

CHAPMAN AND CUTLER

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November 18, 1991

1-325-AD17

VIA FEDERAL EXPRESS

• 17592

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REGISTRATION NO. _____ FILED 145

Interstate Commerce Commission
Washington, D.C.

NOV 19 1991 -4 00 PM

New Number 17592

INTERSTATE COMMERCE COMMISSION

• 175927592 - A
REGISTRATION NO. _____ FILED 145

Re: Leveraged Lease Financing
300 Coal Hopper Rail Cars

NOV 19 1991 -4 00 PM

Gentlemen:

INTERSTATE COMMERCE COMMISSION

Enclosed for recordation under the provisions of 49 USC 11303(a) are the original and three counterparts of an Equipment Lease dated as of November 1, 1991 (the "Lease") and a Security Agreement-Trust Deed dated as of November 1, 1991 (the "Security Agreement"). Said Equipment Lease and Security Agreement-Trust Deed are each primary documents.

A general description of the railroad equipment covered by each of the enclosed documents is set forth in Schedule A attached to this letter and made a part hereof.

The names and addresses of the parties are:

Lessee under Lease: Virginia Electric and Power Company
One James River Plaza
Richmond, Virginia 23161
Attention: Manager, Transportation Department

Lessor under Lease and Security Agreement: Security Pacific Equipment Leasing, Inc.
Four Embarcadero Center
12th Floor
San Francisco, California 94111
Attention: Operations Department-LEV

Security Trustee under Security Agreement: State Street Bank and Trust Company
of Connecticut, National Association
750 Main Street
Hartford, Connecticut 06103
Attention: Corporate Trust Division

Counterparts - CT. Chapman

NOV 19 1991

CHAPMAN AND CUTLER

November 18, 1991
Page 2

The undersigned has acted as special counsel in connection with the preparation of the enclosed documents and has knowledge of the matters set forth therein.

Please return the original and two copies of each enclosed document to Ross D. Taylor, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$32.00 covering the required recording fee.

A short summary of each of the enclosed primary documents to appear in the Index follows:

Equipment Lease between Security Pacific Equipment Leasing, Inc., as Lessor, Four Embarcadero Center, 12th Floor, San Francisco, California 94111 and Virginia Electric and Power Company, One James River Plaza, Richmond, Virginia 23261, covering 300 coal hopper cars.

Security Agreement-Trust Deed between Security Pacific Equipment Leasing, Inc. as Lessor, Four Embarcadero Center, 12th Floor, San Francisco, California 94111 and State Street Bank and Trust Company of Connecticut, National Association, as Security Trustee, 750 Main Street, Hartford, Connecticut 06103 covering 300 coal hopper cars.

Very truly yours,

CHAPMAN AND CUTLER

By 
Ross D. Taylor

RDT:srw
Enclosures

DESCRIPTION OF ITEMS OF EQUIPMENT

IDENTIFYING MARKS AND NUMBERS*	NUMBER OF CARS	DESCRIPTION
VAPX 91001- VAPX 91300	300	3,805 cubic foot steel triple pocket coal hopper rail cars with fixed couplers

* All numbers inclusive

SCHEDULE A

Interstate Commerce Commission

Washington, D.C. 20423

11/19/91

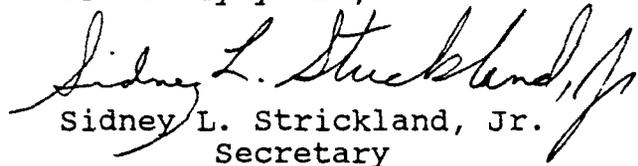
OFFICE OF THE SECRETARY

Theodore S. Chapman
Chapman And Cutler
111 West Monroe Street
Chicago, Illinois 60603

Dear Sirs:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 11/19/91 at 4:00PM , and assigned recordation number(s). 17592, 17592-A.

Sincerely yours,


Sidney L. Strickland, Jr.
Secretary

EQUIPMENT LEASE

. 17592

REGISTRATION NO _____ FILED 1425

Dated as of November 1, 1991

NOV 19 1991 -4 00 PM

INTERSTATE COMMERCE COMMISSION

Between

SECURITY PACIFIC EQUIPMENT
LEASING, INC.,

Lessor

And

VIRGINIA ELECTRIC AND POWER COMPANY,

Lessee

(300 Coal Hopper Cars)

This Equipment Lease and certain of the sums due and to become due hereunder have been assigned to, and are subject to a security interest in favor of, State Street Bank and Trust Company of Connecticut, National Association, as Security Trustee, pursuant to a Security Agreement-Trust Deed dated as of November 1, 1991, from Security Pacific Equipment Leasing, Inc. to said Security Trustee.

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ATTACHMENTS TO EQUIPMENT LEASE:

- Exhibit A - Description of Items of Equipment.
- Exhibit B - Form of Lease Supplement.
- Exhibit C - Schedule of Fixed Rentals
- Exhibit D - Schedule of Casualty Values.
- Exhibit E - Schedule of Early Termination Values.

EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of November 1, 1991 between SECURITY PACIFIC EQUIPMENT LEASING, INC., a Delaware corporation (the "*Lessor*") and VIRGINIA ELECTRIC AND POWER COMPANY, a Virginia corporation (the "*Lessee*").

RECITALS:

A. The Lessee and the Lessor have entered into a Participation Agreement dated as of November 1, 1991, as from time to time supplemented or amended (the "*Participation Agreement*"), with State Street Bank and Trust Company of Connecticut, National Association, as security trustee (the "*Security Trustee*"), and the institutional investors party thereto (the "*Note Purchasers*") providing for the commitment of the Note Purchasers to purchase the Notes of the Lessor which, together with funds provided by the Lessor, will permit the Lessor to purchase from the Bethlehem Steel Corporation (the "*Manufacturer*") the equipment (collectively the "*Equipment*" or "*Items of Equipment*" and individually an "*Item*" or "*Item of Equipment*") described in Exhibit A hereto and made a part hereof. The Participation Agreement provides that the Notes will be secured by an assignment of the Lessor's right, title and interest in and to this Lease and in and to the Equipment pursuant to a Security Agreement-Trust Deed dated as of November 1, 1991 (the "*Security Agreement*") from the Lessor to the Security Trustee, excluding and reserving the Excepted Rights in the Collateral.

B. Any capitalized term not defined herein shall have the meaning specified in the Participation Agreement.

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT.

Section 1.1. Intent to Lease. The Lessor shall lease to the Lessee and the Lessee shall lease from the Lessor all Items of Equipment that are delivered and accepted pursuant to Section 1.3 hereof for the rental and on and subject to the terms and conditions herein set forth.

Section 1.2. Inspection and Acceptance. On each date the Equipment is tendered for delivery by the Manufacturer (a "*Delivery Date*"), after due inspection to the Lessee's satisfaction the Lessee shall accept each Item of Equipment hereunder on behalf of itself and the Lessor by executing and delivering to the Lessor a certificate of acceptance (the "*Certificate of Acceptance*") with respect to such Item of Equipment; *provided, however*, that the Lessee shall not accept and the Lessor shall have no obligation to lease any Item of Equipment delivered after the Closing Date.

Section 1.3. Certificate of Acceptance. The Lessee's execution and delivery of a Certificate of Acceptance with respect to an Item of Equipment pursuant to Section 1.2 hereof shall conclusively establish that, as between the Lessor and the Lessee, but without

limiting or otherwise affecting the Lessee's or the Lessor's rights, if any, against the Manufacturer, such Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture or condition, or in any other respect, and that such Item of Equipment is in good order and condition and conforms to the specifications applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, if any, and to all standards recommended by the Association of American Railroads applicable to railroad equipment of the character of the Equipment as of the date of this Lease. By execution and delivery of such Certificate of Acceptance, the Lessee represents that it has no knowledge of any such defect.

SECTION 2. RENTALS AND PAYMENT DATES.

Section 2.1. Rent for Equipment. The Lessee agrees to pay the following rent for each Item of Equipment:

(a) *Fixed Rental.* For each Item of Equipment, the Lessee shall pay to the Lessor monthly installments of fixed rental (the "*Fixed Rental*"), payable in advance commencing on the Basic Lease Term Commencement Date, as set forth in Exhibit C hereto; *provided, however,* that all such Fixed Rental installments for each rent payment date shall in any event be in an amount sufficient to meet scheduled payments of principal of and interest on the Notes after the Basic Lease Term Commencement Date; and

(b) *Supplemental Rent.* In addition to its obligation to pay Fixed Rental hereunder, Lessee also agrees to pay, as supplemental rent hereunder (the "*Supplemental Rent*"), any and all amounts, liabilities and obligations (other than Fixed Rental) which Lessee assumes or agrees to pay to Lessor or to any other Person hereunder or under any other Operative Agreement, including without limitation, an amount or amounts equal to (i) all fees and expenses of the Security Trustee and its successors (other than the initial fees and expenses funded by the Lessor pursuant to Section 2.6(f) of the Participation Agreement) incurred in connection with its services as Security Trustee under the Security Agreement, (ii) all amounts of premium, if any, payable under Section 4.1(c) of the Security Agreement on the Notes, (iii) interest on any part of any installment of Fixed Rental or amounts expended by the Lessor on behalf of the Lessee not paid when due for any period for which the same shall be overdue pursuant to Section 21 and on advances and other costs incurred pursuant to Section 22.2 hereof or any Casualty Value or Early Termination Value or any interest due thereon, (iv) on each installment payment date on the Notes, an amount, if any, which shall be required after application of the rentals and other sums payable by Lessee under this Lease pursuant to the Security Agreement payable on such date, if any, to cause the installment of principal and/or interest then due to be paid in full, and on any date on which any payment of Casualty Value or Early Termination Value shall be applied pursuant to the Security Agreement, an amount if any, which shall be required to pay in full on such date the payment of principal, premium, if any, and interest then to be paid on the Notes pursuant to the terms of the

Security Agreement, (v) the indemnities provided for in Section 8.10 of the Participation Agreement and hereunder, (vi) payments provided for in Section 19 and 20 hereof, promptly as the same shall become due and owing and (vii) payments under the Tax Indemnity Agreement, and in the event of any failure on the part of Lessee to pay any such Supplemental Rent, Lessor or its assigns shall have all rights, power and remedies provided for herein or by law or equity or otherwise as in the case of nonpayment of Fixed Rental.

Section 2.2. Rent Payment Dates. The interim term of this Lease for each Item of Equipment shall begin on the date such Item is accepted under this Lease pursuant to Section 1.2 and shall end at the commencement of the basic term hereof (the "*Interim Lease Term*"). The basic term of this Lease shall begin on the Basic Lease Term Commencement Date and end on the eighteenth (18th) anniversary of the Basic Lease Term Commencement Date (the "*Basic Lease Term*"). No interim rent shall be payable during the Interim Lease Term and Lessor shall be responsible for any sums due to the Manufacturer during the Interim Lease Term. The first installment of Fixed Rental for each Item of Equipment shall be due and payable on the Basic Lease Term Commencement Date and the balance of said installments shall be payable monthly thereafter on the dates and in the amounts set forth in Exhibit C hereto. Each payment of Supplemental Rent shall be due and payable on the date on which the related fees and expenses are due and payable. If any of the rent payment dates is not a Business Day, the rent payment otherwise payable on such date shall be payable on the next succeeding Business Day without penalty or interest. For purposes of this Lease, the term "*Business Day*" means calendar days, excluding Saturdays, Sundays and holidays on which banks in the States of Virginia, California, Connecticut or Massachusetts are authorized or required to close.

