

BROWN, TODD & HEYBURN

64

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18299

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3-187A036

JUL 6 1993 12:35 PM

July 6, 1993

JUL 6 1993 12:12 PM

INTERSTATE COMMERCE COMMISSION

INTERSTATE COMMERCE COMMISSION

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

Re: Virginia Electric And Power Company
Leveraged Lease

Dear Mr. Strickland:

I am enclosing for recording pursuant to Section 11303 of Title 49 of the United States Code, two originals of each of the two primary documents described below. As one of the attorneys representing the Owner Participant in this transaction, I have knowledge of the matters described in this letter.

The enclosed primary documents are as follows:

- (1) Equipment Lease dated as of June 28, 1993, between State Street Bank and Trust Company of Connecticut, National Association, as lessor (the "Lessor"), and Virginia Electric & Power Co., as lessee (the "Lessee"); and
- (2) Security Agreement - Trust Deed dated as of June 28, 1993, between State Street Bank and Trust Company of Connecticut, National Association, as trustee (the "Owner Trustee"), and Shawmut Bank Connecticut, National Association, as security trustee (the "Security Trustee").

Counter-parts

MOTOR OPERATING UNIT
JUL 6 12 18 PM '93

Mr. Sidney L. Strickland, Jr.
July 6, 1993
Page 2

BROWN, TODD & HEYBURN

The names and addresses of the parties to the documents are as follows:

EQUIPMENT LEASE

Lessee: Virginia Electric & Power Co.
One James River Plaza
701 East Cary Street
Richmond, Virginia 23219

Lessor: State Street Bank and Trust Company
of Connecticut, National Association
750 Main Street-Suite 114
Hartford, Connecticut 06103

SECURITY AGREEMENT - TRUST DEED

Owner Trustee: State Street Bank and Trust Company
of Connecticut, National Association
750 Main Street-Suite 114
Hartford, Connecticut 06103

Security Trustee: Shawmut Bank Connecticut,
National Association
777 Main Street-MSN 238
Hartford, Connecticut 06115

The Equipment Lease provides, inter alia, for the lease by the Lessor to the Lessee of certain items of railroad rolling stock (the "Units"). The Security Agreement - Trust Deed provides, inter alia, for the granting of a security interest in the Units in favor of the Security Trustee in order to secure the Owner Trustee's performance of certain obligations under the Security Agreement - Trust Deed and the Lessee's performance of certain obligations under the Equipment Lease and any Lease Supplement executed and delivered from time to time pursuant to the Equipment Lease. The Equipment Lease and the Security Agreement - Trust Deed further provide, inter alia, for the Equipment Lease and the Security Agreement - Trust Deed to apply to the items of railroad rolling stock bearing the road numbers set forth in Schedule A to the Equipment Lease, namely the road numbers set forth in Exhibit A hereto.

The description of the equipment covered as of the date hereof by the aforesaid Equipment Lease and Security Agreement - Trust Deed, is as set forth on Exhibit A hereto.

A fee of sixty-four dollars (\$64.00) is enclosed. Please time and date stamp the enclosed copy of each of the enclosed documents along with the extra copy of this letter as proof of filing and recordation of the enclosed documents and return the original and

Mr. Sidney L. Strickland, Jr.

July 6, 1993

Page 3

BROWN, TODD & HEYBURN

any extra copies of such documents and this letter not needed by the Commission for recordation to:

Charles R. Keeton
Brown, Todd & Heyburn
3200 Capital Holding Center
400 West Market Street
Louisville, Kentucky 40202-3363

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

(1) EQUIPMENT LEASE:

Equipment Lease between State Street Bank and Trust Company of Connecticut, National Association, as Lessor, 750 Main Street, Hartford, Connecticut 06103, and Virginia Electric & Power Co., as Lessee, One James River Plaza, 701 East Cary Street, Richmond, Virginia 02319, dated as of June 28, 1993, covering up to 275 items of railroad rolling stock bearing the road numbers set forth in Schedule A to such Equipment Lease.

(2) SECURITY AGREEMENT - TRUST DEED:

Security Agreement - Trust Deed between State Street Bank and Trust Company of Connecticut, National Association, as Owner Trustee, 750 Main Street, Hartford, Connecticut 06103, and Shawmut Bank Connecticut, National Association, as Security Trustee, 777 Main Street, Hartford, Connecticut 06115, dated as of June 28, 1993, securing the obligations of the Owner Trustee and Virginia Electric & Power Co., relating to up to 275 items of railroad rolling stock bearing the road numbers set forth in Schedule 1 to such Security Agreement - Trust Deed.

If you have any questions or need further information, please do not hesitate to contact the undersigned or Charles R. Keeton.

Sincerely,

BROWN, TODD & HEYBURN

By


John B. Nelson III

LA6.E0594
a:SLS.ltr
7/1/93

EXHIBIT A

DESCRIPTION OF UNITS

Three Hundred Seventy-Five (375) One Hundred Thirteen (113) ton steel riveted and welded construction hopper railcars having three double hoppers, assigned identifying numbers VAPX 93301 through VAPX 93675 (inclusive), with a capacity of approximately 3800 cubic feet.

Interstate Commerce Commission
Washington, D.C. 20423

7/6/93

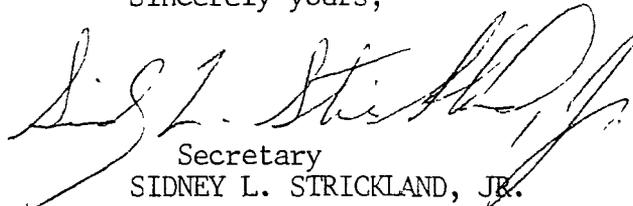
OFFICE OF THE SECRETARY

Charles R. Keeton
Brown, Todd & Heyburn
3200 Capital Holding Center
400 West Market Street
Louisville, Kentucky 40202-3363

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 **July 6, 1993** at **12:25PM**, and assigned recordation number(s). **18299,18299-A.**

Sincerely yours,



Secretary
SIDNEY L. STRICKLAND, JR.

Enclosure(s)

EQUIPMENT LEASE

Dated as of
June 28, 1993,
Between

NEW NO
8299

JUL 6 1993 PM

INTERSTATE COMMERCE COMMISSION

STATE STREET BANK AND TRUST COMPANY
OF CONNECTICUT, NATIONAL ASSOCIATION,
not individually but solely as Trustee
under a Trust Agreement
dated as of the date hereof

LESSOR

And

VIRGINIA ELECTRIC & POWER CO.

LESSEE

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, Shawmut Bank Connecticut, National Association, as Security Trustee, pursuant to a Security Agreement-Trust Deed dated as of June 28, 1993, from State Street Bank and Trust Company of Connecticut, National Association, not individually but solely as Trustee under a Trust Agreement dated as of the date hereof, as debtor, to said Security Trustee.

Recordation No. _____ Filed and Recorded _____
Interstate Commerce Commission

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EQUIPMENT LEASE

THIS EQUIPMENT LEASE is dated as of June 28, 1993 (this "Lease"), between (a) STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity but solely as trustee (the "Lessor") under the Trust Agreement dated as of June 28, 1993 (the "Trust Agreement"), for the benefit of LIBERTY NATIONAL LEASING COMPANY, a Kentucky corporation and its successors and assigns (the "Trustor"), and (b) VIRGINIA ELECTRIC & POWER CO., a Virginia public service corporation (the "Lessee").

R E C I T A L S :

A. The Lessee has entered into a purchase agreement (the "Purchase Order") with Trinity Industries, Inc. (the "Manufacturer"), among other things, giving the Lessee the right to acquire the Items of Equipment hereinafter described. The Lessee now desires to lease rather than own such Equipment, and for such purpose to enter into this Lease with the Lessor and further to cause the Manufacturer to enter into various bills of sale providing for the transfer to the Lessor of title to the Items of Equipment. All such bills of sale are herein referred to as the "Bills of Sale".

B. The Lessee and the Lessor intend to enter into an Assignment of the Purchase Order dated as of June 28, 1993, providing for, among other things, the assignment of certain rights relating to the Equipment from the Lessee to the Lessor.

C. The Lessee and the Lessor intend to enter into a Participation Agreement dated as of June 28, 1993 (as from time to time supplemented or amended, the "Participation Agreement"), with the Trustor, Shawmut Bank Connecticut, National Association, a national banking association, as security trustee (the "Security Trustee"), and the institutional investors named in Schedule 2 thereto (the "Note Purchasers"), providing for, among other things, the commitment of the Note Purchasers to purchase the Notes hereinafter described which, together with funds provided by the Trustor, will permit the Lessor to obtain the funds necessary to pay for the Equipment (collectively, the "Equipment" or "Items of Equipment" and, individually, an "Item" or "Item of Equipment") described in Schedule A hereto and made a part hereof. The Trustor will commit to the Lessor to invest funds in an amount equal to approximately 24.59789% of the Purchase Price of the Equipment, and the Note Purchasers will commit to purchase the non-recourse Secured Notes due July 2, 2011 (the "Notes"), of the Lessor in an amount equal to approximately 75.40211% of the Purchase Price of the Equipment. It is contemplated that the Participation Agreement will provide that the Notes will be secured by an assignment of the

Lessor's right, title and interest in and to this Lease and any rentals under Permitted Subleases, and a first perfected security interest in and to the Equipment pursuant to a Security Agreement-Trust Deed dated as of June 28, 1993 (the "Security Agreement"), from the Lessor to the Security Trustee, excluding and reserving certain Excepted Rights in the Collateral. Any capitalized term not defined herein shall have the meaning specified in the Participation Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants, promises and agreements hereinafter contained, and for other good and valuable consideration, the mutuality, receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT.

1.1. Intent to Lease. The Lessor shall lease to the Lessee, and the Lessee shall lease from the Lessor, all Items of Equipment, which are delivered and accepted pursuant to Section 1.2 hereof, for the rental and upon and subject to the terms and conditions herein set forth.

1.2. Inspection and Acceptance. Subject to Sections 2.1(c) and 2.3 of the Participation Agreement, on the Delivery Date with respect to any Item of Equipment, the Lessee shall cause an Inspector (who may be an employee or agent of the Lessee) designated and authorized by the Lessee to inspect the same and, if such Item of Equipment is found to be in good order and condition in accordance with the requirements of Section 1.3 hereof, the Lessee shall accept such Item of Equipment from the Manufacturer on behalf of the Lessor and simultaneously shall accept such Item of Equipment hereunder by executing, on such date, a Certificate of Acceptance in the form attached hereto as Schedule B with respect to such Item of Equipment. Lessee shall, within 24 hours of executing any such Certificate of Acceptance, send a copy of such executed Certificate of Acceptance to the Trustor at its address listed in Schedule 1 to the Participation Agreement.

1.3. Certificate of Acceptance; Invoice. At least one Business Day prior to a Funding Date with respect to any Item of Equipment, the Lessee shall cause the Invoice relating to such Item(s) of Equipment for which there has been executed a Certificate of Acceptance to be delivered to the Lessor. 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 thereof, such Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Item of Equipment is in good order, condition and repair; and mechanically suitable for interchange, in accordance with any and

all federal, state or other applicable rules and regulations, in accordance with industry standards for railcars operating on the lines of Class I railroads and the Interchange Rules; and in conformance with any and all specifications applicable thereto and any and all recommended maintenance and warranty procedures of the Manufacturer; and in conformance with any and all requirements of insurance policies maintained pursuant to this Lease; and in conformance with any and 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 new railroad equipment of the character of the Equipment. 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.

