted Average Life to Maturity of the Notes then being prepaid. If no maturity exactly corresponding to such Weighted Average Life to Maturity of the Notes shall appear therein, the weekly average yields for the two most closely corresponding published maturities shall be calculated pursuant to the foregoing sentence and the Treasury Rate shall be interpolated from such yields on a straight-line basis (rounding, in the case of relevant periods, to the nearest month).

"Trust" shall have the meaning specified in the Trust Agreement.

"Trust Agreement" shall mean the Trust Agreement dated as of July 1, 1991 between the Owner Participant and The Connecticut National Bank.

"Trust Estate" shall mean all the estate, right, title and interest of the Owner Trustee in, to and under the Equipment and the Operative Agreements including, without limitation, all funds advanced to the Owner Trustee by the Owner Participant, all proceeds from the sale of the Notes, all installments and other payments of Rent, insurance proceeds, Stipulated Loss Values, Termination Values, condemnation awards, purchase price and sale proceeds, and all other proceeds of any kind for or with respect to the Equipment and the Operative Agreements excluding any and all payments payable or made to the Owner Trustee in its individual capacity or to the Owner Participant for its own account and excluding all Excepted Rights in Collateral.

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

"Weighted Average Life to Maturity" with respect to the Notes shall mean, as at the time of determination, the number of years obtained by dividing the then Remaining Dollar-years of the Notes by the remaining scheduled principal payments on such Notes. The term "Remaining Dollar-years" of the Notes means the product obtained by (1) multiplying (A) the amount of each then scheduled required principal payment (including payment at final maturity), by (B) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination of the Weighted Average Life to Maturity of the Notes and the date of such required payment is due, and (2) totalling all the products obtained in (1).

PRICING ASSUMPTIONS

Closing Date:	August 2, 1991
Assets:	141 new 110-ton gondola coalporter railcars, as listed in Exhibit B to the Railcar Lease.
Purchase Price of Assets:	$46,160 per railcar; total cost equals $6,508,560
Interim Term Commencement Date:	August 2, 1991
Basic Term Commencement Date:	September 27, 1991
Basic Term:	Twenty years
Interim Rent:	Interest only on Notes, payable by the Lessee on the last day of the Interim Term.
Fixed Rent during the Basic Term:	As set forth in Exhibit C to the Railcar Lease.
Interest Rate on Notes:	9.73%
Percentage of Purchase Price of Assets Funded by Notes:	76.7228336%
Amortization of Notes:	As set forth in Annex II of the Security Agreement.
Tax Assumptions:	As set forth in Section 2 of the Tax Indemnification Agreement.
Total Purchase Price of Assets for Related Transactions:	$53,145,027
Total Transactions Costs for Related Transactions:	$352,883
Total Other Transaction Expenses for Related Transactions:	$186,008

ANNEX 2
(to Equipment Lease)

Transaction Cost Ratio:	The ratio of (a) Total Transaction Costs for Related Transactions to (b) Total Purchase Price of Assets for Related Transactions, .664%.
Other Transaction Expenses Ratio:	The ratio of a (a) Total Other Transaction Expenses for Related Transactions to (b) Total Purchase Price of Assets for Related Transactions, .35%. [Note: Pricing will only be adjusted for a change in this ratio to the extent that change is caused by an adjustment to the denominator.]
Transaction Costs:	The product of (a) Purchase Price of Assets and (b) Transaction Cost Ratio, $43,217.
Other Transaction Expenses:	The product of (a) Purchase Price of Assets and (b) Other Transaction Expenses Ratio, $22,780.

Definitions

Related Transactions:	This financing is one of six related financings between Chase Manhattan Service Corporation ("CMSC"), as Owner Participant, and Ohio Power Company and Indiana Michigan Power Company, separately as Lessees, to be entered into pursuant to a commitment letter, dated June 7, 1990 from CMSC to American Electric Power Service Corporation.
Transaction Costs:	The expenses described in Section 2.6(a) of the Participation Agreement defined as Transaction Costs.
Other Transaction Expenses:	Those expenses described in Section 2.6(a) of the Participation Agreement, that are not defined as Transaction Costs.