Section 2.3. Place and Manner of Rent Payment. The payments to be made by the Lessee under this Lease shall be made as follows:

(a) Each installment of Fixed Rental shall be paid to the Lessor by wire transfer to the principal office of the Lessor at the address thereof provided for payments in Section 22.1 hereof; *provided* that until the Lessee shall have received notice from the Security Trustee that all Secured Indebtedness has been fully paid and satisfied, all such payments shall be made by wire transfer to the office of the Security Trustee designated in Section 22.1 or as otherwise designated from time to time in writing by the Security Trustee;

(b) The entire amount of any payment the amount of which is determined in accordance with Exhibit D hereto ("*Casualty Value*") pursuant to Section 12 hereof or any payment the amount of which is determined in accordance with Exhibit E hereto ("*Early Termination Value*") pursuant to Section 20 hereof, together with any premium payable under said Section 20, shall be paid to the Lessor by wire transfer to the principal office of the Lessor at the address thereof provided for payments in Section 22.1 hereof (identifying the same as a payment of Casualty Value under Section 12 or Early Termination Value and premium, if any, under Section 20 as the case may be); *provided* that until the Lessee shall have received notice from the

Security Trustee that all Secured Indebtedness has been fully paid and satisfied, all such payments shall be made by wire transfer to the office of the Security Trustee designated in Section 22.1 or as otherwise designated from time to time in writing by the Security Trustee;

(c) The amount of any payment owing to the Lessor pursuant to Sections 6, 10.2, 11 (with respect to public liability insurance) and 22.2 hereof shall be made directly to the Lessor without regard to the assignment of this Lease pursuant to Section 17 hereof;

(d) The amount of any interest due in respect of the late payment of any rentals or other amounts pursuant to Section 21 hereof shall be paid to the party and in the manner herein provided to receive said rental or other amount; and

(e) All payments other than those above specified shall be made by the Lessee directly to the party to receive the same unless any such payment has previously been made by the Lessor or its assignee and the Lessor or its assignee shall have notified the Lessee of such payment, in which case the Lessee shall reimburse the Lessor or its assignee, as the case may be, directly for such payment; *provided* that the failure of the Lessor or its assignee to notify the Lessee of the making of such payment shall not relieve the Lessee of its obligation to reimburse the Lessor or its assignee.

The Lessee agrees that it will cause those payments due hereunder by wire transfer where specified above to be so wired as soon as practicable after the opening of business in Hartford, Connecticut on the due date of such payment in Federal or otherwise immediately available funds to the party to whom such payment is to be made, and where not so specified, such payment shall be made by check of the Lessee drawn on a bank located in the continental United States and mailed to the party to receive the same at the address herein provided or at such other address as the Lessee shall have been previously advised in writing.

Section 2.4. Net Lease. This Lease is a net lease and the Lessee's obligation to pay all Fixed Rental and Supplemental Rent and other amounts payable hereunder shall be absolute and unconditional under any and all circumstances and, without limiting the generality of the foregoing, the Lessee shall not be entitled to any abatement of rent or reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise or against any assignee of the Lessor pursuant to Section 17 hereof; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss or destruction of or requisitioning of all or any Item of Equipment by condemnation or otherwise, the prohibition of Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, the insolvency of the Lessee, the commencement of any proceeding by or against the Lessee for relief under any

bankruptcy or similar law for the relief of debtors, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 12 or 20 hereof, or until, pursuant to Section 14 hereof, the Equipment has been returned to the possession of the Lessor (for all purposes of this Lease 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, transportation and storage thereof have been fully performed). To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Items of Equipment except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor or any assignee pursuant to Section 17 hereof for any reason whatsoever.

Section 2.5. Adjustment of Rentals. The installments of Fixed Rental set forth in Exhibit C hereto and the Casualty Value and Early Termination Value tables attached hereto as Exhibits D and E, respectively, have been calculated on the assumptions that:

- (i) the Items of Equipment having an Original Equipment Cost equal to \$12,408,000 shall have been or shall be delivered and accepted in lots of 100 Items on November 14, November 27 and December 12, 1991 and settled for pursuant to the Participation Agreement on December 12, 1991;
- (ii) the Lessor shall have advanced 36.61041% of the Original Equipment Cost of the Items of Equipment;
- (iii) the Notes bear interest at 9.10% per annum, computed on the basis of a 360-day year of twelve 30-day months, and payments of principal and interest on the Notes will be made monthly as provided in Section 2.2 of the Participation Agreement;
- (iv) the aggregate of all Transaction Expenses equal 0% of the Original Equipment Cost of the Equipment;
- (v) the Note Purchasers have purchased the Notes pursuant to Section 2.2(b) of the Participation Agreement on the Closing Date;
- (vi) the Lessor shall have been required to pay to the Manufacturer the sum of \$0.00 during the Interim Lease Term; and
- (vii) the Lessor shall have received the fee provided for in Section 4.2(d) of the Participation Agreement in the amount set forth therein.

If any such assumption shall prove to be incorrect, then the Lessor acting in good faith shall, prior to the twelfth payment of Fixed Rental, recompute such installments of Fixed Rental and the payment dates thereof and the Casualty Value and Early Termination Value tables higher or lower in order to (A) preserve the Lessor's net after-tax yield and aggregate net after-tax cash flows ("Net Economic Return"), based on (1) the same methodology and investment assumptions utilized by the Lessor in establishing the original Fixed Rental, Casualty Value and Early Termination Value, and (2) the same accounting standards in effect as of the Closing Date while (B) minimizing the net present value of the Fixed Rental to the Lessee to the extent possible consistent with the foregoing clause (A); *provided* that each installment of Fixed Rental shall be in an amount sufficient to pay on each installment date the principal of, and interest on, the Notes due on such date without acceleration, and the Casualty Value and Early Termination Value as of any date shall be sufficient to pay the aggregate unpaid principal amount of, and interest and premium, if any, on, the Notes outstanding as of such date. Any adjustment pursuant to clause (i) above may reset the payment dates for Fixed Rental and the reference dates for Casualty Value and Early Termination in order to conform Schedules C, D and E to the Basic Lease Term Commencement Date; *provided* that such dates may be reset only once. Lessor shall also have the right to reoptimize the Notes in connection with any adjustment to Fixed Rental; *provided* that the final maturity of the Notes shall not be changed and the average life of the Notes shall not be increased or decreased by more than 6 months in either case; *provided, further,* that the maturity date of the Notes may be reset such that the day of the month for payments corresponds to the day on which the Basic Lease Term Commencement Date actually occurs. On or before the twelfth payment of Fixed Rental, the Lessor and the Lessee shall execute and deliver a Lease Supplement, substantially in the form of Exhibit B hereto, reflecting any revisions to Exhibits C, D and E hereof.

Any notice to the Lessee from the Lessor setting forth the results of any recomputation pursuant to the paragraph above shall be accompanied by a letter from the Lessor setting forth in reasonable detail the reasons for such recomputation and stating that such recomputation was made in accordance with this Section 2.5. If requested in writing by the Lessee within 15 days after the giving of any such notice of recomputation, the Lessor hereby agrees to have a nationally recognized accounting firm of independent certified public accountants selected by the Lessor review at the Lessee's expense such recomputation and verify to the Lessee that such recomputation was correctly made in accordance with the standards described in this Section 2.5. If such review reveals a miscalculation, then the Lessor shall readjust the schedule of Fixed Rent, Casualty Value and Early Termination Value pursuant to the results of such review.

If such review reveals a miscalculation by the Lessor which results in an increase in the net present value of the Fixed Rental calculated as of the Closing Date by more than ten (10) basis points, the Lessor shall pay the costs of such review.

SECTION 3. TERM OF THE LEASE.

The term of this Lease as to each Item of Equipment shall consist of the Interim Lease Term, the Basic Lease Term and any renewal term and shall begin on the date of the

delivery to and acceptance by the Lessee of such Item of Equipment and, subject to the provisions of Sections 12, 15, 19 and 20 hereof, shall terminate 18 years following the Basic Lease Term Commencement Date.

SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.

Section 4.1. Retention of Title. The Lessor shall and hereby does retain full legal title to the Equipment notwithstanding the delivery thereof to and possession and use thereof by the Lessee or any sublessee.

Section 4.2. Duty to Number and Mark Equipment. The Lessee will cause each Item of Equipment to be kept numbered with its identifying number as set forth in Exhibit A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

“OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED
WITH THE INTERSTATE COMMERCE COMMISSION.”

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 17 hereof. The Lessee will replace promptly any such names and word or words which may be removed, obliterated, defaced or destroyed. The Lessee will not change the identifying number of any Item of Equipment unless and until (i) a statement of new identifying numbers to be substituted therefor shall have been delivered to the Lessor and the Security Trustee by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited and (ii) the Lessee shall have furnished the Security Trustee and the Lessor an opinion of counsel to the effect that such statement has been so filed, recorded and deposited, such filing, recordation and deposit will protect, preserve and maintain the Lessor's title to, or the Security Trustee's security interest in such Equipment and no filing, recording, deposit or giving of notice with or to any other federal, state or local government or agency thereof is necessary to protect, preserve and maintain the interests of the Security Trustee and the Lessor in such Equipment while operating in any jurisdiction wherein the Security Agreement or any instrument in respect thereof has been or is required to be filed, registered, deposited or recorded as provided in the Security Agreement. The Lessor agrees to execute at Lessee's cost and expense all amendments hereto necessary to accomplish such filings, recordings and deposits.

Section 4.3. Prohibition Against Certain Designations. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; *provided, however,* that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates or any sublessee on railroad equipment used by any of them of the same or a similar type for convenience of

identification of the right of the Lessee to use the Equipment under this Lease or of any sublessee to use the Equipment.

SECTION 5. DISCLAIMER; WARRANTIES; QUIET ENJOYMENT.

(a) THE LESSEE LEASES THE EQUIPMENT, AS-IS, WHERE-IS, WITH ALL FAULTS, IN WHATEVER CONDITION IT MAY BE, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, BY THE LESSOR, AND THE LESSOR EXPRESSLY DISCLAIMS ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT, (B) THE LESSOR'S TITLE THERETO, (C) THE MANUFACTURE, DESIGN OR CONDITION OF, OR THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR (D) ANY OTHER MATTER WHATSOEVER WITH RESPECT TO THE EQUIPMENT, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE ARE TO BE BORNE BY THE LESSEE; *PROVIDED, HOWEVER*, THAT NOTHING IN THE FOREGOING SHALL LIMIT OR OTHERWISE RESTRICT THE REPRESENTATIONS AND WARRANTIES OF THE LESSOR UNDER SECTION 3.1(D) OF THE PARTICIPATION AGREEMENT. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against the Manufacturer including, without limitation, claims with respect to warranties, refunds and price adjustments; *provided, however*, that if at any time an Event of Default under Section 15.1(a) shall have occurred and be continuing, at Lessor's option, such power of attorney shall terminate, and the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other Person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Item of Equipment or by any inadequacy thereof or deficiency or defect, whether patent or latent, 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. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that all Items of Equipment described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

(b) Lessor warrants and agrees that during the term hereof, so long as no Event of Default shall have occurred and be continuing, Lessee's use of the Equipment leased hereunder shall not be interrupted (except in accordance with the provisions of this Lease) by Lessor or anyone claiming solely through or under Lessor.