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 thirty-six (36) semiannual installments of Fixed Rental, payable as set forth in Schedule E; each such payment shall apply to the period ending or beginning, as the case may be, on the corresponding Fixed Rental Payment Date set forth on Schedule E and beginning after or before, as indicated in Schedule E, the preceding Fixed Rental Payment Date (or its Term Lease Commencement Date in the case of the first Fixed Rental Payment Date), and shall accrue ratably over such rental period; and

(b) Supplemental Rent. The Lessee shall pay Supplemental Rent to the Person entitled to receive the same, as and when due under the Operative Agreements.

2.2. Rent Payment Dates. The first installment of Fixed Rental for each Item of Equipment shall be due and payable on January 2, 1994, and the balance of said installments shall be payable on each July 2 and January 2 thereafter occurring with the final such installment payable on July 2, 2011. Each payment of Supplemental Rent shall be payable on the date specified in the Operative Agreements, or if not so specified, then on demand. If any of the Fixed Rental Payment Dates is not a Business Day, the Fixed Rental payment otherwise payable on such date shall be payable on the next succeeding Business Day.

2.3. Place and Manner of Rent Payment. The payments to be made by the Lessee under this Lease or under any other Operative Agreement shall be made as follows:

(a) Each installment of Fixed Rental shall be paid to the Lessor in immediately available funds by Automated Clearing House or wire transfer to the principal office of the Lessor at the address thereof provided for payments in Section 23.1 hereof; provided, that in the event either the Lessor or the Security

Trustee shall notify the Lessee in writing at least five Business Days in advance of any such payment (other than with respect to the original assignment to the Security Trustee pursuant to the Security Agreement, for which the Lessee already has sufficient notice), that the right to receive payment of such installment shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment by Automated Clearing House or wire transfer to the place designated in such notice or as otherwise designated from time to time in writing by such assignee; and provided, further, that in the event such notice shall direct the Lessee to divide such installment into not more than two portions and to pay each portion by wire transfer separately to not more than two parties, the Lessee agrees to do so;

(b) The entire amount of any payment of Stipulated Loss Value pursuant to Section 11 or 19 hereof shall be paid to the Lessor in immediately available funds by Automated Clearing House or wire transfer to the principal office of the Lessor at the address thereof provided for payments in Section 23.1 hereof (identifying the same as a payment of Stipulated Loss Value); provided, that in the event either the Lessor or the Security Trustee shall notify the Lessee at least five Business Days in advance of any such payment (other than with respect to the original assignment to the Security Trustee pursuant to the Security Agreement, for which the Lessee already has sufficient notice), in writing that the right to receive payment of such Stipulated Loss Value shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment by such Automated Clearing House or wire transfer in the manner designated in such notice or as otherwise designated from time to time in writing by such assignee; and provided, further, that in the event such notice shall direct the Lessee to divide such installment into not more than two portions and to pay each portion by wire transfer separately to not more than two parties, the Lessee agrees to do so;

(c) The amount of any payment owing to the Lessor pursuant to Sections 11 (with respect to public liability insurance) and 23.2 hereof or Section 9.1 or 9.2 of the Participation Agreement shall be made directly to the party to receive the same without regard to the assignment of this Lease pursuant to Section 16 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, in which case the Lessee shall reimburse the Lessor or its assignee, as the case may be, directly for such payment.

The Lessee agrees that it will cause all payments due hereunder to be received by 11:00 a.m., local time in New York City, New York, on the due date of such payment in Federal or otherwise immediately available funds of the United States 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.

2.4. Net Lease.

(a) This Lease is a net lease and the Lessee's obligation to pay all Fixed Rental and Supplemental Rent and other amounts payable under the Operative Agreements shall be irrevocable, absolute and unconditional under any and all circumstances. 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 or the Trustor under this Lease or otherwise or against any assignee of the Lessor pursuant to Section 16 hereof.

(b) Except as otherwise expressly provided herein, this Lease shall not terminate, nor shall 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 Participant, Trustee, Security Trustee or any other Person, 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 11 hereof, or until, pursuant to Section 13 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 performed).

(c) 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 16 hereof for any reason whatsoever.

2.5. Adjustment of Rentals.

(a) The schedules of Stipulated Loss Value and Fixed Rentals attached hereto as Schedules D and E, respectively, have been calculated on the assumptions that:

(i) Items of Equipment shall be funded and settled for pursuant to the Participation Agreement in the amounts set forth below and on the dates indicated:

<u>Funding Dates</u>	<u>Number of Items of Equipment</u>	<u>Purchase Price</u>
July 6, 1993	200	\$ 8,143,600.00
August 31, 1993	<u>175</u>	<u>\$ 7,125,650.00</u>
Totals	375	\$15,269,250.00

(ii) The Notes will bear interest at 6.98% 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 semiannually as provided in Section 2.2 of the Participation Agreement;

(iii) The following income tax characterization of the transaction contemplated by this Lease and the other Operative Agreements for Federal and state income tax purposes and the Federal and state benefits thereto shall be valid and accurate on each Delivery Date and each Funding Date:

- (A) the ownership of the assets of the entity created by the Trust Agreement (the "Owner Trust") will, by reason of its qualification as a "grantor trust" or otherwise, be disregarded for Federal and state income tax purposes and the Trustor as owner of the entire trust will be entitled and required in computing its taxable income to take into account all items of income, gain, loss or deduction of the Owner Trust with respect to the Equipment;
- (B) this Lease will be treated as a "true lease" and the Trustor will be treated as the purchaser, owner and lessor of each Item of Equipment;
- (C) each Item of Equipment will be treated as placed in service by the Trustor on its Funding Date;

- (D) the Trustor will be entitled to claim for Federal income tax purposes, accelerated cost recovery deductions ("Cost Recovery Deductions") for each Item of Equipment with respect to 100% of the Purchase Price computed (1) on the basis that each Item of Equipment is "7-year property" within the meaning of Section 168(e)(1) of the Code, and (2) using (a) the 200 percent declining balance method, switching to the straight-line method in the first year such method will yield a larger allowance, (b) an applicable recovery period of 7 years, (c) a salvage value of zero, and (d) the half-year convention, all as set forth in Section 168 of the Code;
- (E) no portion of the Cost Recovery Deductions in respect of any Item of Equipment will be recaptured at any time;
- (F) the obligations evidenced by the Notes will constitute indebtedness of the Trustor, and the Trustor will be entitled to current deductions under Section 163 of the Code for interest paid or accrued thereon, in accordance with the accrual method of accounting;
- (G) the only amounts that the Trustor will be required to include in gross income with respect to the transactions contemplated by the Operative Agreements and the documents referred to therein prior to the expiration of the term of this Lease (or on or after such expiration if such inclusion relates to events or matters arising or occurring prior to or coincident with such termination) will be (1) Fixed Rental in such amounts as are paid pursuant to this Lease; (2) amounts to the extent they are offset by deductions in the same taxable year of the Trustor in which such amounts were includable in gross income, if Trustor would not have been entitled to such deductions but for the inclusion of such amount in income; (3) any amounts designated as interest; and (4) an amount paid on an after-tax basis under the Operative Agreements;
- (H) the Trustor will be entitled to accrue Fixed Rental in accordance with Section 467(b)(1) of the Code and will not be required to include any Fixed Rental in gross income prior to its taxable year in which the Fixed Rental is stated to accrue under this Lease;
- (I) the Trustor shall be entitled to amortize on a straight-line basis all Transaction Costs over a

period not longer than the interim and basic terms of this Lease;

- (J) all income and deductions derived by the Trustor from the transactions contemplated by the Operative Agreements and the documents referred to therein will be treated as being from sources within the United States;
- (K) for Kentucky ("Home State") tax purposes, the Trustor will be entitled to cost recovery, interest and transaction cost deductions and other benefits to the extent available under Home State law (hereinafter, the "State Tax Deductions");
- (L) the Trustor will enjoy the Cost Recovery Deductions, the Interest Deductions and the Transaction Cost Deductions and be taxable on Fixed Rentals at a Federal income tax rate of 34%, and will enjoy the State Tax Deductions at a rate of 9%;
- (M) the taxable year of the Trustor is the calendar year and the Trustor will use the accrual method of accounting; and
- (N) no item of tax benefit described above will constitute an item of tax preference within the meaning of Section 57 of the Code;

(iv) The aggregate of all Transaction Costs equal \$0.00;
and

(v) No change in, or in interpretation of, the Code, including any technical corrections act, regulations, revenue rulings, or administrative or judicial interpretations promulgated, enacted, issued, made effective or announced prior to such Funding Date, shall render the tax assumptions set forth in (iii) above or the pricing assumptions (as set forth in Section J of the Summary of Equity Terms attached to the Trustor's Commitment Letter dated May 21, 1993, and accepted by the Lessee) not true.

If any such assumption shall prove to be incorrect, or should the Trustor's funding amounts under this Lease and/or the other Operative Agreements be different than assumed herein, even if such incorrectness or such difference is discovered after the last actual Delivery Date or the last actual Funding Date (except, solely for the purposes of this Section 2.5 -- and without limiting in any manner whatsoever Lessee's obligations pursuant to the Tax Indemnification Agreement -- in the case of the tax assumptions referenced in Section 2.5(a)(iii) above, in which case the incorrectness or difference must be discovered on or before each Delivery Date and Funding Date), then the Lessor shall recompute such installments or all remaining installments of Fixed Rental and

the Stipulated Loss Values to maintain the same Net Economic Return in all cases as originally contemplated by the Trustor in entering into this transaction (an "Adjustment of Rentals"). Such Adjustment of Rentals shall be based upon the pricing parameters and methodology utilized by the Lessor in computing the amounts thereof originally set forth in this Lease, adjusted for the changed assumptions causing the adjustment. On or before the second payment of Fixed Rental, the Lessor and the Lessee shall execute and deliver a Lease Supplement, substantially in the form of Schedule C hereto, reflecting any revisions to Section 2.3(b) hereof and to Schedules D and E hereof.

(b) In addition to the foregoing Adjustment of Rentals, if, at any time during the one year period commencing on the first Delivery Date, the United States Congress enacts legislation reinstating the investment tax credit which affects the Equipment, there will be an adjustment of rentals (also an "Adjustment of Rentals") such that the Lessee shall have the benefit of any such credits actually realized and received by the Trustor. Such Adjustment of Rentals shall (i) include a re-optimization of the debt, and (ii) be contingent upon (A) the Note Purchasers and the Security Trustee agreeing to that re-optimization, and (B) any prepayment required by the Note Purchasers, the Security Trustee, and/or the Operative Agreements. In no event shall any such Adjustment of Rentals reduce the Trustor's Net Economic Return.

(c) All Adjustments of Rentals shall comply with the Guidelines, Section 467 of the Code and any other published or announced position of the IRS; and shall be effected so that each installment of Fixed Rental shall be in an amount sufficient to pay on each installment date the principal of, and the interest on, the Notes due on such date, and the Stipulated Loss Values as of any date shall be sufficient to pay the aggregate unpaid principal amount of, and the interest and premium, if any, on, the Notes outstanding on such date; and also shall be effected so that, subject to all the foregoing, the Lessor shall minimize the net present value of the Fixed Rentals, using as a discount rate the interest rate of the Notes.