DESCRIPTION OF EQUIPMENT

141-110-ton gondola coalporter railcars as more specifically described below:

Car Numbers

AEPX 3201	AEPX 3245	AEPX 3289	AEPX 3333
AEPX 3202	AEPX 3246	AEPX 3290	AEPX 3334
AEPX 3203	AEPX 3247	AEPX 3291	AEPX 3335
AEPX 3204	AEPX 3248	AEPX 3292	AEPX 3336
AEPX 3205	AEPX 3249	AEPX 3293	AEPX 3337
AEPX 3206	AEPX 3250	AEPX 3294	AEPX 3338
AEPX 3207	AEPX 3251	AEPX 3295	AEPX 3339
AEPX 3208	AEPX 3252	AEPX 3296	AEPX 3340
AEPX 3209	AEPX 3253	AEPX 3297	AEPX 3341
AEPX 3210	AEPX 3254	AEPX 3298	
AEPX 3211	AEPX 3255	AEPX 3299	
AEPX 3212	AEPX 3256	AEPX 3300	
AEPX 3213	AEPX 3257	AEPX 3301	
AEPX 3214	AEPX 3258	AEPX 3302	
AEPX 3215	AEPX 3259	AEPX 3303	
AEPX 3216	AEPX 3260	AEPX 3304	
AEPX 3217	AEPX 3261	AEPX 3305	
AEPX 3218	AEPX 3262	AEPX 3306	
AEPX 3219	AEPX 3263	AEPX 3307	
AEPX 3220	AEPX 3264	AEPX 3308	
AEPX 3221	AEPX 3265	AEPX 3309	
AEPX 3222	AEPX 3266	AEPX 3310	
AEPX 3223	AEPX 3267	AEPX 3311	
AEPX 3224	AEPX 3268	AEPX 3312	
AEPX 3225	AEPX 3269	AEPX 3313	
AEPX 3226	AEPX 3270	AEPX 3314	
AEPX 3227	AEPX 3271	AEPX 3315	
AEPX 3228	AEPX 3272	AEPX 3316	
AEPX 3229	AEPX 3273	AEPX 3317	
AEPX 3230	AEPX 3274	AEPX 3318	
AEPX 3231	AEPX 3275	AEPX 3319	
AEPX 3232	AEPX 3276	AEPX 3320	
AEPX 3233	AEPX 3277	AEPX 3321	
AEPX 3234	AEPX 3278	AEPX 3322	
AEPX 3235	AEPX 3279	AEPX 3323	
AEPX 3236	AEPX 3280	AEPX 3324	
AEPX 3237	AEPX 3281	AEPX 3325	
AEPX 3238	AEPX 3282	AEPX 3326	
AEPX 3239	AEPX 3283	AEPX 3327	
AEPX 3240	AEPX 3284	AEPX 3328	
AEPX 3241	AEPX 3285	AEPX 3329	
AEPX 3242	AEPX 3286	AEPX 3330	
AEPX 3243	AEPX 3287	AEPX 3331	
AEPX 3244	AEPX 3288	AEPX 3332	

EXHIBIT A
(to Equipment Lease)

LEASE SUPPLEMENT NO. __

THIS LEASE SUPPLEMENT NO. ____ dated as of _____, 1991 between THE CONNECTICUT NATIONAL BANK, not individually but solely as Owner Trustee under Indiana Michigan Trust No. 91-3 ("Lessor"), and INDIANA MICHIGAN POWER COMPANY, an Indiana corporation ("Lessee"),

WITNESSETH:

1. Lessor and Lessee have heretofore entered into a Railcar Lease dated as of July 1, 1991 (the "Lease") providing for the execution and delivery of Lease Supplements substantially in the form hereof. The terms defined in the Lease shall have the same meanings when used herein.

2. Lessee hereby acknowledges and confirms that on or prior to the date hereof, the Equipment described in Schedule 1 attached hereto has been delivered and assembled. Lessee represents that the Equipment is free and clear of all liens and encumbrances, except for Permitted Encumbrances.

3. Lessee hereby certifies that the date of acceptance of the Equipment and commencement of the Lease Term with respect thereto is _____, 1991.

4. Lessee hereby certifies that such Purchase Price for the Equipment as of the date hereof is $_____.

5. Interim Rent for the Equipment is payable in the amount of $ _____ on September 27, 1991. Fixed Rent, Stipulated Loss Values and Termination Values for the Equipment is payable in the amounts and on the Rent Payment Dates set forth in Schedule 2 attached hereto.

Counterpart No. __ of __.

EXHIBIT B
(to Equipment Lease)

IN WITNESS WHEREOF, Lessor and Lessee have caused this instrument to be executed, all as of the day and year first above written.