SECTION 6. LESSEE'S INDEMNITY.

Section 6.1. Scope of Indemnity. The Lessee shall defend, indemnify and save harmless the Lessor and any assignee of the Lessor pursuant to Section 17 hereof (including, without limitation, the Security Trustee and the Note Purchasers) and their respective affiliates, agents, servants, shareholders, directors, officers, employees, successors and assigns, including successive holders of the Notes (collectively the "Indemnitees" and individually an "Indemnitee"), from and against:

(a) any and all loss or damage to the Equipment, usual wear and tear excepted; *provided* that this Section shall not relieve Lessee of its obligations under Sections 7 and 8; and

(b) any claim, cause of action, damages, liability, cost or expense (including, without limitation, counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them relating to any Item of Equipment or any part thereof, including, without limitation, (i) the construction, design, manufacture, financing, refinancing, registration, purchase, delivery, ownership, acceptance, rejection, possession, improvement, use, operation, leasing, subleasing, condition, maintenance, repair, sale, return, replacement, storage, abandonment or other application or disposition of any Item of Equipment (whether defects are latent or discoverable by the Lessee or any Indemnitee), (ii) by reason or as the result of any act or omission (whether negligent or otherwise) of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, (iii) arising out of this Lease or the other Operative Agreements, including the Notes and the offering and sale or transfer thereof or the Bills of Sale or any sublease, (iv) as a result of claims for patent, trademark or copyright infringements, (v) as a result of claims for negligence or strict liability in tort, (vi) any violation of any other agreement, or any law, rule, regulation, including, without limitation, any environmental laws, rules or regulations, ordinance or restriction affecting or applicable to the Equipment or the leasing, ownership, use, replacement, adaption or maintenance thereof, (vii) any injury to or death of any Person or any damage to or loss of property or damage to the environment caused by or arising from ownership, use, maintenance, repair, replacement, operation or the condition (whether defects are latent or discoverable by the Lessee or any Indemnitee) of any Item of Equipment, or (viii) any cost or expense which the Lessor is obligated to incur under the Security Agreement other than as the result of an Event of Default thereunder, or event which with the lapse of time or the giving of notice, or both, could become such an Event of Default thereunder which is not caused by an Event of Default, or event which with the lapse of time or the giving of notice, or both, could become such an Event of Default under this Lease;

except only that the Lessee shall not be required to indemnify any Indemnitee under this Section 6 for any claim, cause of action, damages, liability, cost or expense resulting from (x) the willful misconduct or gross negligence of such Indemnitee, other than willful misconduct or gross negligence imputed to such Indemnitee solely by reason of its interest in the Items of Equipment; (y) any Imposition (as defined in Section 10.2); or (z) the act or

omission of such Indemnitee (whether negligent or otherwise) not related to the transactions contemplated hereby for itself or as agent or attorney in fact for any other Indemnitee. The indemnities and assumptions of liabilities set forth in this Section 6.1 do not guarantee to any party at any time a residual value in the Equipment nor do they guarantee the payment of the Notes or any interest accrued thereon.

In the event the Lessee is required to make any payment under this Section 6.1, the Lessee shall pay such Indemnitee an amount which, after deduction of all taxes required to be paid (net of any actual permanent tax benefit currently realized as a result of payment by the Indemnitee of its claim or expense under the preceding paragraph) by such Indemnitee in respect of the receipt or accrual thereof under the laws of the United States or any political subdivision thereof or any foreign jurisdiction or of any political subdivision thereof, calculated at the maximum applicable marginal statutory rates then in effect, shall be equal to the amount of such payment. The amount of any indemnity with respect to foreign taxes paid shall in respect of any Indemnitee be reduced to the extent such Indemnitee receives and utilizes a credit therefor against its United States Federal income tax liability, determined in the same manner as provided by Section 10.2 hereof. All amounts required to be paid pursuant to this Section 6.1 shall be made directly to or as otherwise requested by the Indemnitee entitled thereto upon written demand by such Indemnitee.

Section 6.2. Continuation of Indemnities and Assumptions. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise; *provided, however*, that such indemnities and assumptions of liability shall not apply in respect of any matters referred to in subsection (a) or clause (v) of subsection (b) of Section 6.1 hereof, occurring after the termination of this Lease, except for any such matters occurring after the termination arising in connection with the Lessee's assembling, delivering, storing or transporting of the Equipment as provided in Section 14 or 16, as the case may be, and except for any such matters attributable to any action, inaction, event or condition occurring or existing before the return of the Equipment to the possession of the Lessor as provided in Section 14 or 16 hereof, as the case may be. So long as no Event of Default shall have occurred and be continuing, the Lessee shall at its sole cost and expense be entitled to control, and shall assume full responsibility for, the defense of such claim or liability; *provided* that the Lessee shall keep the Indemnitee which is the subject of such proceeding fully apprised of the status of such proceeding and shall provide such Indemnitee with all information with respect to such proceeding as such Indemnitee shall reasonably request. Notwithstanding any of the foregoing to the contrary, the Lessee shall not be entitled to control and assume responsibility for the defense of such claim or liability if such proceeding will involve any material danger of the sale, forfeiture or loss of, or the creation of any lien on, any Item of Equipment. Any Indemnitee may participate in any proceeding controlled by the Lessee pursuant to this Section 6, at its own expense in respect of any such proceeding as to which the Lessee shall have acknowledged in writing its obligation to indemnify the Indemnitee pursuant to this Section 6, and at the expense of Lessee in respect of any such proceeding as to which the Lessee shall not have so acknowledged its obligation to the Indemnitee pursuant to this Section 6. Lessee may in any

event participate in all such proceedings at its own cost. Nothing in this Section 6 shall be deemed to require any Indemnitee to contest any such claim or liability or to assume responsibility for or control of any proceeding with respect thereto.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply in all material respects with all governmental laws, regulations, requirements and rules (including, without limitation, the rules and regulations of the United States Department of Transportation, the Interstate Commerce Commission, the Federal Railroad Administration and the current Field Manual of the Interchange Rules or supplements thereto of the Mechanical Division, Association of American Railroads as the same may be in effect from time to time) (collectively, the "*Interchange Rules*") with respect to the use and maintenance of each Item of Equipment subject to this Lease.

SECTION 8. MAINTENANCE; USE AND POSSESSION; MODIFICATIONS; WITHDRAWAL.

Section 8.1. Maintenance. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, and in at least as good condition as delivered hereunder, ordinary wear and tear excepted, and in accordance with prudent industry practices of its industry and suitable for use in interchange in accordance with federal regulations and the Interchange Rules and in conformance with any requirements pertaining to warranties of the Manufacturer or insurance policies maintained pursuant to Section 11 hereof and in accordance with all manufacturers maintenance procedures, if any. In no event shall the Lessee discriminate as to the maintenance of any Item of Equipment (including the periodicity of maintenance or recordkeeping in respect of such Item) as compared to equipment of a similar nature which the Lessee owns or leases. Lessee will maintain all records, logs and other materials required by relevant industry standards or any governmental authority having jurisdiction over the Equipment required to be maintained in respect of any Item of Equipment, all as if Lessee were the owner of such Equipment, regardless of whether any such requirements, by their terms, are nominally imposed on the Lessee or the Lessor.

Section 8.2. Use and Possession. (a) The Lessee shall use the Equipment only in the manner for which it was designed and intended and in accordance with all governmental laws, regulations, requirements and rules and the Interchange Rules, and so as to subject it only to ordinary wear and tear. In no event shall the Lessee make use of any Equipment in any jurisdiction not included in the insurance coverage required by Section 11 hereof. The Lessee shall not use, nor permit the use of, the Equipment outside of the United States.

(b) So long as no Event of Default shall have occurred and be continuing, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign or transfer its leasehold interest under this Lease in any of the Equipment; *provided* that the Lessee shall in any event remain primarily liable hereunder for the performance of

all of the terms of this Lease to the same extent as if such assignment or transfer had not occurred.

(c) So long as no Event of Default, or any event which with the lapse of time or giving of notice, or both, would constitute such Event of Default, shall have occurred and be continuing, the Lessee may sublease the Equipment for a period not to exceed the lesser of one year or the remaining term of the Lease; *provided* that the rights of any sublessee shall be expressly subject and subordinate to all the terms of this Lease and the Security Agreement, and in any event the Lessee shall remain primarily liable hereunder for the performance of all of the terms of this Lease to the same extent as if such sublease had not occurred.

Section 8.3. Modifications. In case any equipment or appliance is required to be altered, added, replaced or modified (the "*Alterations*") on any Item of Equipment in order to comply with Section 7 or 8 hereof, the Lessee agrees to promptly make such *Alterations* at its own expense. The Lessee may modify and improve the Equipment, and remove parts and improvements; *provided* that, except as required by the preceding sentence, the Lessee shall not modify any Item of Equipment in any manner which will decrease the value, utility, condition, remaining useful life or marketability of such Item of Equipment. Any parts installed or replacements made by the Lessee upon any Item of Equipment pursuant to the first sentence of this Section 8.3 or pursuant to its obligation to maintain and keep the Equipment in good order, condition and repair under this Section 8 shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor without cost or expense to the Lessor. Title to any additions or improvements other than those referred to in the preceding sentence which are readily removable without causing damage to such Item of Equipment or diminishing the value, utility, condition or remaining useful life that such Item of Equipment had prior to such addition or improvement shall remain with the Lessee. If the Lessee shall at its cost cause such readily removable additions or improvements to be made to any Item of Equipment, the Lessee may, prior to the return of such Item of Equipment to the Lessor hereunder, remove the same at its own expense without causing damage to such Item of Equipment; *provided* that upon notice to the Lessee not less than 45 days prior to the expiration of the Lease, Lessor shall have the right to purchase such additions or improvements at the fair market value thereof.

Section 8.4. Withdrawal. Lessee may withdraw from service up to 15% of the Items of Equipment at any time for a period not to exceed six months, during which time the provisions of Section 8.1 shall not apply to such Items of Equipment; *provided* that in no event shall any Items be withdrawn from service at any time during the 180 day period immediately prior to the end of the Basic Lease Term. Upon such Items being returned to service, Lessee shall cause such Items to comply with Section 8.1 hereof.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee will not create, incur, assume or suffer to exist, and shall pay or satisfy and discharge, any and all claims against, through or under the Lessee and its successors or

assigns which, if unpaid, might constitute or become a lien or a charge upon any Item of Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease and any other liens or charges which arise by virtue of claims against, through or under any other party other than any liens or charges which the Lessor is obligated to discharge pursuant to Section 2.2 of the Security Agreement (the "*Lessor's Liens*") or which the Security Trustee is obligated to discharge pursuant to Section 6.3(a) of the Security Agreement, but so long as no Event of Default shall have occurred and be continuing, the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not affect or endanger in any material respect the title and interest of the Lessor or the security interest or other rights of any assignee under Section 17 hereof in and to the Equipment. The Lessee shall give the Lessor and the Security Trustee prompt written notice of any such contest. The Lessee's obligations under this Section 9 shall survive the termination of this Lease.