(d) Should Lessee dispute any Adjustment of Rentals, a nationally recognized independent accounting firm or lease analysis software selected by Lessor and reasonably acceptable to Lessee shall be utilized to verify such Adjustment of Rentals. The expenses for such verification shall be paid by Lessee; provided, however, that should the adjustment be incorrect in excess of 25 basis points above the net present value of Fixed Rentals determined using the interest rate of the Notes or any Stipulated Loss Value be incorrect in excess of five percent above any such Stipulated Loss Value such verification expense shall be paid by Lessor. Such verification shall be final and binding on the parties.

SECTION 3. TERM OF THE LEASE.

(a) The interim term of this Lease as to each Item of Equipment shall begin on the Funding Date of such Item of Equipment and, subject to the provisions of Sections 11 and 14 hereof, shall terminate on the Term Lease Commencement Date.

(b) The Basic Lease Term as to each Item of Equipment shall begin on the Term Lease Commencement Date and, subject to the provisions of Sections 11, 14 and 19 hereof, shall terminate on January 2, 2012.

SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.

4.1. Retention of Title. The Lessor, as between the Lessor and the Lessee, 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 permitted sublessee under any Permitted Sublease.

4.2. Duty to Number and Mark Equipment. The Lessee shall cause each Item of Equipment to be kept numbered with such Item's identifying number as set forth in Schedule A hereto and shall 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 16 hereof. The Lessee shall replace promptly any such names and word or words which may be removed, obliterated, defaced or destroyed. The Lessee shall not change the identifying number of any Item of Equipment unless and until (a) 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 (b) 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 shall 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 all amendments hereto necessary to accomplish such filings, recordings and deposits.

4.3. Prohibition Against Certain Designations. Except as above provided, the Lessee will not allow the name of any Person 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 permitted assignee, transferee or 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 or any permitted assignee, transferee or sublessee to use the Equipment under, in accordance with and subject to, this Lease.

SECTION 5. DISCLAIMER OF WARRANTIES.

THE LESSOR LEASES THE EQUIPMENT, AS-IS, WHERE-IS, WITH ANY AND ALL FAULTS AND DEFECTS, IN WHATEVER CONDITION IT MAY BE, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, BY EITHER THE LESSOR OR THE TRUSTOR, AND THE LESSOR AND THE TRUSTOR EACH 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 DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT, OR WORKMANSHIP IN, THE EQUIPMENT, OR (D) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. 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.

SECTION 6. INTENTIONALLY OMITTED.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with any and all governmental laws, regulations, requirements and rules (including, without limitation, the rules of the United States Department of Transportation, the Interstate Commerce Commission and the Interchange Rules, and any and all other legislative, executive, administrative and judicial bodies exercising any power or jurisdiction over the Equipment) with respect to each Item of Equipment subject to this Lease. In case any Alterations are required on any Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such Alterations at its own expense and title thereto shall be immediately vested in the Lessor.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the manner for which it was designed and intended, and to haul only any intended lading that (a) is not more abrasive or corrosive than coal, and (b) is not a hazardous material or environmentally hazardous material or a dangerous material under any applicable law, rule, requirement or regulation, and so as to subject it, or permit it to be subjected, only to ordinary wear and tear. Each Item of Equipment shall be located exclusively in the continental United States. The Lessee shall, at its own cost and expense, (i) maintain and keep the Equipment in good order, condition and repair, in the same working order and repair as when originally delivered to the Lessee, ordinary wear and tear from authorized use excepted, and (ii) cause the Equipment and all components thereof to be mechanically suitable for use in interchange, in accordance with federal, state or other applicable regulations and in conformance with industry standards for railcars operating on the lines of Class I railroads and the Interchange Rules, and in conformance with any recommended maintenance and warranty procedures of the Manufacturer and any requirements pertaining to insurance policies maintained pursuant to Section 11 hereof. In no event shall the Lessee adversely discriminate as to the use or maintenance of any Item of Equipment (including, without limitation, the periodicity of maintenance or recordkeeping in respect of such Item) in contrast to other equipment similar to the Equipment owned or leased by the Lessee. Lessee shall make any and all additions required by the provisions of Section 7 hereof or required to keep any Item of Equipment in compliance with the provisions of this Lease. Lessee may modify and improve any one or more Items of Equipment and remove parts and improvements; provided, however, that the Lessee shall not modify or alter or make any additions or improvements to or remove any parts from any Item of Equipment in any manner which will decrease the value, utility, remaining economic life or intended use of such Item of Equipment or which would make such Item of Equipment "limited use property" (as defined in the Guidelines). Any and all non-severable additions and improvements and any and all parts installed or replacements made by the Lessee upon any Item of Equipment pursuant to Section 7 hereof or pursuant to its obligation to maintain and keep the Equipment in good order, condition and repair hereunder, shall be considered accessions to such Item of Equipment and title thereto shall, without further act, be immediately vested in the Lessor without cost or expense to the Lessor. Title to any and all additions or improvements other than those referred to in the preceding sentence which are readily removable without causing material damage to such Item of Equipment shall remain with the Lessee. As a condition of return, Lessor may require Lessee to remove, at Lessee's cost and expense, any or all of such severable additions and improvements. Lessee shall remove all such severable additions and improvements required by Lessor. Further, Lessor shall have the option to purchase any or all of such severable additions and improvements at Fair Market Value determined in accordance with Section 14.2 hereof. Lessee may

remove all such severable additions and improvements not purchased by Lessor. Lessee shall remove all such severable additions and improvements required by Lessor or elected by Lessee in accordance with the foregoing at Lessee's cost and expense in a manner which causes no damage to such Equipment and returns such Equipment to its original state, ordinary wear and tear from authorized use excepted. Title of all additions or improvements not removed by the Lessee will automatically vest in the Lessor upon the expiration of the Basic Lease Term. At any time and from time to time, upon twenty-four (24) hours advance notice to the Lessee, Lessor shall have the right, during the Lessee's normal business hours and (if the Lessee so desires) accompanied by a representative of the Lessee, to audit Lessee's maintenance facilities and maintenance procedures, if any, during the term of this Lease.

SECTION 9. LIENS ON THE EQUIPMENT; LITIGATION.

The Lessee shall pay or satisfy and discharge any and all Liens upon any Item of Equipment other than any Lessor's Liens and any Permitted Encumbrances, but the Lessee shall not be required to pay or discharge any such Liens so long as Lessee shall, in good faith and by appropriate legal proceedings timely instituted, including any proceedings under Section 9.2 of the Participation Agreement, contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor or the security interest or other rights of any assignee under Section 16 hereof in and to the Equipment. If the Equipment or any Item thereof becomes the subject matter of any litigation which could, in the reasonable opinion of Lessor's counsel, result in the material impairment or loss of Lessor's rights under this Lease or with respect to the Equipment or any Item thereof, such litigation shall be successfully resolved to Lessor's satisfaction within 60 days after notice to Lessee of Lessor's desire for resolution.

SECTION 10. FILING.

Prior to the first Funding Date, the Lessee shall 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 shall furnish proof satisfactory to the Lessor and the Security Trustee thereof. The Lessee shall, from time to time, do and perform any and all other acts and shall execute, acknowledge, deliver, file, register and record (and shall 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, shall deliver to the Lessor and the Security Trustee proof of such filings and an opinion of the Lessee's counsel satisfactory to the Lessor and the Security Trustee, that such action has been properly taken. The Lessee shall 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 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE.

11.1. Insurance. The Lessee shall, at all times during the term of this Lease and until the Equipment has been returned to the Lessor, at the Lessee's expense, keep each Item of Equipment insured by a reputable insurance company or companies in amounts, against risks (including, by way of illustration and not by way of limitation, public liability, property damage, and environmental liability insurance), with deductibles and with terms and conditions not less than the insurance maintained with respect to similar railcars which Lessee owns or leases, but in no event shall such coverage be for amounts or against risks less, or with deductibles higher, than the prudent industry standard of the electric utility industry which uses railcars. Without limiting the foregoing, Lessee shall:

(a) maintain physical damage insurance on each Item of Equipment in an amount not less than the Stipulated Loss Value of such Item of Equipment as in effect from time to time; provided, that such coverage may not provide for deductible amounts of more than \$5,000,000.00 per occurrence; and

(b) maintain public liability insurance against bodily injury, death or property damage arising out of the use or operation of any Item of Equipment, including, without limitation, contractual liability coverage covering the Lessee's indemnity obligations (other than state or federal tax indemnities) under this Lease and the other Operative Agreements, with liability limits of not less than \$25,000,000.00 per claim or occurrence or in the aggregate; provided, that such coverage may not provide for deductible amounts exceeding \$5,000,000.00. In the event any such liability is on a claims made basis at any time during the last three years of the term of this Lease, Lessee agrees to continue such coverage in compliance with all terms of this Section 11 for one year after the end of such term, it being agreed that Lessee's obligations under this sentence will survive for such one year period.

Lessee may insure with such companies as are suitable to Lessee. If, however, the rating of Lessee's first mortgage bonds falls below Baa3 according to Moody's Investors Service, Inc. (or any equivalent rating of another nationally recognized rating agency acceptable to Trustor, Lessor and the Security Trustee), the

insurance must be maintained with reputable insurance companies approved by Lessor, Trustor and the Security Trustee, which approval shall not be unreasonably withheld. Further, the deductibles set forth in subparagraphs (a) and (b) above may be raised with the prior written consent of the Lessor and the Security Trustee (but not in any event to an amount greater than \$10,000,000), which consent may be reasonably withheld (or if earlier given, reasonably withdrawn, thereby causing Lessee to return to the deductible amounts set forth in subparagraphs (a) and (b) above) if, among other reasons, the rating of Lessee's first mortgage bonds falls below Baa3 according to Moody's Investors Service, Inc. (or an equivalent rating of another nationally recognized rating agency acceptable to Trustor, Lessor and the Security Trustee).

The insurance maintained pursuant to Section 11.1(a) shall name the Lessor, Trustor, the Security Trustee and the Note Purchasers and their successors, assigns, officers and directors as additional insureds with respect to the Equipment and shall 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) 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. The insurance maintained pursuant to Section 11.1(b) shall name the Lessor, Trustor, the Security Trustee and the Note Purchasers and their successors, assigns, officers and directors as additional insureds with respect to liability alleged directly or indirectly to arise out of or in connection with any of the Items of Equipment and only for acts or events which occur prior to the return of the Items of Equipment to the Lessor.

Each property policy shall insure the interest of each named insured thereunder other than the Lessee regardless of any breach or violation by the Lessee or any other Person of any warranties, declarations or conditions contained in such policies or elsewhere, except for intentional breaches or violations by or at the direction of the Lessee. No insurer under a policy provided under this Section 11 shall have any right of recovery or subrogation against the Lessor, the Trustor, the Security Trustee or any holder of Notes or their successors or assigns, or any recourse against any of them for payment of any premiums or for assessments under any policy.

Each policy shall (A) be primary without right of contribution from any insurance carried by the Lessor, the Trustor, the Security Trustee or any holder of the Notes or their successors or assigns, (B) expressly provide that no cancellation or termination thereof (by non-renewal, lapse of time or otherwise) or material change therein [as hereinafter defined], or any termination arising due to a lapse for nonpayment of premium, shall be effective unless at least 30 days' prior written notice (or, for non-payment of

premiums, at least 10 days' prior written notice) shall have been given to the Lessor, the Trustor, the Security Trustee and the holders of the Notes or their successors or assigns, and (C) provide that the insurer shall waive any rights of subrogation against the Lessor, the Trustor, the Security Trustee, and the holders of the Notes and their successors and assigns. If any insurance required by this Section 11.1 is or is to be canceled for non-payment of premium, the Lessor, the Trustor, the Security Trustee or any holder of Notes or their successors or assigns may purchase such insurance at the Lessee's expense. For the purpose of this Section 11.1, material change shall mean any of the following, effected either directly or indirectly: any reduction in policy limits, or any reduction or limitation of the perils insured against, or any addition or amendments of exclusions, or any increase in deductibles.