INDIANA MICHIGAN POWER COMPANY,
an Indiana corporation

By_____
Its_____

THE CONNECTICUT NATIONAL BANK,
not individually but solely as Owner
Trustee under Indiana Michigan Trust
No. 91-3

By_____
Its_____

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

On this, the _____ day of _____, 1991, before me, a Notary Public in and for said County and State, personally appeared _____, the _____ _____ of INDIANA MICHIGAN POWER COMPANY, who acknowledged himself to be a duly authorized officer of INDIANA MICHIGAN POWER COMPANY, and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

_____
Name:
Notary Public
My Commission Expires:
Residing in Franklin County, Ohio

STATE OF)
) ss.:
COUNTY OF)

On this, the _____ day of _____, 1991, before me, a Notary Public in and for said County and State, personally appeared _____, the _____ of THE CONNECTICUT NATIONAL BANK, who acknowledged himself to be a duly authorized officer of THE CONNECTICUT NATIONAL BANK, and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

_____
Name:
Notary Public
My Commission Expires:
Residing in _____

DESCRIPTION OF EQUIPMENT

SCHEDULE OF FIXED RENT, STIPULATED LOSS VALUE AND TERMINATION VALUE RATE FACTORS

Rent Payment Date	Rent Installment For the Equipment Equal to Purchase Price for the Equipment Times the Following Fixed Rent Factor

SCHEDULE 2
(to Lease Supplement No. __)

STIPULATED LOSS VALUE AND TERMINATION VALUE

Rent Payment Date	Stipulated Loss Value or Termination Value, as a percent of the Purchase Price of the Equipment (in Addition to Fixed Rent installment for the Equipment due on such date)

SCHEDULE 2
(to Lease Supplement No. __)

SCHEDULE OF FIXED RENT, STIPULATED LOSS VALUE AND TERMINATION VALUE

Rent Payment Date		Rent Installment For the Equipment Equal to Purchase Price for the Equipment Times the Following Fixed Rent Factor
Sep 27 1991	1	1.16161
Dec 27 1991	2	2.17415
Mar 27 1992	3	2.17415
Jun 27 1992	4	2.17415
Sep 27 1992	5	2.17415
Dec 27 1992	6	2.17415
Mar 27 1993	7	2.17415
Jun 27 1993	8	2.17415
Sep 27 1993	9	2.17415
Dec 27 1993	10	2.17415
Mar 27 1994	11	2.17415
Jun 27 1994	12	2.17415
Sep 27 1994	13	2.17415
Dec 27 1994	14	2.17415
Mar 27 1995	15	2.17415
Jun 27 1995	16	2.17415
Sep 27 1995	17	2.17415
Dec 27 1995	18	2.17415
Mar 27 1996	19	2.17415
Jun 27 1996	20	2.17415
Sep 27 1996	21	2.17415
Dec 27 1996	22	2.17415
Mar 27 1997	23	2.17415
Jun 27 1997	24	2.17415
Sep 27 1997	25	2.17415
Dec 27 1997	26	2.17415
Mar 27 1998	27	2.17415
Jun 27 1998	28	2.17415
Sep 27 1998	29	2.17415
Dec 27 1998	30	2.17415
Mar 27 1999	31	2.17415
Jun 27 1999	32	2.17415
Sep 27 1999	33	2.17415
Dec 27 1999	34	2.17415
Mar 27 2000	35	2.17415
Jun 27 2000	36	2.17415
Sep 27 2000	37	2.17415
Dec 27 2000	38	2.17415
Mar 27 2001	39	2.17415
Jun 27 2001	40	2.17415
Sep 27 2001	41	2.17415
Dec 27 2001	42	2.65730
Mar 27 2002	43	2.65730
Jun 27 2002	44	2.65730
Sep 27 2002	45	2.65730
Dec 27 2002	46	2.65730
Mar 27 2003	47	2.65730
Jun 27 2003	48	2.65730
Sep 27 2003	49	2.65730
Dec 27 2003	50	2.65730
Mar 27 2004	51	2.65730

EXHIBIT C
(to Equipment Lease)