SECTION 10. FILING; PAYMENT OF STATE AND LOCAL TAXES.

Section 10.1. Filing. Prior to the delivery and acceptance of the first Item of Equipment hereunder, the Lessee will cause this Lease and the Security Agreement to be duly filed, registered or recorded with the Interstate Commerce Commission in accordance with Section 11303 of the Interstate Commerce Act and in such other places within or without the United States as the Lessor or the Security Trustee may reasonably request and will furnish the Lessor and the Security Trustee proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, reregister or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Security Trustee (including, without limitation, all such acts required pursuant to Sections 6.10 and 6.11 of the Security Agreement), for the purpose of protecting, preserving and maintaining the Lessor's title to, or the Security Trustee's security interest in, any Item of Equipment to the satisfaction of the Lessor or the Security Trustee or their respective counsel or for the purpose of carrying out the intentions of this Lease, and in connection with any such action, will deliver to the Lessor and the Security Trustee proof of such filings and an opinion of the Lessee's counsel reasonably satisfactory to the Lessor and the Security Trustee that such action has been properly taken. Any information relevant to Lessee's obligation hereunder received by Lessor shall be immediately forwarded to Lessee. The Lessee will pay all costs, charges and expenses incident to any such filing, refiling, recording and rerecording or depositing and redepositing of any such instruments or incident to the taking of such action.

Section 10.2. Payment of State, Local and Foreign Taxes.

(a) The Lessee shall defend, indemnify and save harmless the Lessor and any assignee of the Lessor pursuant to Section 17 hereof (including, without limitation, the Security Trustee and the Note Purchasers) and their respective affiliates, successors and assigns, including, without limitation, successive holders of the Notes (collectively, the "*Indemnitees*", and individually, an "*Indemnitee*") from and against, and as between the

Lessee and each Indemnitee the Lessee hereby assumes liability with respect to, all fees (including, without limitation, license, documentation, filing and registration fees), taxes (including, without limitation, income, gross receipts, franchise, sales, use, value added, property and stamp taxes), assessments, levies, imposts, duties, charges or withholdings of any nature whatsoever, together with any and all penalties, additions to tax, fines or interest thereon imposed by any taxing authority including domestic and foreign national and local governments and any of their subdivisions or agencies within the United States or any foreign jurisdiction, whether imposed against any of the Indemnitees, any Item of Equipment or the Lessee, upon, arising from or relating to (i) any Item of Equipment or interest therein, (ii) the construction, manufacture, financing, purchase, delivery, ownership, acceptance, rejection, possession, improvement, use, operation, leasing, subleasing, condition, maintenance, repair, refinancing, registration, sale, return, replacement, storage, abandonment or other application or disposition of any Item of Equipment or interest therein, (iii) the rental payments, receipts or earnings arising from any Item of Equipment or payable pursuant to this Lease, (iv) the payment of the principal of, or interest or premium on, or other amounts payable with respect to, or any change in principal installments of, or assumption by the Lessee of, or refinancing of the Notes, or (v) the Operative Agreements or other documents related thereto or any interest therein or any amendment thereto or modification thereof, or otherwise with respect to or in connection with the transactions contemplated thereby (herein called "*Impositions*"); *provided* that, except with respect to indemnification payments hereunder or payments pursuant to this Section 10.2, Impositions shall not include as to each respective Indemnitee: (i) United States Federal income tax liability; (ii) any Impositions imposed on or measured by the net income of the Indemnitee or any franchise or similar taxes of doing business imposed on the capital or net worth of the Indemnitee imposed by any state or local government or taxing authority or subdivision thereof, except to the extent such Impositions are directly attributable to the use or location of any Item of Equipment in the taxing jurisdiction or are in the nature of sales, use, property (whether tangible or intangible), rental, *ad valorem* or similar taxes; (iii) any amount that is imposed as a result of the sale, transfer or other disposition, by the Lessor of any of its rights with respect to any Item of Equipment unless such sale, transfer or other disposition is a reasonable consequence of an Event of Default, results from any substitution, repair or replacement of any Item of Equipment under Section 12.3 hereof, or results from any sale, transfer or disposition required or provided for under this Lease; and (iv) any Impositions to the extent they exceed the Impositions that would have been imposed had an Indemnitee not transferred, sold or disposed of its interest or rights in any Item of Equipment to a non-U.S. person, unless such transfer, sale or disposition is a reasonable consequence of an Event of Default.

(b) The Lessee agrees to pay, on demand, any and all Impositions, and to keep at all times all and every part of each Item of Equipment free and clear of all Impositions which might in any way affect the interest of any Indemnitee therein or result in a lien upon any such Item of Equipment; *provided, however*, that the Lessee shall be under no obligation to pay any Imposition so long as either the Indemnitee or the Lessee is contesting in good faith and by appropriate legal proceedings such Imposition and the nonpayment thereof does not, in the reasonable opinion of the Indemnitees, adversely affect the interest of any Indemnitee hereunder or under the Operative Agreements.

(c) If any Impositions shall have been charged or levied against any Indemnitee directly and paid by such Indemnitee after such Indemnitee shall have given written notice thereof to the Lessee and the same shall have remained unpaid for a period of ten business days thereafter, the Lessee shall reimburse such Indemnitee on presentation of an invoice therefor. Prior to making such payment, such Indemnitee shall promptly notify the Lessee of the Impositions charged or levied (but the failure to so notify the Lessee shall not relieve the Lessee of its obligation hereunder).

(d) If the Lessee shall request within 30 days after receipt of such notice such Indemnitee shall in good faith at the Lessee's expense contest such Imposition; *provided, however,* that to the extent the contest involves only Impositions by a taxing jurisdiction within the United States constituting property taxes, sales taxes, or use taxes such contest shall be undertaken by the Lessee at the Lessee's expense and at no after-tax cost to the Indemnitee, but if such contest would involve any other type of Imposition then such Indemnitee may in its sole discretion control such contest (including selecting the forum for such contest, and determining whether any such contest shall be by (a) paying such Imposition under protest or (b) resisting payment of such Imposition or (c) paying such Imposition and seeking a refund thereof) *provided, however,* that at such Indemnitee's option, such contest shall be conducted by the Lessee in the name of such Indemnitee. In no event shall such Indemnitee be required or the Lessee be permitted to contest any Imposition for which the Lessee is obligated to indemnify pursuant to this Section unless: (i) the Lessee shall have acknowledged its liability to such Indemnitee for an indemnity payment pursuant to this Section as a result of such claim if and to the extent such Indemnitee or the Lessee, as the case may be, shall not prevail in the contest of such claim; (ii) such Indemnitee shall have received the opinion of independent tax counsel selected by the Indemnitee and satisfactory to the Lessee furnished at Lessee's sole expense, to the effect that a reasonable basis exists for contesting such claim or, in the event of an appeal, that it is more likely than not that an appellate court or an administrative agency with appellate jurisdiction, as the case may be, will reverse or substantially modify the adverse determination; (iii) the Lessee shall have agreed to pay such Indemnitee on demand (and at no after-tax cost to the Indemnitee) all reasonable costs and expenses that such Indemnitee may incur in connection with contesting such claim (including, without limitation, all costs, expenses, reasonable legal and accounting fees, disbursements, penalties, interest and additions to the Imposition); (iv) no Event of Default or event which with the giving of notice or the lapse of time, or both, would constitute such an Event of Default shall have occurred and shall have been continuing; (v) such Indemnitee shall have determined that the action to be taken will not result in any substantial danger of sale, forfeiture or loss of, or the creation of any Lien (except if such Lessee shall have adequately bonded such Lien or otherwise made provision to protect the interests of such Indemnitee in a manner satisfactory to such Indemnitee) on the Equipment or any portion thereof or any interest therein; (vi) the amount of such claims alone, or, if the subject matter thereof shall be of a continuing or recurring nature, when aggregated with identical potential claims shall be at least \$10,000.00; and (vii) if such contest shall be conducted in a manner requiring the payment of the claim, the Lessee shall have paid the amount required (and at no after-tax cost to the Indemnitee). The Lessee shall cooperate with the Indemnitee with respect to any contest controlled and conducted by the Indemnitee and the Indemnitee shall keep the Lessee reasonably informed regarding such contest. The

Indemnatee shall cooperate with the Lessee with respect to any contest controlled and conducted by the Lessee and the Lessee shall keep the Indemnatee reasonably informed regarding such contest.

(e) Notwithstanding anything contained in this Section to the contrary, no Indemnatee shall be required to contest any claim if the subject matter thereof shall be of a continuing or recurring nature and shall have previously been adversely decided to the Indemnatee pursuant to the contest provisions of this Section unless there shall have been a change in the law (including, without limitation, amendments to statutes or regulations, administrative rulings or court decisions) enacted, promulgated or effective after such claim shall have been so previously decided, and such Indemnatee shall have received an opinion of independent tax counsel selected by the Indemnatee and reasonably satisfactory to Lessee, furnished at the Lessee's sole expense, to the effect that such change is favorable to the position which such Indemnatee or the Lessee, as the case may be, had asserted in such previous contest and as a result of such change, there is a reasonable basis to contest such claim.

(f) With respect to any payment or indemnity hereunder, such payment or indemnity shall include an amount payable to the Indemnatee sufficient to hold such Indemnatee harmless on an after-tax basis from all taxes required to be paid by such Indemnatee with respect to such payment or indemnity under the laws of any federal, state or local government or taxing authority in or of the United States, or under the laws of any taxing authority or governmental subdivision in or of a foreign country; *provided* that, if any Indemnatee actually realizes and recognizes a permanent tax benefit by reason of such payment or indemnity (whether such tax benefit shall be by means of a foreign tax credit, investment tax credit or otherwise), such Indemnatee shall pay to the Lessee an amount equal to the sum of such tax benefit plus any permanent tax benefit actually realized as the result of any payment made pursuant to this proviso, when, as, if and to the extent realized; *provided further* that, (i) if at the time such payment shall be due to the Lessee an Event of Default or an event which, with the giving of notice or lapse of time or both, would constitute an Event of Default shall have occurred and be continuing under the Lease, such amount shall not be payable until such Event of Default or event shall have been cured, and (ii) the amount which such Indemnatee shall be required to pay to the Lessee shall not exceed the amounts which the Lessee has theretofore paid such Indemnatee hereunder with respect to such indemnity.

(g) For purposes of this Section 10.2 (and Section 6.1), in determining the order in which any Indemnatee utilizes withholding or other foreign taxes as a credit against such Indemnatee's United States income taxes such Indemnatee shall be deemed to utilize (i) first, all foreign taxes other than those described in clause (ii) below, and (ii) then, on a pro rata basis, all foreign taxes (including fees, taxes and other charges hereunder) with respect to which such Indemnatee is entitled to obtain indemnification pursuant to an indemnification provision contained in any lease, loan agreement, financing document or participation agreement (including this Lease).