The Lessee shall, upon the renewal of the policies in respect thereof, and in any event not later than ten (10) days after the expiration or termination thereof, furnish the Lessor, the Security Trustee and the holders of the Notes with either (a) certifications 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. If the Lessee has complied with this paragraph by virtue of clause (b) of this paragraph, 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, and in any event not later than thirty (30) days after the expiration or termination of the policy of insurance being renewed.

In lieu of providing the insurance required herein, so long as the rating of Lessee's first mortgage bonds has not fallen below Baa3 according to Moody's Investors Service, Inc. (or an equivalent rating of another nationally recognized rating agency acceptable to Trustor, Lessor and the Security Trustee), the Lessee may self-insure with respect to the Equipment for such amounts and against such risks as Lessee may self-insure with respect to similar equipment owned or leased by it and may self-insure with respect to public liability in an amount of up to \$25,000,000 per claim or occurrence or in the aggregate.

Should insurance proceeds be paid or self-insurance proceeds be required to be paid as a result of a Casualty Occurrence and the Lessee does not elect to substitute another railcar for the Item that suffered such Casualty Occurrence, upon Lessee's payment of all required Stipulated Loss Values and other amounts then due, the Lessee shall retain or be paid one-hundred percent (100%) of any proceeds in excess of the applicable Stipulated Loss Value except for proceeds paid as a result of a proceeding under Rule 103 of the American Association of Railroads (or any successor rule). In that

latter case, the Lessor shall retain or be paid one-hundred percent (100%) of such proceeds.

If insurance proceeds are paid or self-insurance proceeds are required to be paid as a result of a Casualty Occurrence and Lessee does elect to substitute another railcar for the Item that suffered such Casualty Occurrence, so long as no Event of Default, or any event constituting a breach of Section 2, 8, 9, 11 or 13 of this Lease which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, has occurred and is continuing, Lessee may apply such insurance proceeds towards the purchase price of such substitute railcar to the extent such purchase price does not exceed the fair market value at the time of the purchase of such substitute railcar, and Lessee shall retain one-hundred percent (100%) of any and all remaining insurance proceeds except for proceeds paid as a result of a proceeding under Rule 103 of the American Association of Railroads (or any successor rule). In that latter case, Lessee shall pay one-hundred percent (100%) of any and all remaining insurance proceeds to Lessor.

As between the Lessor and the Lessee the insurance payments received under policies required to be maintained by the Lessee hereunder with respect to any property damage to any Equipment not constituting a Casualty Occurrence with respect thereto will be paid to the Lessee upon receipt of evidence of completion of repairs or shall be paid to the Person performing the repair of such damage.

Any amount referred to in the next three preceding paragraphs that is payable to the Lessee shall not be paid to the Lessee if at the time of such payment an Event of Default or other event which with notice or lapse of time would become an Event of Default exists, but shall be held by Security Trustee so long as the Lien of the Security Agreement is in effect, and thereafter by the Lessor, as security for the obligations of the Lessee under this Lease and at such time as there is not continuing any such Event of Default or other event, such amount, unless theretofore otherwise applied in exercise of the Lessor's remedies hereunder, shall be paid to the Lessee.

Notwithstanding the foregoing, any sums received pursuant to this Section 11.1 as a result of any settlements made with respect to an Item of Equipment under Rule 107 of the American Association of Railroads (or any successor rule) in excess of Stipulated Loss Value thereof, shall be paid to or retained by the Lessor.

11.2. Casualty Occurrence and Duty of Lessee to Notify Lessor. In the event a Casualty Occurrence occurs with respect to an Item of Equipment, the Lessee shall within 30 days after it has knowledge of such Casualty Occurrence fully inform the Trustor, the Lessor and any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Security Trustee and the Note Purchasers) in regard thereto.

Upon the happening of a Casualty Occurrence, the Lessor shall notify the Lessee, within 20 days of the Lessor's receipt of such notice from the Lessee, that the Lessor elects either (a) to retain such Item and release the Lessee from further obligations under this Lease with respect to such Item or (b) to give the Lessee the option within 180 days of such occurrence of either paying Stipulated Loss Value on a Fixed Rental Payment Date occurring within such 180 day period (or within 30 days thereafter) or (except in the case of a Casualty Occurrence described in clause (6) of the definition thereof and except if an Event of Default has occurred and is continuing) substituting a railcar of the same or an improved make and model of at least equal value, utility, condition and maintenance and of no greater age; provided, that the Lessor shall have received an opinion of its tax counsel selected by the Trustor and in form and substance acceptable to the Trustor that neither the Lessee nor the Trustor shall suffer any adverse tax consequences as a result of such Casualty Occurrence and such substitution; and provided, further, that the Lessor may elect under clause (a) of this Section 11.2 only if it shall have prepaid, under Section 8.4 of the Security Agreement, an amount on the Notes equal to the Loan Value (as defined in Section 4.1(b) of the Security Agreement) of the Item of Equipment to be retained under that clause (a), together with the accrued and unpaid interest and premium, if any, on that portion of the Notes being prepaid. Failure by the Lessor to make any election shall be deemed an election of clause (b). Upon payment of the Stipulated Loss Value, or substitution of the railcar, the Lessor's right, title and interest in the Item of Equipment that has suffered the Casualty Occurrence shall be transferred to the Lessee "as-is, where-is" without recourse or warranty (except as to the absence of Lessor's Liens) and an appropriate adjustment shall be made to the Fixed Rentals.

11.3. Sum Payable for Casualty Loss. The Lessee, if it elects to pay Stipulated Loss Value, shall on such Fixed Rental Payment Date pay to the Lessor any Fixed Rentals or other sums with respect to such Item due and accrued prior to or on such date then remaining unpaid plus the Stipulated Loss Value of such Item of Equipment as of the date of such payment. In the event the date on which a Casualty Occurrence is deemed to occur hereunder is other than the date on which the affected Item of Equipment is disposed of for federal income tax purposes, Trustor shall adjust the Stipulated Loss Value otherwise payable to take into account such difference, such adjustment to be made in accordance with the assumptions on which such Stipulated Loss Value was originally computed, so as to maintain Trustor's Net Economic Return.

11.4. Rent Termination. Upon (and not until) payment of all sums required to be paid pursuant to Section 11.3 hereof in respect of any Item or Items of Equipment, the obligation to pay Fixed Rental for such Item or Items of Equipment shall terminate upon the Stipulated Loss Value payment date, but the Lessee shall continue to pay Fixed Rental for all other Items of Equipment.

11.5. Disposition of Equipment. The Lessee shall, as agent for the Lessor, dispose of such Item or Items of Equipment having suffered a Casualty Occurrence for which the Lessee is required to pay Stipulated Loss Value 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. 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, the Lessee may retain all amounts arising from such disposition up to the amount of the Stipulated Loss Value attributable thereto which the Lessee has previously paid to the Lessor pursuant to Section 11.3 hereof. 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.

11.6. Replacement of an Item. In the event the Lessee elects to substitute another railcar, the Lessee shall, within 60 days after the occurrence of such election, duly convey to the Lessor, as a replacement for the Item with respect to which such Casualty Occurrence occurred, title to another railcar of the same or an improved make and model of at least equal value, utility, condition and maintenance and of no greater age and useful life, free and clear of all Liens whatsoever and being in as good operating condition as the Item with respect to which such Casualty Occurrence occurred, but in all events in at least as good condition and repair as required by the terms hereof immediately prior to the occurrence of such Casualty Occurrence. In such case, the Lessee at its own expense, shall prior to or at the time of any such conveyance (a) furnish to the Lessor a bill of sale, in form and substance satisfactory to the Lessor, with respect to such replacement railcar, (b) cause a supplement hereto, in form and substance satisfactory to the Lessor, subjecting such replacement railcar to this Lease, to be duly executed by Lessee and recorded pursuant to Interstate Commerce Act, and any and all other applicable statutes, laws, rules, and regulations, (c) furnish the Lessor and the Security Trustee with such evidence of the Lessee's title to such replacement railcar and of compliance with the insurance provisions of Section 11 hereof with respect to such replacement railcar as Lessor may reasonably request, (d) assign to the Lessor all warranties with respect to such replacement railcar; and (e) take such other action as the Lessor or the Security Trustee may reasonably request in order that such replacement railcar be duly and properly subject to this Lease, leased hereunder and subject to the Lien of the Security Agreement to the same extent as the Item replaced thereby. Upon full compliance by the Lessee with the terms of this Section 11.6, the Lessor will, at the Lessee's expense, transfer to the Lessee the Item with respect to which such Casualty Occurrence occurred. For all purposes hereof, each such replacement railcar shall be deemed part of the

property leased hereunder and shall be deemed an "Item" as defined herein.

11.7. Risk of Loss. The Lessee shall bear the risk of loss and, except as hereinabove in this Section 11 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 Stipulated Loss Value and all Fixed Rental installments and other sums due on and prior to the date of payment of such Stipulated Loss 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 or until such Item has been replaced pursuant to Section 11.6.

11.8. Eminent Domain. In the event that during the term of this Lease, (a) the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the term of this Lease and such requisition or taking does not constitute a Casualty Occurrence under Section 11.2 or (b) any acquisition or taking by any governmental authority occurs other than that set forth in clause (a) which does not constitute a Casualty Occurrence under Section 11.2, the Lessee's obligation to pay all installments of Fixed Rental and other sums with respect to such Items of Equipment 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, shall have occurred and be continuing, the Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession, and otherwise the same shall be paid to the Lessor as Collateral for the Lessee's obligations under the Operative Agreements.

Any payments (other than insurance proceeds the application of which is provided for in Section 11) received at any time by the Lessor or by the Lessee from any governmental body or other party with respect to a Casualty Occurrence, whether resulting from the condemnation, confiscation, theft or seizure of, or requisition of title to or use of, the Item, or otherwise, if paid to the Lessee shall be immediately paid over to the Security Trustee until payment in full of the Notes and, thereafter, to the Lessor, and in any event will be applied by the Security Trustee or the Lessor, as the case may be, as follows:

(i) if such payments are received with respect to an Item the Lessee has elected not to replace, so much of such payments remaining after reimbursement of Lessor and Security Trustee for costs and expenses incurred in connection with such Casualty Occurrences, and as shall not exceed the Stipulated Loss Value required to be paid by the Lessee

pursuant to Section 11, shall be applied in reduction of the Lessee's obligation to pay such Stipulated Loss Value, if not already paid by the Lessee, or if already paid by the Lessee shall be applied to reimburse the Lessee for its payment of such Stipulated Loss Value, and the balance, if any, of such payment remaining thereafter will, after the Lessee has paid all other Fixed Rental and Supplemental Rent due and owing, be shared by the Lessor and the Lessee in the ratio of the expected useful life of such Item after the term of this Lease to the remainder of such term, respectively; and

(ii) if such payment is received with respect to an Item which the Lessee has elected to replace, all such payments shall be paid over to the Lessee; provided, that the Lessee has fully performed the terms of this Section 11 with respect to the Casualty Occurrence for which such payments are made and such payments may be applied to the purchase price of such replacement railcar at delivery thereof to the Lessor under Section 11.6.