Rent Payment Date		Rent Installment For the Equipment Equal to Purchase Price for the Equipment Times the Following Fixed Rent Factor
Jun 27 2004	52	2.65730
Sep 27 2004	53	2.65730
Dec 27 2004	54	2.65730
Mar 27 2005	55	2.65730
Jun 27 2005	56	2.65730
Sep 27 2005	57	2.65730
Dec 27 2005	58	2.65730
Mar 27 2006	59	2.65730
Jun 27 2006	60	2.65730
Sep 27 2006	61	2.65730
Dec 27 2006	62	2.65730
Mar 27 2007	63	2.65730
Jun 27 2007	64	2.65730
Sep 27 2007	65	2.65730
Dec 27 2007	66	2.65730
Mar 27 2008	67	2.65730
Jun 27 2008	68	2.65730
Sep 27 2008	69	2.65730
Dec 27 2008	70	2.65730
Mar 27 2009	71	2.65730
Jun 27 2009	72	2.65730
Sep 27 2009	73	2.65730
Dec 27 2009	74	2.65730
Mar 27 2010	75	2.65730
Jun 27 2010	76	2.65730
Sep 27 2010	77	2.65730
Dec 27 2010	78	2.65730
Mar 27 2011	79	2.65730
Jun 27 2011	80	2.65730
Sep 27 2011	81	2.65730

STIPULATED LOSS VALUE AND TERMINATION VALUE

Rent Payment Date	Stipulated Loss Value or Termination Value, as a percent of the Purchase Price of the Equipment (in Addition to Fixed Rent installment for the Equipment due on such date)
Sep 27 1991	101 99072
Dec 27 1991	103 02389
Mar 27 1992	103 93858
Jun 27 1992	104 76588
Sep 27 1992	105 45001
Dec 27 1992	106 02994
Mar 27 1993	106.50224
Jun 27 1993	106 87558
Sep 27 1993	107 14350
Dec 27 1993	107 33295
Mar 27 1994	107 44137
Jun 27 1994	107 47527
Sep 27 1994	107 43065
Dec 27 1994	107 32580
Mar 27 1995	107 15876
Jun 27 1995	106 93454
Sep 27 1995	106 65099
Dec 27 1995	106 32011
Mar 27 1996	105 94037
Jun 27 1996	105.52034
Sep 27 1996	105 08336
Dec 27 1996	104 63545
Mar 27 1997	104 17635
Jun 27 1997	103 70577
Sep 27 1997	103.22342
Dec 27 1997	102 72902
Mar 27 1998	102.22225
Jun 27 1998	101 70282
Sep 27 1998	101 17040
Dec 27 1998	100 62467
Mar 27 1999	100 06530
Jun 27 1999	99 49194
Sep 27 1999	98 90425
Dec 27 1999	98 30187

Rent Payment Date	Stipulated Loss Value or Termination Value, as a percent of the Purchase Price of the Equipment (in Addition to Fixed Rent installment for the Equipment due on such date)
Mar 27 2000	97 68872
Jun 27 2000	97 06217
Sep 27 2000	96 42935
Dec 27 2000	95 78539
Mar 27 2001	95 13000
Jun 27 2001	94 46031
Sep 27 2001	93 78587
Dec 27 2001	92 61739
Mar 27 2002	91 42566
Jun 27 2002	90 20707
Sep 27 2002	88 97689
Dec 27 2002	87 72575
Mar 27 2003	86 45316
Jun 27 2003	85 15359
Sep 27 2003	83 84169
Dec 27 2003	82 50747
Mar 27 2004	81 15036
Jun 27 2004	79 81171
Sep 27 2004	78 48343
Dec 27 2004	77 13677
Mar 27 2005	75 77222
Jun 27 2005	74 39188
Sep 27 2005	72 99967
Dec 27 2005	71 58980
Mar 27 2006	70 16182
Jun 27 2006	68 71816
Sep 27 2006	67 26323
Dec 27 2006	65 79071
Mar 27 2007	64 30013
Jun 27 2007	62 79422
Sep 27 2007	61 27699
Dec 27 2007	59 74114
Mar 27 2008	58 18615
Jun 27 2008	56 61503
Sep 27 2008	55 03323
Dec 27 2008	53 43308
Mar 27 2009	51 81404
Jun 27 2009	50 17950
Sep 27 2009	48 53555
Dec 27 2009	46 87374
Mar 27 2010	45 19356
Jun 27 2010	43 49881
Sep 27 2010	41 79625
Dec 27 2010	40 07663
Mar 27 2011	38 33944
Jun 27 2011	36 62819
Sep 27 2011	35 00000