(h) In the event any reports with respect to Impositions are required to be made, the Lessee will either prepare and file such reports (and in the case of reports which are required to be filed on the basis of individual Items of Equipment, such reports shall be prepared and filed in such manner as to show as required the interests of each Indemnatee in such Items of Equipment) or, if it shall not be permitted to file the same, it will notify each Indemnatee of such reporting requirements, prepare such reports in such manner as shall be satisfactory to each Indemnatee and deliver the same to each Indemnatee within a reasonable period prior to the date the same is to be filed. The Lessee shall provide such information as the Lessor may reasonably require from the Lessee to enable the Lessor to fulfill its tax filing, tax audit, and tax litigation obligations.

(i) In the event that, during the continuance of this Lease, any Imposition accrues or becomes payable or is levied or assessed (or is attributable to the period of time during which this Lease is in existence or prior to the return of the Equipment in accordance with Section 14 hereof) which the Lessee is or will be obligated to pay or reimburse, pursuant to this Section 10.2, such liability shall continue, notwithstanding the expiration of this Lease, until all such Impositions are paid or reimbursed by the Lessee.

(j) Notwithstanding any other provision hereof, Lessee shall not be liable for any Imposition imposed on any Indemnatee as a result of: (i) such Indemnatee's willful misconduct or gross negligence; and, (ii) such Indemnatee's acts or omissions to the extent that any such act or omission is not permitted under any of the Operative Agreements.

SECTION 11. INSURANCE.

The Lessee will at all times after delivery and acceptance of each Item of Equipment, at its own expense, keep or cause to be kept such Equipment insured by a reputable insurance company or companies in amounts and against risks (including public liability insurance) and with deductibles and terms and conditions not less than the insurance, if any, maintained by the Lessee with respect to similar equipment which it owns or leases, but in no event shall such coverage be for amounts or against risks less than the prudent industry standard of the electric utility industry which uses railcars. Without limiting the foregoing, the Lessee will:

(a) keep the Equipment fully insured against physical damage in an amount not less than the aggregate Casualty Value attributable to the Equipment as shown on Exhibit D hereto; *provided* that such coverage may provide for deductible amounts of not more than \$5,000,000 per occurrence unless the Lessee requests a higher amount not to exceed \$10,000,000 and the Lessor consents thereto, which consent shall not be unreasonably withheld; and

(b) maintain public liability insurance naming the Lessor, the Security Trustee and the holders of the Notes as additional insureds against bodily injury, death or property damage arising out of the use or operation of the Equipment with general liability limits of not less than \$50,000,000 per occurrence or in the aggregate; *provided* that such coverage may provide for deductible amounts not exceeding

\$5,000,000 unless the Lessee requests a higher amount not to exceed \$10,000,000 and the Lessor consents thereto, which consent shall not be unreasonably withheld. The Lessee may self insure as provided hereinafter so long as there has not been any material adverse change in its financial condition since the date hereof, as reasonably determined by the Lessor; commencing not more than 30 days after receipt by the Lessee of written notice from the Lessor of such a change and so long as such change shall continue, such self-insurance amount shall not exceed \$5,000,000.

The insurance maintained pursuant to Section 11(a) shall list the Lessor, the Security Trustee and the Note Purchasers as additional insureds and provide that (i) the Security Trustee, for so long as any Notes are outstanding and thereafter the Lessor, shall be named sole loss payee with respect to any loss thereunder, and (ii) so long as no Event of Default shall have occurred and be continuing, loss, if any, thereunder shall be adjusted with the insurer by the Lessee, subject to approval by the Lessor and the Security Trustee, which approval shall not be unreasonably withheld, if the loss from any one occurrence equals or exceeds \$1,000,000.

In lieu of maintaining the insurance required by Section 11, the Lessee may self-insure with respect to the Equipment for such amounts and against such risks as Lessee self-insures with respect to similar equipment owned or leased by it and self-insures with respect to public liability and as shall be consented to by the Lessor and the Security Trustee, which consents shall not be unreasonably withheld. Subject to the Security Trustee's rights under the Security Agreement, so long as no Event of Default shall have occurred and be continuing, all proceeds of insurance maintained pursuant to this Section 11 received by any party other than the Lessee with respect to any Items of Equipment not suffering a Casualty Occurrence (as hereinafter defined) shall be paid thereby to the Lessee upon reasonable proof that any damage to any Item with respect to which such proceeds were paid has been fully repaired. Any such proceeds of property insurance maintained pursuant to this Section 11 received by any party with respect to a Casualty Occurrence shall be credited thereby toward the payment required by Section 12 with respect to such Casualty Occurrence.

Any insurance carried in accordance with this Section 11 shall be endorsed to provide that (i) in as much as such policy or policies are written to cover more than one insured all terms, conditions, insuring agreements and endorsements, with the exception of limits of liability, shall operate in the same manner as if there were a separate policy or policies covering each insured; (ii) the Lessor, the Security Trustee and the holders of the Notes shall have no obligation for premiums or calls; and (iii) the coverage provided by such insurance shall not be invalidated by any action or inaction of the Lessee or any other Person and (iv) such coverage shall not be cancelled or materially changed (as hereinafter defined) without at least 30 days (or, for non-payment of premiums, 10 days) prior written notice to the Lessor and the Security Trustee and the certificate shall confirm such statement. For purposes of this Section 11, material change shall be defined as reductions in policy limits, the addition or amendment of exclusions or the increase in deductibles.

Lessee shall have the option to provide protection equivalent to that required herein by means of an Irrevocable Letter of Credit or by a separate policy or policies of insurance having the coverages and terms required herein.

The Lessee shall, upon the renewal of the policies in respect thereof, furnish the Lessor, the Security Trustee and the holders of the Notes with either (a) certificates or other satisfactory evidence of maintenance of the insurance required under this Section 11 or (b) a certificate of a reputable insurance broker (not affiliated with the Lessee and reasonably acceptable to the Lessor) stating that the insurance maintained by the Lessee complies with the requirements of this Section 11. Lessee shall furnish to the Lessor and the Security Trustee certificates evidencing renewal of policies of insurance required to be maintained pursuant to this Section 11, as soon as practical after such certificates become available.

SECTION 12. CASUALTY OCCURRENCE.

Section 12.1. Duty of Lessee to Notify Lessor. In the event that any Item of Equipment shall be or become lost, stolen, destroyed or irreparably damaged during the term of this Lease or thereafter while such Item of Equipment is in the possession of the Lessee or any sublessee pursuant to Section 14 or 16 hereof, or there is a taking of title to any Item of Equipment or any Item of Equipment shall be requisitioned or taken over for use by any governmental authority under the power of eminent domain or otherwise during the term of this Lease for a stated period or a period of use which exceeds the lesser of 5 years or the remaining portion of the Basic Lease Term or any renewal term then in effect of this Lease (any such occurrence being hereinafter called a "*Casualty Occurrence*"), the Lessee shall within 15 days following such Casualty Occurrence fully inform the Lessor and any assignee of the Lessor pursuant to Section 17 hereof (including, without limitation, the Security Trustee and the Note Purchasers) in regard thereto, designating the date of occurrence of such Casualty Occurrence, and shall within 30 days following such Casualty Occurrence elect to either (i) pay the Casualty Value (as defined in Section 12.6 hereof) of such Item in accordance with the terms of Section 12.2 hereof, or (ii) if the Lessee complies with the terms of Section 12.3 hereof, substitute replacement items of equipment in accordance with such terms.

Section 12.2. Sum Payable for Casualty Loss. Unless the Lessee shall have elected to comply with the provisions of Section 12.3 hereof with respect to a Casualty Occurrence, the Lessee, on the rent payment date immediately following the earlier of (a) 60 days following such Casualty Occurrence with respect to any Item or Items of Equipment, or (b) 15 days following receipt of insurance proceeds with respect to such Casualty Occurrence, shall pay to the Lessor any accrued rentals or other sums with respect to such Item due on or prior to such date then remaining unpaid plus a sum equal to the Casualty Value of such Item of Equipment as of the casualty payment date as described in Section 12.6.

Section 12.3 Substitution of Equipment. (a) The Lessee shall, within 60 days of a Casualty Occurrence with respect to any Item or Items of Equipment where the Lessee has elected to replace such Item or Items, convey or cause to be conveyed to Lessor, to be leased by Lessor to Lessee hereunder in replacement of the Item or Items which sustained such

Casualty Occurrence, title to a replacement Item or Items, such replacement Item or Items to be of the same car type and age, and having at least the same value, utility, remaining useful life and condition as the Item or Items so replaced (assuming such replaced Item or Items were in the condition and repair required under the terms of this Lease), at Lessor's option to be established by appraisal.

(b) Prior to or at the time of any conveyance of any replacement Item or Items, Lessee, at its own expense, will furnish the Lessor and the Security Trustee with the following documents which shall have been duly authorized, executed and delivered by the respective parties thereto and shall be in full force and effect on the date of such conveyance:

(i) a full warranty bill of sale, in form and substance satisfactory to the Lessor and the Security Trustee, for such replacement Item or Items from the Lessee to the Lessor;

(ii) supplements hereto and to the Security Agreement, in each case in form and substance satisfactory to the Lessor and the Security Trustee, covering such replacement Item or Items duly executed by the parties thereto and filed in all public offices wherein this Lease and the Security Agreement shall have been filed;

(iii) such evidence of compliance with the insurance provisions of Section 11 hereof with respect to such replacement Item or Items as the Lessor or the Security Trustee may reasonably request;

(iv) an acknowledgement by the Lessee to the Lessor to the effect that the Lessee will indemnify the Lessor, in a manner reasonably satisfactory to the Lessor, for any adverse tax consequences resulting from such replacement; and

(v) such other documents and evidence as the Lessor or the Security Trustee, or their respective counsel, may reasonably request in order to establish the consummation of the transactions contemplated by this Section 12.3(b).

Upon full compliance by the Lessee with the terms of this Section 12.3(b), the Item or Items which suffered the Casualty Occurrence shall be disposed of in accordance with Section 12.5 hereof and, so long as no Event of Default has occurred and is continuing, any casualty insurance proceeds relating to such replaced Item of Equipment from insurance maintained by the Lessee arising out of such Casualty Occurrence which are then held by the Lessor or the Security Trustee (or in which either has an interest) shall be released to the Lessee.

Section 12.4. Rent Termination. Upon (and not until) payment of all sums required to be paid pursuant to Section 12.2 hereof in respect of any Item or Items of Equipment, the obligation to pay rent for such Item or Items of Equipment accruing subsequent to the Casualty Value payment date shall terminate, but the Lessee shall continue to pay rent for all other Items of Equipment.

Section 12.5. Disposition of Equipment. The Lessee shall, as agent for the Lessor, dispose of such Item or Items of Equipment having suffered a Casualty Occurrence as soon as it is able to do so for the fair market value thereof. Any such disposition shall be on an "as-is", "where-is" basis without representation or warranty, express or implied, except as to the absence of Lessor's Liens. As to each separate Item of Equipment so disposed of, so long as no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default shall have occurred and be continuing and upon payment of all sums to be paid pursuant to Section 12.2, the Lessee may retain all amounts arising from such disposition plus any insurance proceeds from policies maintained by Lessee and damages received by the Lessee by reason of such Casualty Occurrence. In disposing of such Item of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item of Equipment.

Section 12.6. Casualty Value. The Casualty Value of each Item of Equipment shall be an amount determined as of the date of the Casualty Occurrence, and shall be equal to that percentage of the Purchase Price of such Item of Equipment for the rent payment date next succeeding the date of the Casualty Occurrence as is set forth in the Schedule of Casualty Value attached hereto as Exhibit D.