Notwithstanding the foregoing, no sums shall be paid to or retained by the Lessee pursuant to this Section 11.8 if an Event of Default, or other event which with the giving of notice or the lapse of time or both would become an Event of Default, has occurred and is continuing, and such sums shall instead be paid to or retained by the Security Trustee until payment in full of the Notes and, thereafter, by Lessor as collateral for Lessee's obligations hereunder.

SECTION 12. ANNUAL REPORTS.

12.1. Duty of Lessee to Furnish. On or before May 1, 1994, and on the first day of each May thereafter occurring during the term of this Lease, the Lessee will furnish to the Trustor, Connell Finance Company, Inc., the Lessor and any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Security Trustee and each Note Purchaser) and their successors and assigns (a) an accurate statement as of the preceding twelve months (i) 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 May 1 (or since the date of this Lease, in the case of the first such statement), at the request of the Lessor, a list of Items of Equipment being repaired (other than running repairs) showing repairs being made to such Items and how long such Items have been out of service, and such other information regarding the condition or repair of the Equipment as the Lessor may reasonably request; provided, that in the event Items of Equipment have sustained heavy railroad damage which has not been repaired by such May 1, Lessee shall identify in the statement by number such Items of Equipment, and (ii) 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, and (b) a

certification stating that no Event of Default, or other event which with the giving of notice or the lapse of time or both would become an Event of Default, has occurred and is continuing, or if one has occurred, describing the status thereof.

12.2. Lessor's Inspection Rights. The Lessor, the Trustor and any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Security Trustee and each Note Purchaser) and their successors and assigns each shall have the right (but not the obligation), at their respective sole cost and expense (unless an Event of Default shall have occurred and be continuing in which case the Lessee shall pay the reasonable costs and expenses of each such party), by their respective authorized representatives, to inspect (a) the Equipment, (b) the Lessee's maintenance facilities, if any, and (c) the Lessee's records with respect to (a) and (b) above, at reasonable times, and from time to time, upon twenty-four (24) hours advance notice to the Lessee, and during the Lessee's normal business hours, and (if the Lessee so desires) accompanied by a representative of the Lessee.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration or other termination of the term of this Lease with respect to any Item of Equipment, including, without limitation, any optional renewal term pursuant to Section 18 hereof, the Lessee shall, at Lessee's own cost, expense and risk, deliver such Item of Equipment to the Lessor at any point of interchange on the lines of CSX Transportation in the states of Virginia, West Virginia or Kentucky mutually agreed upon by the Lessee and the Lessor (the "Designated Storage Location"), and shall store such Items of Equipment, for the benefit of Lessor but at Lessee's cost, expense and risk, at the Designated Storage Location for a period not exceeding 120 days after all Items of Equipment have been located at the Designated Storage Location. Lessee shall maintain insurance and maintenance on the Equipment in the same manner as required by this Lease, at Lessee's cost, expense and risk, for the 120 day free storage period. The Lessee, at the Lessor's request and cost, expense and risk, and at the Lessee's lowest available actual cost, shall procure storage (and shall procure maintenance and shall assist in procuring insurance of the same sort as required for the 120 day free storage period) at the Designated Storage Location of the Equipment for an additional period of up to 270 days after the expiration of the 120 day free storage period. Upon the expiration or other termination of the term of this Lease, including, without limitation, any optional renewal term, or upon the expiration of any storage period, with respect to any and all Items of Equipment, the Lessee shall transport, at Lessee's cost, expense and risk, such Items of Equipment at any time to any point on the lines of CSX Transportation in the continental United States designated by the Lessor.

During any storage period(s) Lessee agrees that the Equipment will be collected and stored in groups of no fewer than 75 Items of

Equipment at any one storage location. Lessee further agrees that the Items of Equipment at any given Designated Storage Location will be stored in no more than four (4) contiguous groups. During any such storage period, upon twenty-four (24) hours advance notice, the Lessee will permit the Lessor or any Person designated by it, including, without limitation, the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same at their own risk, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any Person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence.

In the event any Item of Equipment is not assembled, delivered and stored as hereinabove provided on the day after the expiration of this Lease, the Lessee shall, in addition, pay to the Lessor for each day from and after the expiration date of this Lease an amount equal to the higher of (a) an amount equal to the daily equivalent of the annual Fixed Rental in effect immediately prior to the expiration of this Lease for such Item of Equipment, or (b) the Fair Rental Value (determined in the manner provided in Section 14.2 hereof) for such Item for each such day or (c) amounts earned by the Lessee on such Item during such period; provided, however, that none of the foregoing shall limit any of the Lessor's other remedies under Section 14.2 of this Lease for failure to redeliver Equipment when and as required hereby.

Each Item returned to the Lessor pursuant to this Section 13 shall (i) be in a condition with no broken or missing parts and in compliance with all provisions of this Lease; (ii) be in a condition suitable for the purpose for which it was intended; (iii) be in compliance with all terms of this Lease and the other Operative Agreements; (iv) be free of all accumulations and deposits of the commodities transferred in or on the Equipment; (v) have had removed or painted over any name, logo or other special markings of the Lessee or any permitted sublessees in a workman-like manner; and (vi) be free of all Liens except Lessor's Liens and other Liens expressly permitted in this Lease.

If the Lessor shall so request, the Lessor and Lessee shall hire an Inspector whose fee shall be born equally by both Lessor and Lessee, to determine whether or not such Item or Items are in compliance with items (i) through (v) listed in the preceding paragraph; provided, that (A) the Inspector shall apply reasonable railroad standards in determining the foregoing, and (B) the Lessor shall request to hire such Inspector within 30 days after such Item is returned to the Lessor. If the Inspector determines that any Item of Equipment is not in compliance with all of the clauses (i) through (v) of the immediately preceding paragraph (x) Lessee shall as promptly as practicable and at its own cost cause such Item to so comply in the opinion of the Inspector, and (y) Lessee shall pay to the Lessor a sum equal to the daily Fixed Rental on each such Item of Equipment (based on the higher of either (i) average of the Fixed Rental payments on such Item of Equipment during the

immediately preceding year, or (ii) the Fair Market Value of such Item of Equipment) not so complying from the date of the return of such Equipment to the Lessor until such Item of Equipment is determined to be in compliance by the Inspector.

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 to so assemble, deliver, store and transport the Equipment.

SECTION 14. DEFAULT.

14.1. Events of Default. Any of the following events shall constitute an Event of Default hereunder (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree, or order of any court or any order, rule, or regulation of any administrative or governmental body):

(a) Default shall be made by the Lessee in the payment of any part of the Fixed Rental, Supplemental Rent, Stipulated Loss Value or Fair Market Value and such default shall continue through the end of the fifth Business Day following the due date of such payment; or

(b) The Lessee shall make or permit any assignment or transfer of this Lease, or of possession of the Equipment or any portion or Item thereof, not permitted by this Lease; or

(c) The Lessee shall fail to maintain insurance as required by this Lease, including, without limitation, Section 11 hereof; or

(d) The Lessee shall fail to use and maintain the Equipment as required by, or violate any provision of the use and maintenance provisions of, this Lease, including, without limitation, Section 7 or 8 hereof, or fail to comply with all governmental laws, regulations, requirements and rules with respect to each Item of Equipment subject to this Lease, and such failure or violation shall continue for 30 days after the earlier of (i) written notice from Lessor or Security Trustee specifying the default and demanding the same be remedied, and (ii) the date on which such default shall first become known to any officer of the Lessee; provided, however, that no Event of Default shall occur under this paragraph (d) if (w) the Lessee is diligently attempting to cure such failure or violation, (x) such failure or violation is capable of being cured but cannot be cured within 30 days, (y) such failure or violation does not impair in any material respect the Lessor's interest in the Equipment or the security interest of the Security Trustee under the Security Agreement, and (z) the Lessee presents the Trustor and the Security Trustee with a plan for the

cure of such failure or violation, which plan shall be acceptable to each of the Trustor and the Security Trustee in each such party's sole discretion; provided, further, that such failure or violation shall have been cured, in any event, within not more than ninety (90) days after the earlier of clause (i) or clause (ii) of this subparagraph (d); or

(e) Default shall be made by the Lessee in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in any other Operative Agreement or the Bills of Sale and such default shall continue for 30 days after the earlier of (i) written notice from Lessor or Security Trustee specifying the default and demanding that the same be remedied, and (ii) the date on which such default shall first become known to any officer of the Lessee; it being agreed that if Lessee is diligently attempting to cure such default, but after such 30 days has been unable to so cure such default, Lessee shall have an additional period, not to exceed 30 days, to cure such default; or

(f) Any representation or warranty made by the Lessee herein or in any other of the Operative Agreements (other than the Tax Indemnification Agreement) or in any statement or certificate furnished to the Lessor, the Trustor, the Security Trustee or any Note Purchaser pursuant to or in connection with this Lease or any other of the Operative Agreements is untrue in any respect; or

(g) The Lessee fails to pay any of its indebtedness to its bondholders or any of its other indebtedness for borrowed money when due, or causes or permits 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 debtor or for the major part of its property; or

(h) 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; or

(i) Bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy, insolvency 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

(j) Any attempted sale or unpermitted Lien or any unpermitted sublease by Lessee of the Equipment of any portion or Item of Equipment; or

(k) Lessee ceases doing business as a going concern; or

(l) Lessee's wrongful rejection, or revocation of acceptance of the Equipment or any portion or Item thereof; or

(m) Lessee's repudiation of any term or provision of this Lease; or

(n) Any other default provided by law.

Notwithstanding the foregoing, the failure by the Lessee to pay any Tax which is being contested in accordance with the provisions of Section 9.2 of the Participation Agreement or the provisions of the Tax Indemnity Agreement shall not constitute an Event of Default so long as the Lessee shall have paid all other amounts required to be paid under Section 9.2 of the Participation Agreement and under the Tax Indemnity Agreement in connection with such contest (including, without limitation, all advances and expenses) and shall pay such Tax at the conclusion of the contest to the extent required pursuant to Section 9.2 of the Participation Agreement or the Tax Indemnity Agreement.

14.2. 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 16 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, without limitation, attorneys' fees, expenses and disbursements; 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/or

(c) 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 without judicial process, if such can be done without breach of peace and in accordance with due process of law, and subject to such agents' compliance with reasonable requirements for the preservation of the health and safety of such agents, all without liability to Lessee for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise (no such entry and taking of possession of the Equipment by the Lessor shall be construed (i) as an election by the Lessor to terminate this Lease in the absence of a written notice of termination, or (ii) to relieve the Lessee of any liability or obligation of this Lease); and/or

(d) Hold, sell, re-lease, possess and/or enjoy any Item of Equipment free from any right of the Lessee, or its successors or assigns, to use such Items for any purpose whatever; and/or

(e) Recover from the Lessee, and Lessee shall be liable for, any and all amounts which may have accrued to the date of termination of this Lease (computing the rental for any number of days less than a full rental period by multiplying the Fixed 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/or

(f) Whether or not Lessor has exercised other remedies, also to recover forthwith from the Lessee (i) as damages for loss of a 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 Fixed 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 Fixed 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 6.98% per annum discount, compounded semiannually from the respective dates upon which Fixed Rentals would have been payable hereunder had this Lease not been terminated, or (y) an amount equal to the excess if any of the Stipulated Loss Value of such Item of Equipment as of the Fixed Rental Payment Date on or immediately preceding the date of termination over the Fair Market Value thereof at such time as determined below plus interest at 8.98% per annum on such Stipulated Loss Value for the period, if any, from such Fixed Rental Payment Date to such date of termination; 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 (i) 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 Stipulated Loss Value of such Item of Equipment as of the Fixed Rental Payment Date on or immediately preceding the date of termination plus interest at 8.98% per annum on such Stipulated Loss Value for the period, if any, from such Fixed Rental Payment Date to such date of termination over the net proceeds of such sale, and (ii) any damages and expenses, other than for a failure to pay Fixed Rental, in addition thereto, including, without limitation, attorneys' fees, which the Lessor shall have sustained by reason of the breach of any covenant or covenants of the Operative Agreements; provided, that this clause (f) shall not permit Lessor to recover the liquidated damages described above

plus any Fixed Rental payments for periods after the payment of such liquidated damages; and/or

(g) exercise the right to cause a receiver to be appointed in any action against Lessee to take possession of the Equipment or to collect the rental thereon; provided, that neither the appointment of such receiver nor any other action taken by Lessor shall constitute an election by the Lessor to terminate this Lease unless written notice of termination is given to Lessee; and/or

(h) whether or not this Lease is terminated, upon not less than 10 days prior written notice (which the parties hereby deem to be commercially reasonable notice) to Lessee, sell the Equipment or any part thereof at public or private sale, to the highest cash bidder (or to a noncash bidder determined by Lessor in its sole discretion to have made a more favorable offer), free and clear of any rights of Lessee and without any duty to account to Lessee with respect to such sale or for the proceeds thereof (except as otherwise required under this Lease); and/or

(i) apply to the obligations of the Lessee hereunder or under any other Operative Agreement, in any such order as Lessor shall elect, any amounts held as security hereunder for Lessee's obligations.

The Fair Rental Value or Fair Market Value, as the case may be, of the Item of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would be obtained for the Equipment in question as-is, where-is, 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; 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 Items. 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 14.2(b), such value shall be determined in accordance with the foregoing definition by an 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.

14.3. 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.

14.4. Lessor's Failure to Exercise Rights. The failure or delay 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. It being understood that once an Event of Default is cured, even if such Event of Default has been cured after the grace period specified in Section 14.1, Lessor can no longer declare an Event of Default as a result of the event or condition which caused such Event of Default, unless such event or condition recurs.

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

14.6. Lessee's Right to Quiet Enjoyment. So long as no Event of Default has occurred and is continuing, Lessor covenants that the Lessee and any of its sublessees under Permitted Subleases shall have the right of quiet enjoyment to the Equipment.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. Lessee's Duty to Return. If the Lessor or any assignee of the Lessor pursuant to Section 16 hereof shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor pursuant to the terms of Section 13 hereof; provided, that the Lessor shall have the right to store each such redelivered Item of Equipment at the Designated Storage Location free of charge and at the Lessee's risk for a period commencing on the date of the actual delivery thereof to such Designated Storage Location and terminating on a date 365 days after the actual delivery of such Item of Equipment to such Designated Storage Location.

All amounts earned in respect of the Equipment after the date of termination of this Lease shall be paid to the Lessor or in the

event this Lease has been assigned pursuant to Section 16 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, stored and returned to the Lessor in the condition mandated by paragraph 4 of Section 13 and as hereinabove provided not later than fifteen (15) days after the termination of this Lease, the Lessee shall, in addition, pay to the Lessor 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 annual Fixed Rental in effect immediately prior to the expiration of this Lease for such Item of Equipment, or (ii) 100% of the Fair Rental Value 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.

15.2. 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.

15.3. Lessor Appointed Lessee's Agent. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 15, 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 16. ASSIGNMENTS BY LESSOR.

This Lease and all rent and all other sums due or to become due hereunder may be assigned in whole or in part by the Lessor without the consent of the Lessee; provided, however, that Lessor shall be required to give Lessee written notice of such assignment (other than the assignment to the Security Trustee contemplated by the Security Agreement) no less than 10 days in advance thereof. Without limiting the foregoing, the Lessee further acknowledges and agrees that (a) the rights of any such assignee 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 the Lessee shall be irrevocably, unconditionally and absolutely obligated to pay such assignee all of the rents and other sums which are the subject matter of the assignment, (b) said assignee shall, if an Event of Default shall have occurred and be continuing, to the extent set forth in the Security Agreement, have the right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of said assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor including, without limitation, the right to proceed pursuant to Section 14.2 hereof, but if no Event of Default shall have occurred and be continuing, said assignee, the Lessor and the Trustor may each exercise their respective rights, privileges and remedies stated in this Lease to be provided for their respective benefits, and (c) 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 any such assignee 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.

SECTION 17. ASSIGNMENTS BY LESSEE: USE AND POSSESSION.

17.1. Lessee's Rights to Assignment. Except as provided hereinafter in this Section 17.1, the Lessee may not assign, transfer or encumber its leasehold interest or any other of its rights or obligations in this Lease. 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 an Event of Default shall have occurred and be continuing, the Lessee may (a) assign or transfer its leasehold interest in whole or in part in the Equipment to an affiliated company in its own consolidated tax group or to any entity with which Lessee shall have become merged or consolidated, so long as Lessee remains primarily liable under this Lease and the other Operative Agreements, and such assignee or transferee (i) shall have duly assumed the obligations of Lessee under this Lease and the other Operative Agreements, and (ii) will not, upon such assignment or transfer, be in default under this Lease or any of the other Operative Agreements; and (b) assign its rights and obligations in this Lease to other entities, provided, that the Lessee remains primarily liable under this Lease and the other Operative Agreements, and such assignee or transferee (i) shall have duly assumed the obligations of Lessee under this Lease and the other Operative Agreements, and (ii) will not, upon such assignment or transfer, be in default under this Lease or any of the other Operative Agreements. Such assignment or transfer shall be subject to the Lessor's and the Security Trustee's written consent, which consent shall not be unreasonably withheld; provided, however, that if the rating of the first mortgage bonds

of Lessee at the time of such assignment is below Baa3 according to Moody's Investors Service, Inc. (or any equivalent rating of another nationally recognized rating agency acceptable to Trustor, and the Security Trustee), then Lessor and the Security Trustee may give or withhold such approval in their sole discretion. In the event of an assignment or transfer as contemplated by (a) or (b) above, the Lessor shall have received an instrument or instruments reasonably satisfactory to it, the Trustor and the Note Purchasers, under which such assignee or transferee assumes the obligations of the Lessee hereunder.

17.2. Permitted Subleases: Use and Possession by Lessee. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of this Section 17.2. 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 an Event of Default shall have occurred or be continuing, Lessee may enter into Permitted Subleases; provided, however, that the Lessee shall not locate or permit the location of any Item of Equipment (including, without limitation, the regular operation and maintenance thereof) in any location which is not a Perfected Jurisdiction; and provided, further, however, that (a) all Permitted Subleases and the rights and interest of any sublessee thereunder shall in all events be subject and subordinate to this Lease and the rights and interests of the Lessor and the Trustor and their respective successors and assigns hereunder, and shall confirm such subordination by a provision therein satisfactory to the Lessor, the Trustor and each Note Purchaser, and (b) the Permitted Sublease shall require that the sublessee shall use and maintain the Equipment in conformance with this Lease. No modification to this Lease may be made by any sublessee, and there will be no sub-subleasing. No assignment or sublease entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligation hereunder which shall be and remain those of a principal and not a surety. Notwithstanding anything to the contrary contained herein, in the event of any Permitted Sublease pursuant to this Section 17.2, Lessee shall be required to perform and observe all of the terms, conditions and provisions of this Lease.

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 the event that as a result of the location at which and/or the manner in which any Item or Items of Equipment are used, the Lessor or the Trustor is required to qualify as a foreign corporation in any jurisdiction within or outside the United States, the Lessee shall promptly notify the Lessor and the Trustor thereof and assume the liability for any and all expenses, obligations, losses, damages, penalties, claims, actions, suits, costs and expense incurred by Lessor or Trustor in so qualifying. The Lessee will not use or locate any Equipment, or permit any Equipment to be used or located, in any jurisdiction within or

outside the United States which would result in subjecting the Lessor or the Trustor to any regulations to which it was not subject prior to entering into this Lease which regulations the Lessee is not able to perform and satisfy entirely on its own without any adverse effect on the Lessor or the Trustor, the Lessee hereby agreeing to perform and satisfy all such regulations on behalf of Lessor and Trustor. It is understood that nothing contained in this Section 17.2 shall be deemed to change the allocation of tax burdens addressed in Section 9.2 of the Participation Agreement and in the Tax Indemnity Agreement.

17.3. Merger, Consolidation or Acquisition of Lessee. Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any solvent corporation organized under the laws of any state of the United States or the District of Columbia into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all of the property of the Lessee; provided, that (a) (i) immediately prior and after giving effect to any such merger, consolidation or acquisition, no Event of Default, or event which with notice or the passage of time, or both, would become an Event of Default, shall have occurred and be continuing, and (ii) such assignees, successors or transferees shall have duly assumed the obligations of the Lessee hereunder and under the Participation Agreement, the Tax Indemnity Agreement and the other Operative Agreements pursuant to an agreement reasonably satisfactory to the Lessor, the Trustor and the Security Trustee; and (b) such merger, consolidation or acquisition shall not alter in any way the Lessee's obligations to the Lessor hereunder which shall be and remain those of a principal and not a guarantor.

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 18. END OF TERM OPTIONS.

18.1. Purchase Options. Provided that no Event of Default shall have occurred and be continuing, the Lessee shall have the right to purchase part or all of the Items of Equipment then leased under this Lease at the expiration of the Basic Lease Term, at Fair Market Value. Such right to purchase shall be in accordance with the Equipment Selection Process. The Lessee shall give the Lessor written notice not less than 180 days nor more than 270 days prior to the end of the Basic Lease Term of its election to exercise the purchase option provided for in this Section 18.1, which notice shall be irrevocable.

18.2. Renewal Options. Provided that 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 shall in accordance with the

Equipment Selection Process, have the option to renew this Lease for one three-year period as to part or all of the Items of Equipment then leased hereunder, determined as follows:

(a) 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 renewal option for one three-year period, which notice shall be irrevocable;

(b) following receipt of Lessee's written election to renew this Lease given pursuant to clause (a), an appraiser or appraisers shall be chosen not less than 160 days, nor more than 270 days, prior to the end of the Basic Lease Term pursuant to Section 18.3 for the purpose of determining the Fair Rental Value as of the first day of such renewal term;

(c) promptly following the selection of such appraiser(s), and in any event not less than ninety (90) days prior to the end of the Basic Lease Term, the appraiser(s) shall make its determination of Fair Rental Value as of the first day of such renewal term pursuant to the procedure set forth in Section 18.3; and

(d) the renewal term shall commence immediately upon the expiration of the Basic Lease Term.

After the first such renewal, Lessee may renew this Lease with respect to such Items of Equipment for up to one additional renewal term of three years at the Fair Rental Value thereof. Such Fair Rental Value shall be determined by the method and procedures set out in paragraphs a., b. and c. above, applying the time periods to the end of the renewal term.

During each renewal term, each semiannual installment of Fixed Rental payable during such renewal term shall be in an amount equal to the Fair Rental Value of the renewed Items as of the first day of such renewal term.