Section 12.7. Risk of Loss. The Lessee shall bear the risk of loss and, except as hereinabove in this Section 12 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment from and after the date hereof and continuing until payment of the Casualty Value and all rental installments and other sums due on and prior to the date of payment of such Casualty Value in respect of such Item of Equipment has been made, such Item or the salvage thereof has been disposed of by the Lessee and the title to such Item or the salvage thereof and all risk of loss and liabilities incident to ownership have been transferred to the purchaser of such Item or the salvage thereof.

Section 12.8. Eminent Domain. In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for a period not constituting a Casualty Occurrence, the Lessee's obligation to pay all installments of rental and other sums shall continue for the duration of such requisitioning or taking. So long as no Event of Default, or event which with the lapse of time or giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall be entitled to receive and retain for its own account from time to time during the term all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession.

SECTION 13. ANNUAL REPORTS; INSPECTION.

Section 13.1. Duty of Lessee to Furnish. In addition to any other reporting obligation hereunder, on or before May 1, 1992 and on each May 1 thereafter during the term of this

Lease, the Lessee will furnish to the Lessor and any assignee of the Lessor pursuant to Section 17 hereof (including, without limitation, the Security Trustee and each Note Purchaser) an accurate statement, as of the preceding December 31 (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the 12 months ending on such December 31 (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as the Lessor may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof shall have been preserved or replaced.

Section 13.2. Lessor's Inspection Rights. The Lessor and any assignee of the Lessor pursuant to Section 17 hereof (including, without limitation, the Security Trustee and each Note Purchaser) each shall have the right, at their respective sole cost and expense, by their respective authorized representatives, to inspect the Equipment and the Lessee's records with respect thereto, at such time as shall be reasonably necessary to confirm thereto the existence and proper maintenance of the Equipment during the continuance of this Lease. Such inspection rights shall be subject to reasonable notice to the Lessee, and any inspection of the Lessee's records shall be conducted only during regular business hours of the Lessee.

SECTION 14. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

(a) At the expiration of the Basic Lease Term or any renewal term pursuant to Section 19.3 hereof with respect to the Items of Equipment, unless the Lessee exercises the purchase option granted by Section 19.1 with respect to such Items of Equipment, the Lessee will, at its own cost and expense, deliver possession of such Items of Equipment to the Lessor at up to five locations designated by the Lessee and approved by the Lessor, which approval shall not be unreasonably withheld (the "*Designated Locations*"). Lessee shall, at the request of the Lessor, store such items of Equipment at Lessee's expense at the Designated Locations for a period not exceeding 30 days after all Items of Equipment have been returned pursuant to this Section 14. In the event any Item of Equipment is not returned to the Lessor or purchased pursuant to Section 19.1, the Lessee shall pay to the Lessor for each day from and after the expiration date of the Lease to the date each such Item of Equipment is returned as provided in this Section 14 an amount equal to the greater of (i) the daily equivalent Fixed Rental, or (ii) the daily equivalent industry rate with respect to each such Item.

(b) Each Item returned to the Lessor pursuant to this Section 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, in a condition suitable for the purposes for which such Item was intended, and in a condition of no lesser quality than would then have existed had no lading been carried at any time throughout the term of this lease that was more abrasive or corrosive than coal, (ii) meet the standards then in effect for railroad equipment of the same type and age as the Equipment, and shall be eligible for interchange, under the Interchange Rules and/or the applicable rules of any governmental agency or other organization with jurisdiction, (iii) have been maintained in accordance with provisions of

Section 8 hereof, (iv) have attached or affixed thereto any special device considered an accession thereto as provided in Section 8 hereof and (v) be accompanied by related records, logs and other materials relating to the maintenance thereof.

SECTION 15. DEFAULT.

Section 15.1. Events of Default. Any of the following events shall constitute an Event of Default hereunder:

(a) Default shall be made in the payment when due of any part of the Fixed Rental, Supplemental Rent pursuant to Section 2.1(b)(ii) or (iv), Casualty Value or Early Termination Value payable hereunder.

(b) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Participation Agreement and the same shall continue unremedied for a period of 30 days after written notice thereof to Lessee;

(c) Any representation or warranty made by the Lessee herein or in the Participation Agreement or in any statement or certificate furnished to the Lessor, the Security Trustee or any Note Purchaser pursuant to or in connection with this Lease or the Participation Agreement is untrue in any material respect as of the date of issuance or making thereof and shall remain untrue for more than 30 days after written notice thereof to the Lessee;

(d) The Lessee becomes insolvent or fails generally to pay its debts as such debts become due, or causes an order for relief to be entered against it, or acquiesces in the entering of such an order against it, under applicable federal or state bankruptcy law, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a custodian, trustee or receiver for the Lessee or for the major part of its property;

(e) A custodian, trustee or receiver is appointed for the Lessee or for the major part of its property and is not discharged within 60 days after such appointment;

(f) Bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors, are instituted by or against the Lessee and, if instituted against the Lessee, are consented to or are not dismissed within 60 days after such institution; or

(g) The Lessee fails to maintain the insurance required by Section 11 hereof.

Section 15.2. Remedies. If any Event of Default has occurred and is continuing, the Lessor or, in the event this Lease shall have been assigned to an assignee pursuant to Section 17 hereof, such assignee, at its option, may:

(a) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof, including reasonable attorneys' fees; and/or

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of the Items of Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use such Items for any purpose whatever, but the Lessor shall nevertheless have a right to recover from the Lessee any and all amounts which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum with respect to each Item of Equipment which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then Fair Rental Value of such Item for such period computed by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of such Item during such period, such present worth to be computed in each case on a basis of a 5% per annum discount, compounded monthly from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, or (y) an amount equal to the excess if any of the Casualty Value of such Item of Equipment as of the rent payment date on or immediately preceding the date of termination over the amount the Lessor reasonably estimates to be the Fair Market Value thereof at such time; *provided, however*, that in the event the Lessor shall have sold any Item of Equipment, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this part (1) with respect thereto may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor, on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value of such Item of Equipment as of the rent payment date on or immediately preceding the date of termination over the net proceeds of such sale, and (ii) any damages and expenses, other than for a failure to pay rental, in addition thereto, including reasonable attorneys' fees, which the Lessor shall have sustained by

reason of the breach of any covenant or covenants of this Lease other than for the payment of rental.

For purposes of this Section 15.2, the Fair Rental Value and Fair Market Value for any Item of Equipment shall be determined in the manner provided for appraisal arrangements specified below; *provided* that any sale in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Market Value of such Item and any rental in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Rental Value of such Item for the period of such rental.

The Fair Rental Value or Fair Market Value, as the case may be, of the Items of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee or buyer, as the case may be (other than a lessee or buyer, as the case may be, currently in possession), and an informed and willing lessor or seller, as the case may be, under no compulsion to lease or sell, as the case may be, and in each case shall be determined on an "as-is where-is" basis. If the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value or the Fair Market Value of such Items of Equipment within 20 days after receipt by Lessee of written notice setting forth the method to be used to calculate damages pursuant to Section 15.2(b), such value shall be determined in accordance with the foregoing definition by a qualified, independent Appraiser. The term "*Appraiser*" shall mean any independent, nationally recognized appraiser chosen by the Lessee from among three proposed appraisers nominated by the Lessor; *provided* that if Lessee shall not have selected such appraiser within 10 days after Lessor makes such nomination, Lessor shall choose the appraiser. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both the Lessor and the Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee.

Section 15.3. Cumulative Remedies. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any offset against the rent payments due hereunder, and agrees to make the rent payments regardless of any offset or claim which may be asserted by the Lessee on its behalf in connection with the lease of the Equipment.

Section 15.4. Lessor's Failure to Exercise Rights. The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

Section 15.5. Notice of Event of Default. The Lessee also agrees to furnish to the Lessor, the Security Trustee and each Note Purchaser, promptly upon any officer becoming aware of any condition which constituted or constitutes an Event of Default under this Lease or which, after notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof.

SECTION 16. RETURN OF EQUIPMENT UPON DEFAULT.

Section 16.1. Lessee's Duty to Return. If the Lessor or any assignee of the Lessor pursuant to Section 17 hereof shall terminate this Lease pursuant to Section 15 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith place such Equipment upon such tracks of the Lessee or any of its affiliates or, if not placed on such tracks then, at the expense of the Lessee, on any other storage tracks, as the Lessor may designate or, in the absence of such designation, as the Lessee may select;

(b) Permit the Lessor to store such Equipment on such tracks without charge for insurance, rent or storage for a reasonable period of time to allow Lessor to sell lease or otherwise dispose of such Equipment and during such period of storage the Lessee shall continue to maintain all insurance required by Section 11 hereof; and

(c) Transport the Equipment to the delivery location for the sale, lease or other disposition of such Equipment on any lines of railroad or to any connecting carrier for shipment, all as the Lessor may direct in writing.

All Equipment returned shall be in the condition required by Section 14 hereof.

All amounts earned in respect of the Equipment after the date of termination of this Lease pursuant to Section 15 hereof, shall be paid to the Lessor or in the event this Lease has been assigned pursuant to Section 17 hereof, to such assignee, and, if received by the Lessee, shall be promptly turned over to the Lessor, or in the case of such assignment, to such assignee. In the event any Item of Equipment is not assembled, delivered and stored as hereinabove provided within 15 days after the termination of this Lease, the Lessee shall, in addition, pay to the Lessor as liquidated damages and not as a penalty or, in the case of such assignment, to such assignee, for each day thereafter an amount equal to the amount, if any, by which the higher of (i) an amount equal to the daily equivalent of the rental in effect immediately prior to the expiration of the Lease for such Item of Equipment, or (ii) 125% of the Fair Rental Value (determined in the manner provided in Section 15.2 hereof) for such Item of Equipment for each such day exceeds the amount, if any, received by the Lessor or such assignee (either directly or from the Lessee) for such day for such Item pursuant to the preceding sentence.

Section 16.2. Specific Performance. 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.

Section 16.3. Lessor Appointed Lessee's Agent. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 16, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to the Lessor, 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 17. ASSIGNMENTS BY LESSOR.

Lessee hereby acknowledges receipt of due notice that Lessor's interest in this Lease (including any amendments hereto) has been assigned to the Security Trustee pursuant to the Security Agreement for the benefit and security of the holders of the Notes issued thereunder, to the extent provided in the Security Agreement. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of the Security Trustee in and to the sums payable by the Lessee under any provision of this Lease shall not be subject to any abatement whatsoever and shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever whether by reason of failure of or defect in the Lessor's title, or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of the Security Trustee, the Lessee shall be unconditionally and absolutely obligated to pay the Security Trustee all of the rents and other sums which are the subject matter of the assignment, (ii) unless and until the Lessee shall have received written notice from Security Trustee that the lien of the Security Agreement has been released, the terms and provisions of the Security Agreement shall govern as to whether (1) the consent or agreement of either the Lessor or the Security Trustee, or both, shall be required in order to effect any amendment or modification of, or waive any requirements under this Lease, and (2) the Lessor or the Security Trustee, or both, may receive the benefit of or exercise any right, privilege or remedy of the Lessor provided for in this Lease, and (iii) all obligations of the Lessor to the Lessee under this Lease shall be and remain enforceable by the Lessee against, and only against, the Lessor.

It is understood and agreed that the right, title and interest of the Security Trustee in, to and under this Lease and the rents and other sums due and to become due hereunder shall by the express terms granting and conveying the same be subject to the interest of the Lessee in and to the Equipment so long as no Event of Default shall have occurred hereunder.

The provisions of Section 3.5 of the Participation Agreement are hereby incorporated herein as though set forth in full and the Lessor hereby agrees to abide by such provisions.

SECTION 18. CONSOLIDATION, MERGER AND SALE OF ALL ASSETS.

The Lessee may merge or consolidate with any other corporation or sell, lease or otherwise dispose of all or substantially all of its assets to any Person; *provided* that the rights and powers of the Lessor and the Security Trustee shall not be adversely affected by such merger, consolidation, sale, lease or other disposition and that immediately after any such transaction no Event of Default or event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default shall have occurred and be continuing, and *provided further*, that any corporation which is to be the surviving or acquiring corporation in such transaction (a) shall be a corporation organized and existing under the laws of the United States of America or a state thereof and (b) shall (unless the Lessee is the surviving corporation), by agreement in writing, expressly assume the due and punctual payment of the Fixed Rental due and to become due under this Lease, and the due and punctual performance and observance of all the covenants and provisions of this Lease and the other Operative Agreements to be performed by the Lessee.

The Lessee will preserve and keep in full force and effect its corporate existence, rights and franchises and all licenses and permits necessary to the performance of its obligations hereunder, except as otherwise provided in the preceding paragraph.

SECTION 19. PURCHASE OPTIONS; RENEWAL OPTIONS.

Section 19.1. Purchase Option. So long as no Event of Default shall have occurred and be continuing, the Lessee shall have the right to purchase not less than 50% of the Items of Equipment then leased hereunder at the expiration of the Basic Lease Term, at a price equal to the Fair Market Value of such Items of Equipment determined in accordance with Section 19.3 hereafter, not to exceed 55.75% of the Purchase Price of such Items. The Lessee shall give the Lessor written notice not less than 180 days prior to the end of the Basic Lease Term of its election to exercise the purchase option provided for in this Section. Payment of the option price, together with all other amounts due and owing under the Operative Agreements, shall be made at the place of payment specified in Section 2.3 hereof in immediately available funds against delivery of a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to the Equipment on an "as-is" "where-is" basis and containing a warranty against Lessor's Liens. The Lessor shall not be required to make any other representation or warranty as to the condition of the Equipment or any other matters, and may specifically disclaim any such representations or warranties.

Section 19.2. Renewal Options. So long as no Event of Default or event which with the lapse of time or giving of notice, or both, would constitute an Event of Default shall have occurred and be continuing, the Lessee shall have the option to renew this Lease with respect to not less than 50% of the Items of Equipment then leased hereunder for two years at a rate equal to 65% of the average Fixed Rental during the Basic Term for such Items of

Equipment. Thereafter, the Lessee may renew this Lease with respect to such Items of Equipment for consecutive renewal terms of one year each (not to exceed five years in the aggregate) at the Fair Rental Value thereof determined in accordance with Section 19.3 hereof. The Lessee shall give the Lessor written notice not less than 180 days prior to the end of the Basic Lease Term or any then effective renewal term of its election to exercise the applicable renewal option provided for in this Section. Any renewal term shall commence immediately upon the end of the Basic Lease Term or the previous renewal term, as the case may be. The Casualty Value payable during any renewal term for any Item shall equal the Fair Market Value thereof, determined in accordance with Section 19.3 hereof. Except as specifically provided in this Section 19.2, all terms of this Lease shall apply to any renewal terms.

Section 19.3. Determination of Fair Rental Value and Fair Market Value. For purposes of this Section 19, the Fair Rental Value or Fair Market Value for any Item of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee or buyer, as the case may be (other than a lessee or buyer, as the case may be, currently in possession) and an informed and willing lessor or seller, as the case may be, under no compulsion to lease or sell, as the case may be. Any such determination shall be made (i) on the assumption that the Equipment is in at least the condition and state of repair required by this Lease (including Section 14) and on the assumption that no lading was carried that was more abrasive or corrosive than coal and without regard to the withdrawal from service of any Item of Equipment pursuant to Section 8.4 hereof, (ii) as respects Fair Rental Value, on the basis of a lease having terms and conditions (other than Rent and renewal and purchase options) similar to the terms and conditions of this Lease, (iii) giving effect to the removal of any parts which the Lessee is entitled to remove under the provisions of Section 8 hereof, and (iv) on the assumption that the Equipment is not subject to this Lease or any other lease or sublease. If the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value or the Fair Market Value of such Items of Equipment within 120 days of the end of the original Lease term or a renewal term, as the case may be, such value shall be determined in accordance with the foregoing definition by any independent appraiser mutually agreed upon by the Lessor and the Lessee or if no such mutual agreement is reached within 15 days, two independent qualified appraisers, one chosen by the Lessor and one chosen by the Lessee, or, if such appraisers cannot agree on the amount of such value within 15 days of appointment, an independent qualified appraiser to be chosen by the American Arbitration Association promptly thereafter. Such appraiser or appraisers shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both the Lessor and the Lessee. The expenses and fees of all such appraisers shall be borne equally by the Lessor and the Lessee.

Section 19.4. Delivery of Equipment. Unless the Lessee has elected to purchase the Items of Equipment then leased hereunder as provided in this Section 19, all of such Items of Equipment shall be returned to the Lessor at the end of the Basic Lease Term or the renewal term in accordance with Section 14 hereof.

SECTION 20. EARLY TERMINATION

Section 20.1. Right of Early Termination. So long as no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee may, on or after the eighth anniversary of the Basic Lease Term Commencement Date, upon not less than 120 days' prior written notice to the Lessor, which notice shall be irrevocable, terminate this Lease with respect to not less than 50% of the Items of Equipment then subject to this Lease, which Items shall be randomly selected (pursuant to a process satisfactory to Lessor) from all Items of Equipment then subject to this Lease if less than all items leased hereunder are to be terminated, on a rent payment date if such Items of Equipment, in the good faith judgment of the Lessee as approved by its Board of Directors, shall have become obsolete, uneconomic or surplus to the needs of the Lessee in the conduct of its business. Such written notice shall designate the date on which termination is to become effective (the "*Early Termination Date*") and shall be accompanied by a Certificate of the President or a Vice President of the Lessee setting forth the determination that such Items of Equipment have become obsolete, uneconomic or surplus to the needs of the Lessee and by a certified copy of the resolutions of the Board of Directors approving such determination. Following the giving of such notice, the Lessee shall use its best efforts at the Lessee's sole expense to obtain bids for the purchase of such Items of Equipment from Persons other than the Lessee or any Persons affiliated with the Lessee *provided* that no bids shall be accepted after the date which is 60 days prior to the date on which termination is to become effective. The Lessee shall certify to the Lessor in writing the amount of each bid so received and the name and address of the Person submitting such bid promptly upon receipt thereof. The Lessor may obtain bids, but shall be under no duty to solicit bids, inquire into the efforts of the Lessee to obtain bids or otherwise take any action in connection with arranging such sale.

Section 20.2. Sale of Terminated Items. Except as otherwise provided in Section 20.4 hereof, the Lessor shall accept the highest bid for such Items of Equipment obtained by the Lessee or the Lessor within the 60 days following the Lessee's certification of bids to the Lessor. On the Early Termination Date indicated in such notice, the Lessee shall pay, in immediately available funds, to the Lessor any Supplemental Rent then due plus the premium, if any, on the Notes required to be paid by the Lessor pursuant to Section 4.1(c) of the Security Agreement plus an amount by which the Early Termination Value shown on Exhibit E hereto for such Items of Equipment as of such date exceeds the proceeds of such sale net of all reasonable out-of-pocket costs incurred by the Lessor in connection therewith. Except as otherwise provided in Section 20.4 hereof, on the Early Termination Date, the Lessor shall sell to the highest bidder all of the Lessor's rights, title and interest in such Items of Equipment on an "as-is", "where-is" basis without representation or warranty, express or implied, except as to the absence of Lessor's Liens.

Section 20.3. Termination of Lease. Upon payment to the Lessor by the Lessee of the amounts required by this Section 20, and payment of all other sums due hereunder and under the Operative Agreements, this Lease shall terminate with respect to such Items of Equipment. Whether or not any such difference is payable by the Lessee, the Lessee shall have no right to receive or share in any portion of the proceeds of any sale of such Items of

Equipment pursuant to this Section 20. If no bid is received, at Lessee's option, either (i) the Lessee shall nonetheless pay to the Lessor the installment of Fixed Rental due on the early Termination Date (other than any Fixed Rental expressed to be payable in advance with respect to such Items of Equipment) plus the Early Termination Value shown on Exhibit E hereto for such Items of Equipment as of such date plus the premium, if any, on the Notes required to be paid pursuant to Section 4.1(c) of the Security Agreement plus all out-of-pocket costs incurred by the Lessor in connection therewith and following such termination, the Lessee shall continue to seek bids for such Items of Equipment, and upon the sale of such Items, any sale proceeds received by the Lessor subsequent to the Early Termination Date with respect to the terminated Items of Equipment (net of costs and expenses of the Lessor) will be applied by the Lessor to reimburse the Lessee for its payment of Early Termination Value, or (ii) this lease shall continue in full force and effect with respect to such Equipment. It shall be an absolute condition precedent to Lessee's right to terminate this Lease that on the Early Termination Date the Lessor shall have received funds of the type specified in this Section 20 in an amount sufficient to enable it to pay in full the unpaid principal amount of all Notes which may be outstanding on such date with respect to the terminated Items of Equipment, together with accrued interest thereon to such date and the Redemption Premium, if any, pursuant to Section 4.1(c) of the Security Agreement, plus all other sums then due and payable by the Lessee on such date under the Operative Agreements. If Lessee shall fail to pay all amounts due and owing under the provisions of this Section 20, this Lease shall continue in full force and effect and it shall be deemed that Lessee has rescinded its notice of termination.