The Stipulated Loss Values payable during each renewal term in respect of any Item of Equipment shall be set forth in a schedule prepared by or on behalf of the Lessor and the Trustor. Such schedule shall provide a Stipulated Loss Value for each rent payment date during that renewal term. The first such Stipulated Loss Value shall be an amount equal to the higher of the Fair Market Value of such Item as of the beginning of that renewal term as determined as aforesaid by such appraiser(s) or the Stipulated Loss Value last in effect during the preceding term of this Lease just expired; and the last such Stipulated Loss Value shall be the Fair Market Value of such Items as of the last day of such renewal term, determined as of the beginning of the renewal term as aforesaid by such appraisers. The Stipulated Loss Values for the other rent payment dates during that renewal term shall be determined by a straight-line depreciation or appreciation, as the

case may be, from the first such Stipulated Loss Value to the last such Stipulated Loss Value.

18.3. Determination of Fair Rental Value and Fair Market Value. For purposes of Section 18 hereof, 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 be obtained 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 other than a used equipment dealer) 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; provided, that (i) such determination shall not take into account the reduction in value of such Item of Equipment resulting from the location of such Equipment, (ii) such determination shall be based upon the value of all Items of Equipment taken together as a whole, and (iii) the appraiser shall assume that the Equipment is in its actual condition, but is in no worse condition than that required by Section 13 and other provisions of this Lease, it being agreed that the appraiser can determine the actual condition of the Equipment by inspecting an adequate random sample of the Equipment selected by the appraiser. 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 10 days of Lessor's receipt of Lessee's renewal notice, such value shall be determined 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, the two appraisers so appointed shall within 30 days of appointment, appoint a third independent appraiser. If no such third appraiser is appointed within 30 days of appointment of the two appraisers, either party may apply to the American Arbitration Association to make such appointment, and both parties shall be bound by any such appointment. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the amount of such value within 60 days after his or their appointment. If the parties shall have appointed a single appraiser, his determination of values shall be final. If three appraisers shall be appointed, the values determined by the three appraisers shall be averaged, the determination which differs most from such average shall be excluded, the remaining two determinations shall be averaged and such average shall be final. The expenses and fees of all such appraisers shall be borne by the Lessee.

18.4. Delivery of Equipment. Unless the Lessee has elected to purchase the Items of Equipment then leased hereunder as provided in this Section 18, all of such Items of Equipment shall be returned to the Lessor at the end of the Basic Lease Term or then applicable renewal term in accordance with Section 13 hereof and Lessee shall notify the Lessor in writing promptly after each

Item of Equipment has been so delivered, such notice to identify such Item of Equipment and the location thereof.

SECTION 19. EARLY TERMINATION.

Provided that 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, upon not less than 180 days' prior and irrevocable written notice to the Lessor and the Security Trustee, terminate this Lease on a Fixed Rental Payment Date in accordance with the Equipment Selection Process with respect to part or all of the Items of Equipment at any time after the eighth anniversary of the Term Lease Commencement Date if (i) such Items of Equipment are considered in the reasonable opinion of a responsible officer of the Lessee to be uneconomic or surplus to the needs of the Lessee in the conduct of its business, and (ii) if Lessee is relying on such Items being surplus rather than uneconomic to its needs, (a) Lessee shall have previously sold to a nonaffiliate, terminated the lease of or otherwise disposed of to a nonaffiliate any and all items of equipment substantially similar to or having substantially the same capabilities as the Equipment leased under this Lease, which Lessee had purchased, leased or otherwise acquired during the one year period prior to the termination date for such Items under this Lease, and (b) Lessee covenants that it will not purchase, lease or otherwise acquire for a period of one year after the termination date for such Items, items of equipment substantially similar to or having substantially the same capabilities as the Items of Equipment leased under this Lease. Such written notice shall designate the date on which termination is to become effective and shall be accompanied by a certificate of a responsible officer of the Lessee setting forth the determination that such Items of Equipment have become uneconomic or surplus to the needs of the Lessee (specifying for each Item whether uneconomic or surplus). Within 90 days of Lessee's notice of termination, Lessor shall have the right to elect to retain the Equipment being terminated, in which case Lessee shall have no further obligation to pay Fixed Rentals after the termination date or any portion of Stipulated Loss Value with respect to such Equipment. If Lessor does not so elect, the Lessee will use its best efforts to obtain an offer to purchase such Equipment from a third party unrelated to the Lessee and not acting for or on behalf of the Lessee. The Lessor will be, in such case, entitled to the higher of the net proceeds of such sale, if any, and the Stipulated Loss Value of such Equipment as of the date of termination. The Lessor has the right but not the obligation to purchase such Equipment in the event of such sale on the same terms and conditions and price as offered by the unrelated third party and will receive the same consideration as any other prospective purchaser. In the case of a Lessor purchase pursuant to the preceding sentence, Lessor retains its rights to the higher of the net proceeds of such sale and the Stipulated Loss Value of such Equipment as of the date of termination. Lessee is obligated to return such Equipment in the same condition as dictated by the maintenance and

return provisions of this Lease, including, without limitation, Section 13 hereof. The Lessee shall certify to the Lessor in writing the amount of each bid so received and the name and address of the party 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.

On the termination date indicated in such notice, the Lessee shall pay, in immediately available funds, to the Lessor the installment of Fixed Rental due on such date if not already paid, plus the amount, if any, by which the Stipulated Loss Value for such Equipment as of such date exceeds the proceeds of such sale net of all out-of-pocket costs incurred by the Lessor and the Trustor in connection therewith. On the termination date, the Lessor shall either retain or sell to the highest bidder all of the Lessor's rights, title and interest in such Equipment "as-is, where-is," without recourse or warranty except as to the absence of Lessor's Liens.

Upon payment to the Lessor by the Lessee of the amounts required by this Section 19 and payment of all other Supplemental Rent then due, this Lease shall terminate with respect to such Equipment. Whether or not any such excess 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 Equipment pursuant to this Section 19. If no bid is received on or before the date this Lease is to terminate pursuant to this Section 19 with respect to the Items of Equipment subject to the Lessee's notice of termination under this Section 19, then, at the Lessee's option, the Lessee may elect either (a) that this Lease shall continue in full force and effect with respect to such Equipment; provided, that the Lessee shall have no further right to give notice of termination of this Lease pursuant to this Section 19 if the Lessee shall have exercised such right on two prior occasions and such right may be exercised not more than once every twelve consecutive months; or (b) to pay to the Lessor the Stipulated Loss Value, as of the date of the Lessee's notice of early termination under this Section 19, of all Items of Equipment subject to such notice of termination. Any failure of the Lessee to make a proper election with respect to clause (a) or clause (b) of this Section 19 shall be deemed to be an election by the Lessee to proceed under clause (b) of this Section 19. The Lessee shall pay or reimburse the Lessor, the Trustor, the Security Trustee and the Note Purchasers, on an after-tax basis, for any and all costs and expenses incurred by such parties in connection with any early or optional termination, including, without limitation, the fees and disbursements of their respective counsel and any and all fees, costs and disbursements in connection with prepaying the Notes.

SECTION 20. COLLATERAL ASSIGNMENT BY LESSEE OF RENTALS UNDER PERMITTED SUBLEASES.

20.1. Assignment. As collateral security for the payment of any and all of the obligations and liabilities of the Lessee due under the Operative Agreements, the Lessee does hereby grant a security interest in and assigns to the Lessor all of the right, title and interest which it has acquired or may have acquired in all rentals payable or receivable under and pursuant to each and all Permitted Subleases arising from, by virtue of, or in connection with, the Equipment, whether now existing or hereafter entered into, as and only to the extent that any Permitted Sublease relates to the Equipment, including, without limitation, the immediate and continuing right to receive all such rental payments now or hereafter payable or receivable pursuant to any Permitted Sublease; it being the intent and purpose hereof that the assignment and transfer to the Lessor of said rights shall be effective and operative immediately and shall continue in full force and effect at all times during the period from and after the date of this Lease until the end of the term of this Lease.

20.2. Rights of Lessee in Permitted Subleases; Segregation of Rental Payments. Notwithstanding any other provision hereof, 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 an Event of Default under this Lease shall have occurred and is continuing, the Lessee shall have the right to receive all rentals and other sums payable under any Permitted Subleases; provided, however, that if any such Event of Default or event shall have occurred at any time under this Lease and such Event of Default is continuing, the Lessor may elect that the Lessee shall (i) receive and retain any rental payments under any Permitted Subleases, all or any portion of which payments are attributable to or receivable with respect to the Equipment or any Item or Items thereof, in trust for the benefit of the Lessor or any assignee pursuant to Section 16 hereof, (ii) deposit any such payment in the original form in which received into a separate account established for such purpose, into which no payments other than those described in clause (i) above shall be deposited, except in the case that the original form of such payment shall include both rentals under any Permitted Sublease attributable to any Equipment and additional rentals not so attributable, then the entire amount of such payment under such Permitted Sublease shall be deposited into such separate account, (iii) remit from such separate account all amounts due and owing to the Lessor in respect of any Item of Equipment, and (iv) only after the full portion required to be remitted to the Lessor pursuant to clause (iii) above shall, at any given time, have been so remitted, remit the balance in such separate account to a general account of the Lessee.

Upon request, Lessee agrees promptly to furnish Lessor with the names and addresses of all sublessees under Permitted Subleases together with such other information as the Lessor may reasonably request. In addition to the rights of the Lessor pursuant to this

Section 20, Lessee hereby grants Lessor Lessee's power of attorney to collect in the event of the occurrence of an Event of Default hereunder, all rental payments due to Lessee under any Permitted Subleases assigned to Lessor pursuant to Section 20.1 hereof. In such event, unless Lessor shall have made the election provided for in the immediately preceding paragraph, Lessee agrees to cooperate with Lessor in the notification of all sublessees under Permitted Subleases of such power of attorney and to execute any and all documents reasonably requested by Lessor in connection therewith. Upon the occurrence of such event, if and to the extent there are any mileage allowances paid to Lessee by railroads respecting Items of Equipment under such Permitted Subleases, then Lessee shall also remit all those mileage allowances to the Lessor. All funds collected by Lessor pursuant to the above shall be applied by Lessor in satisfaction of Lessee's obligations under the Operative Agreements. After satisfaction by the Lessee of all of its obligations under this Lease and the other Operative Agreements, and so long as no Event of Default, or any event or occurrence which with the giving of notice or passage of time (or both) would become an Event of Default, has occurred and is continuing, the excess of such funds, if any, shall be remitted to the Lessee.

The Lessee agrees that any rental payments received under any Permitted Sublease shall be first applied to, and shall be deemed to be payable in respect of, the Items of Equipment which may be leased under such Permitted Sublease, notwithstanding any default or deficiency in such rental payment by the sublessee under such Permitted Sublease.

20.3. Further Assignment. The Lessee acknowledges and agrees that (a) all rights and interests of the Lessor pursuant to this Section 20 may be assigned by the Lessor to any assignee in accordance with Section 16 hereof, and (b) the assignment provided for in this Section 20 shall not in any way obligate the Lessor or any of its successors or assigns to perform or satisfy any of the obligations or liabilities of the Lessee under any Permitted Sublease.

20.4. Rights under Uniform Commercial Code. Upon the occurrence of any Event of Default under this Lease, the Lessor shall, in addition to all other rights and remedies provided for herein, have in connection with the assignment provided for in this Section 20, all the rights of a secured party under the Uniform Commercial Code of Virginia (regardless of whether such Code is the law of the jurisdiction where the rights or remedies are asserted).