Section 20.4. Right of Lessor to Retain Terminated Items. Notwithstanding the foregoing provisions of this Section 20, Lessor may, within 60 days after Lessee's certification under this Section 20 of a bid or, if Lessee does not certify any such bids, at any time up to 30 days prior to the Early Termination Date, notify the Lessee in writing of its preemptive election to take possession of such Items of Equipment on the Early Termination Date; *provided* that Lessor may not so elect unless it shall simultaneously (i) agree to provide the funds necessary to pay in full the Notes and all other Secured Indebtedness related to such Items on or before the Early Termination Date, and (ii) provide to Lessee evidence to Lessee's satisfaction that funds have been set aside for the payment provided in clause (i) above. Lessee shall pay the premium, if any, on the Notes required to be paid by the Lessor pursuant to Section 4.1(c) of the Security Agreement. If Lessor has not, after making its preemptive election referred to above, caused the Notes and all other Secured Indebtedness (including, without limitation, premium, if any) to be paid on or before the Early Termination Date and thereby caused this Lease to terminate, the Lessee shall on the Early Termination Date pay the amounts required to be paid by the third sentence of Section 20.3 hereof, and thereupon this Lease shall terminate with respect to such items of equipment. Upon receipt of such notice (and, in the case of the Lessee, evidence that the conditions of the proviso to the second preceding sentence have been satisfied), Lessee and Lessor shall cease efforts to obtain bids as provided above and shall reject all other bids theretofore or thereafter received. If the Lessor shall have made such election, on the Early Termination Date, Lessee shall deliver such Items of Equipment to Lessor in accordance with Section 14 hereof and shall pay all Fixed Rental due on the Early Termination Date with respect to the Items of Equipment (other than any Fixed Rental

expressed to be payable in advance with respect thereto), whereupon the obligation of Lessee to pay Fixed Rental due and payable after the Early Termination Date with respect to such Items of Equipment shall cease and from and after the Early Termination Date such Items of Equipment shall no longer be subject to this Lease. It shall be an absolute condition precedent to Lessee's right to terminate this Lease and Lessor's right to make its preemptive election under this Section 20.4 that on the Early Termination Date the Lessor shall have received and paid to the Security Trustee funds of the type specified in this Section 20 in an amount sufficient to enable it to pay in full the unpaid principal amount of all Notes which may be outstanding on such date with respect to the terminated Items of Equipment, together with accrued interest thereon to such date and the Redemption Premium, if any, pursuant to Section 4.1(c) of the Security Agreement, plus all other sums then due and payable by the Lessee or the Lessor on such date under the Operative Agreements. If Lessee or the Lessor, as the case may be, shall fail to pay all amounts due and owing under the provisions of this Section 20, this Lease shall continue in full force and effect and it shall be deemed that Lessee has rescinded its notice of termination.

SECTION 21. INTEREST ON OVERDUE RENTALS AND AMOUNT PAID BY LESSOR.

Anything to the contrary herein contained notwithstanding, any nonpayment of rent due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the additional obligation on the part of the Lessee to pay also interest at a rate equal to the higher of (i) 11.10% per annum, or (ii) the Prime Rate plus 2% (or the maximum rate of interest permitted by law, whichever is less) on the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid. "Prime Rate" shall mean the per annum rate of interest from time to time announced by Security Pacific National Bank or its successor as its prime rate or other corporate base rate.

SECTION 22. MISCELLANEOUS.

Section 22.1. Notices. Any notice required or permitted to be given by either party hereto to the other shall be in writing and shall be deemed to have been duly given when delivered personally or by means of telex, telecopy or other wire transmission, or mailed by registered or certified mail, postage prepaid, or sent by courier, in each case addressed as follows and effective upon receipt:

If to the Lessor:

Security Pacific Equipment Leasing, Inc.
Four Embarcadero Center
12th Floor
San Francisco, California 94111
Attention: Operations Department-LEV

If to the Security Trustee: State Street Bank and Trust Company of
Connecticut, National Association
750 Main Street
Hartford, Connecticut 06103
Attention: Corporate Trust Department

If to the Lessee: Virginia Electric and Power Company
One James River Plaza
Richmond, Virginia 23261
Attention: Manager, Transportation Department

If to the Note Purchasers: At the addresses provided therefor in Schedule 1
to the Participation Agreement.

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

Section 22.2. Right of Lessor to Perform. If the Lessee shall fail to comply with any of its covenants herein contained, either the Lessor or, in the case of an assignment by the Lessor pursuant to Section 17 hereof, the assignee thereunder (including, without limitation, the Security Trustee and each Note Purchaser) may, but shall not be obligated to, make advances to perform the same and to take all such action as may be necessary to obtain such performance. Any payment so made by any such party and all cost and expense (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection therewith shall be payable by the Lessee to the party making the same upon demand as Supplemental Rent hereunder, with interest at the rates provided in Section 21.

Section 22.3. Execution in Counterparts. This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

Section 22.4. Law Governing This Lease shall be construed in accordance with the laws of the State of Virginia without regard to principles of conflicts of law; *provided, however,* that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

Section 22.5. Headings and Table of Contents. All Section headings and the Table of Contents are inserted for convenience only and shall not affect any construction or interpretation of this Lease.

Section 22.6. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be as to such jurisdiction ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

Section 22.7. Lessor Furnished Insurance. Without limiting any obligation of the Lessee to maintain insurance in effect pursuant to Section 11 hereof, the Lessor may, at its own election and expense, maintain for its own benefit such additional public liability and/or property damage insurance as it shall deem appropriate so long as such insurance shall not impair the enforcement of or collection upon any policies maintained pursuant to said Section 11.

Section 22.8. Submission to Jurisdiction. Any legal action or proceeding arising out of or relating to this Lease Agreement may be instituted in the United States in any Federal or state court sitting in the State of California, United States of America, and the Lessee irrevocably submits to the non-exclusive jurisdiction of these courts in any such action or proceeding. The foregoing provision shall not limit the right of the Lessor or the Security Trustee to bring any such action or proceeding or to obtain execution on any judgment rendered in any such action or proceeding in any other appropriate jurisdiction or in any other manner. The Lessee agrees that final judgment against it in any legal action or proceeding arising out of or relating to this Lease Agreement shall be conclusive and may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified or exemplified copy of which judgment shall be conclusive evidence thereof and of the amount of its indebtedness, or by such other means provided by law.

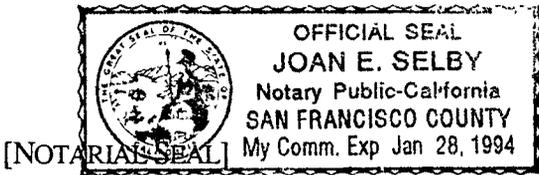
IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective officers thereunder duly authorized as of the day and year first above written.

SECURITY PACIFIC EQUIPMENT LEASING,
INC.

By Cheryl J. Emerson
Its Contract Administrator

STATE OF CALIFORNIA)
) SS
COUNTY OF SAN FRANCISCO)

On this 7th day of November, 1991, before me personally appeared Cheryl J. Emerson, to me personally known, who being by me duly sworn, say that she is a Contract Administrator of SECURITY PACIFIC EQUIPMENT LEASING, INC., that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and she acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Joan E. Selby
Notary Public

My commission expires: January 28, 1994

This Equipment Lease and certain of the sums due and to become due hereunder have been assigned to, and are subject to a security interest in favor of, State Street Bank and Trust Company of Connecticut, National Association, as Security Trustee, pursuant to a Security Agreement-Trust Deed dated as of November 1, 1991, from Security Pacific Equipment Leasing, Inc. to said Security Trustee.

VIRGINIA ELECTRIC AND POWER COMPANY

By C. A. Brown
Its Vice President, Procurement

STATE OF Virginia)
at large) SS
COUNTY OF 8)

On this 6th day of November, 1991, before me personally appeared C. A. Brown, to me personally known, who being by me duly sworn, say that he is the Vice President, Procurement of VIRGINIA ELECTRIC AND POWER COMPANY, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Stewart K. Bogie
Notary Public

[NOTARIAL SEAL]

My commission expires: 7/10/92

This Equipment Lease and certain of the sums due and to become due hereunder have been assigned to, and are subject to a security interest in favor of, State Street Bank and Trust Company of Connecticut, National Association, as Security Trustee, pursuant to a Security Agreement-Trust Deed dated as of November 1, 1991, from Security Pacific Equipment Leasing, Inc. to said Security Trustee.

DESCRIPTION OF ITEMS OF EQUIPMENT

IDENTIFYING MARKS AND NUMBERS*	NUMBER OF CARS	DESCRIPTION	ORIGINAL EQUIPMENT COST PER UNIT	TOTAL ORIGINAL EQUIPMENT COST
VAPX 91001- VAPX 91300	300	3,805 cubic foot steel triple pocket coal hopper rail cars with fixed couplers	\$41,360	\$12,408,000

* All numbers inclusive

EXHIBIT A
(to Equipment Lease)

LEASE SUPPLEMENT NO. 1

This LEASE SUPPLEMENT NO. 1, dated as of _____, between SECURITY PACIFIC EQUIPMENT LEASING, INC., a Delaware corporation (the "Lessor"), and VIRGINIA ELECTRIC AND POWER COMPANY, a Virginia corporation (the "Lessee");

WITNESSETH:

The Lessor and the Lessee have heretofore entered into that certain Equipment Lease dated as of November 1, 1991 (the "Lease"). The terms used herein are used with the meanings specified in the Lease.

The Lease provides for the execution and delivery of a Lease Supplement substantially in the form hereof for, among other things, the purpose of confirming any change in Fixed Rentals, Casualty Values and Early Termination Values.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, the Lessor and the Lessee hereby agree as follows:

1. Exhibits C, D and E to the Lease, showing Fixed Rentals, Casualty Values and Early Termination Values are hereby amended to read in full as attached hereto.

2. Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this Lease Supplement may refer to the "Equipment Lease dated as of November 1, 1991" or the "Lease dated as of November 1, 1991" without making specific reference to this Lease Supplement, but nevertheless all such references shall be deemed to include this Lease Supplement unless the context shall otherwise require.

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

4. This Lease Supplement may be executed in any number of counterparts, each executed counterpart constituting an original but all together one and the same instrument.

EXHIBIT B
(to Equipment Lease)

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this Lease Supplement to be duly executed as of the day and year first above written and to be delivered as of the date first above written.

SECURITY PACIFIC EQUIPMENT LEASING,
INC.

By _____
Its

VIRGINIA ELECTRIC AND POWER COMPANY

By _____
Its

Consented to as of the date first above written.

STATE STREET BANK AND TRUST COMPANY
OF CONNECTICUT, NATIONAL
ASSOCIATION, as Security Trustee

By _____
Its Vice President

STATE OF)
) SS
COUNTY OF)

On this ____ day of _____, 1991__, before me personally appeared _____, to me personally known, who being by me duly sworn, say that he is the _____ of SECURITY PACIFIC EQUIPMENT LEASING, INC., that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[NOTARIAL SEAL]

My commission expires:

STATE OF)
) SS
COUNTY OF)

On this ____ day of _____, 199__ , before me personally appeared _____, to me personally known, who being by me duly sworn, say that he is the _____ of VIRGINIA ELECTRIC AND POWER COMPANY, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[NOTARIAL SEAL]

My commission expires:

SCHEDULE OF FIXED RENTALS

RENT PAYMENT DATE	RENT (EXPRESSED AS A PERCENTAGE OF ORIGINAL EQUIPMENT COST)
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[INTENTIONALLY OMITTED FROM ICC FILED DOCUMENT]

SCHEDULE OF CASUALTY VALUE

The Casualty Value for an Item of Equipment payable on the Basic Lease Term Commencement Date or any Fixed Rental payment date thereafter shall mean an amount equal to the percent of the Original Equipment Cost of such Item set forth opposite such date in the attached schedule.

[INTENTIONALLY OMITTED FROM ICC FILED DOCUMENT]

SCHEDULE OF EARLY TERMINATION VALUE

The Early Termination Value for an Item of Equipment payable on the eighth anniversary of the Basic Lease Term Commencement Date or any Fixed Rental payment date thereafter shall mean an amount equal to the percent of the Original Equipment Cost of such Item set forth opposite such date in the attached schedule.

[INTENTIONALLY OMITTED FROM ICC FILED DOCUMENT]