20.5. Further Assurance. Without limiting the foregoing, the Lessee hereby agrees that it will deliver to the Lessor a copy of each form of sublease used at any time and the original executed counterpart of any riders or schedules delivered under any Permitted Subleases in respect of the Equipment or any Item thereof, clearly marked to indicate that such counterpart is the original counterpart for purposes of the Uniform Commercial Code, and shall clearly mark on any multiple executed counterparts of such riders

or schedules in its possession that they do not constitute the original counterpart for purposes of the Uniform Commercial Code; provided, that the Lessee agrees to the extent practicable to establish procedures for the delivery of separate riders or schedules segregating the Items of Equipment from other rail cars which may be leased to any sublessee thereunder or where not so segregated, noting the security interest granted hereunder in respect of such Items. The Lessee further covenants that it will, upon the written request of the Lessor execute and deliver such further instruments and do and perform such other acts and things as are necessary to effectively invest in and secure to the Lessor and its assigns the interests assigned pursuant to this Section 20 or other rights or interests due or hereafter to become due.

20.6. Application of Moneys. All distributions and payments to the Lessor shall be applied by the Lessor to the payment and reduction of the obligations and liabilities of the Lessee under this Lease and in accordance with the terms and provisions of the Security Agreement.

20.7. Duration. The satisfaction or discharge of any part of the obligations or liabilities of the Lessee under this Lease shall not in any way satisfy or discharge the assignment provided for in this Section 20, but such assignment shall remain in full force and effect so long as any amount remains unpaid on any such obligations or liabilities.

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

Anything to the contrary herein contained notwithstanding, any nonpayment of any amounts due hereunder or under any other Operative Agreement, 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 an amount equal to 8.98% per annum (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.

SECTION 22. DEFINITIONS.

Capitalized terms not otherwise defined herein shall have the meanings specified in the Participation Agreement. The following terms shall have the following meanings for all purposes of this Lease:

"Adjustment of Rentals" shall have the meaning given it in Section 2.5 hereof.

"Alterations" shall mean any alteration, addition, replacement or modification on any Item of Equipment.

"Appraiser" shall mean any independent nationally recognized appraiser chosen by the Lessor.

"Basic Lease Term" shall, as to each Item of Equipment, commence on January 2, 1994 and, subject to the provisions of Sections 11, 14 and 19 hereof, shall terminate on January 2, 2012.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which banks are permitted or required to close in Virginia or Kentucky or Connecticut.

"Casualty Occurrence" shall mean with respect to any Item of Equipment, any of the following events: (1) actual or constructive loss of an Item of Equipment in the reasonable opinion of a responsible officer of the Lessee; (2) theft or disappearance of an Item of Equipment for a period in excess of 90 days; (3) an Item of Equipment becomes worn out, destroyed, or in the reasonable opinion of Lessee, irreparably damaged or uneconomical to repair; (4) title to an Item of Equipment shall be taken by any governmental entity by condemnation or otherwise; (5) use of an Item of Equipment shall be taken or requisitioned (a) by the U.S. government for a period in excess of the lesser of one year or the remaining term of this Lease, or (b) by any other governmental entity for a period in excess of the lesser of 180 days or the remaining term of this Lease; or (6) the use of an Item of Equipment in the normal course of interstate rail transportation shall have been prohibited for a continuous period in excess of six months as a result of any rule, regulation, order or other action by the U.S. government or any agency or instrumentality thereof.

"Equipment Selection Process" shall mean, with respect to the determination of the specific number of Items to be terminated, released or purchased by the Lessee pursuant to this Lease or any other Operative Agreement, an attempt by the Lessee and the Lessor to reach a mutual agreement based upon the Lessee's written request of specified Items of Equipment, and absent such mutual agreement, a random selection process to select such Items of Equipment; provided, that the Lessee must select at least 75 Items or all of the Items subject to this Lease, and the Lessor shall after any termination, release or purchase be left owning either zero or at least 75 Items.

"Event of Default" shall mean any event as set forth in Section 14.1 hereof.

"Fair Market Value" and "Fair Rental Value" shall be determined in accordance with the provisions of Sections 14.2 or 18.3 hereof, as applicable.

"Fixed Rental" shall mean, for each Item of Equipment, the installments of fixed rental, payable as set forth in Schedule E as the same may be adjusted pursuant to Section 2.5 hereof, and any Fixed Rental payable during a renewal term as provided in Section 18.2.

"Fixed Rental Payment Date" shall mean the date a Fixed Rental is due as set forth in Schedule E and as provided in Section 18.2.

"Guidelines" shall mean the guidelines set forth in Revenue Procedure 75-21, 1975-1 C.B. 715, as further set forth in Revenue Procedure 15-28, 1975-1 C.B. 752, and as modified in Revenue Procedure 76-30, 1976-2 C.B. 647 and Revenue Procedure 79-48, 1979-2 C.B. 529.

"Improvements" shall mean any additions, modifications or improvements made by the Lessor to the Equipment not otherwise required to be made by the Lessee pursuant to this Lease.

"Inspector" shall mean an inspector acceptable to both the Lessee and Lessor.

"Interchange Rules" shall mean the current Interchange Rules or supplements thereto of the Mechanical Division, Association of American Railroads as the same may be in effect from time to time.

"Lessor's Liens" shall mean Liens upon any Item of Equipment, arising as a result of (i) claims against the Lessor or the Trustor not related to the transactions contemplated by the Operative Agreements or to its ownership of the Equipment, (ii) any act or omission of the Lessor or the Trustor which is not related to the transactions contemplated by the Operative Agreements or is in violation of any of the terms of the Operative Agreements, or (iii) claims against the Lessor or the Trustor with respect to Taxes against which the Lessee is not required to indemnify the Lessor pursuant to Section 9.2 of the Participation Agreement or the Tax Indemnity Agreement.

"Net Economic Return" shall mean the Trustor's nominal-after-tax yield, periodic earnings from the beginning of the investment period calculated in accordance with FASB 13, aggregate after-tax cash flow and aggregate after-tax cash flow as a percentage of the Trustor's equity investment, all using the multiple investment sinking fund method; and internal rate of return and return on assets as calculated by Trustor.

"Perfectured Jurisdiction" shall mean any United States jurisdiction in the continental United States with respect to which all instruments required by the laws of any such jurisdiction have been executed, acknowledged, delivered, filed, registered and recorded as required by the laws of that jurisdiction to protect the rights of the Lessor and the Security Trustee under this Lease and the Security Agreement as evidenced by an opinion of counsel reasonably satisfactory to the Lessor, the Trustor, each Note Purchaser so long as it shall continue to be a holder of Notes, and the Security Trustee.

"Permitted Sublease" shall mean a sublease of any Item of Equipment (a) for (i) any term but no longer than the then remaining term of this Lease if to a Person controlling, controlled by, or under the common control with the Lessee; or (ii) any term but not longer than the remaining term of this Lease if to other than a Person controlling, controlled by or under common control with the Lessee; with the prior written consent of the Trustor and the Security Trustee, which consent shall not be withheld unreasonably; provided, however, that if the rating of the First Mortgage Bonds of Lessee at the time of such sublease is below Baa3 according to Moody's Investors Service, Inc. (or any equivalent rating of another agency acceptable to Trustor), then that consent may be given or withheld by Trustor and the Security Trustee in the sole discretion of each of them; and (b) which contains a clause which reads as follows: "Sublessee acknowledges that this Sublease has been assigned as collateral by Sublessor to State Street Bank and Trust Company of Connecticut, National Association, as Owner Trustee, and that said Trustee or its assigns may enforce this Sublease in its own name and collect rentals hereunder."

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

"Prime Rate" shall mean the per annum rate of interest from time to time announced by Citibank, N.A. as its prime rate or other corporate base rate, as the same may change from time to time.

"Purchase Order" shall have the definition set forth in Recital A hereto.

"Stipulated Loss Value" shall mean, with respect to an Item of Equipment and a given date, an amount equal to that percentage of the Purchase Price of such Item of Equipment set forth in Schedule D attached hereto opposite such date, as the same may be adjusted pursuant to Section 2.5 hereof or the Tax Indemnity Agreement; plus any premium then due on the Notes.

"Supplemental Rent" shall mean an amount or amounts equal to (a) all fees and expenses, including, without limitation, reasonable counsel fees, of the Security Trustee and its successors (other than the initial fees and expenses payable by the Lessor pursuant to Section 2.6 of the Participation Agreement) incurred in connection with its services as secured party under the Security Agreement, (b) all taxes, if any, in connection with any issuance and sale of the Notes other than taxes on the original issuance and sale thereof which are payable by the Lessor pursuant to Section 2.6 of the Participation Agreement, (c) all reasonable fees and expenses of the Trustee and its successors (other than the initial fees and expenses payable by the Lessor pursuant to Section 2.6(h) of the Participation Agreement) incurred in connection with its services as Lessor under this Lease and (d) all other amounts,

including, without limitation, the premium, if any, payable with respect to the Notes and any amounts described in Section 21 hereof, which the Lessee is obligated to pay under the Operative Agreements other than Fixed Rental.

SECTION 23. MISCELLANEOUS.

23.1. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first class, postage prepaid, by facsimile transmission or by overnight courier, addressed as follows:

If to the Lessor: State Street Bank and Trust Company
of Connecticut, National
Association,
750 Main Street
Hartford, Connecticut 06103
Attn: Corporate Trust Department
General No.: (203) 244-1800
Facsimile No.: (203) 244-1899

(with copies to the Trustor)

If to the Trustor: At the address provided therefor in
Schedule 1 to the Participation
Agreement.

If to the Security
Trustee: Shawmut Bank Connecticut,
National Association
777 Main Street - MSN 238
Hartford, Connecticut 06115
Attn: Corporate Trust Adminis-
tration (1993 VEPCO
Leveraged Lease)
General No.: (203) 240-1189
Facsimile No.: (203) 240-7920

If to the Lessee: Virginia Power
One James River Plaza
701 East Cary Street
Richmond, Virginia 23219
Attn: Manager, Transportation
General No.: (804) 771-4052
Facsimile No.: (804) 771-3388

If to a Note
Purchaser: At the address provided therefor in
Schedule 2 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.

23.2. Right of Lessor to Perform. If the Lessee shall fail to comply with any of its covenants herein contained, either the Lessor, the Trustor or, in the case of an assignment by the Lessor pursuant to Section 16 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, attorneys' fees and expenses) incurred in connection therewith shall be payable by the Lessee to the party making the same upon demand as additional rent hereunder, with interest at the rate specified in Section 21.

23.3. 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.

23.4. Law Governing. This Lease shall be construed in accordance with the laws of the Commonwealth 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.

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

23.6. 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.

23.7. Lessor Furnished Insurance. Without limiting any obligation of the Lessee to maintain insurance in effect pursuant to Section 11 hereof, the Lessor or the Trustor 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 or adversely affect Lessee's cost of or ability to obtain such policies.

23.8. Limitations of Liability. It is expressly understood and agreed that this Lease is executed by State Street Bank and Trust Company of Connecticut, National Association, not in its

individual capacity or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee, that each and all of the representations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, undertakings and agreements by State Street Bank and Trust Company of Connecticut, National Association, or the Trustor, or for the purpose or with the intention of binding State Street Bank and Trust Company of Connecticut, National Association, or the Trustor in its individual capacity or personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Trust Agreement, that this Lease is executed and delivered by State Street Bank and Trust Company of Connecticut, National Association, solely in the exercise of the powers expressly conferred upon State Street Bank and Trust Company of Connecticut, National Association, as Trustee under the Trust Agreement, that actions to be taken by the Lessor pursuant to its obligations hereunder may, in certain instances, be taken by the Lessor only upon specific authority of the Trustor, that nothing herein contained shall be construed as creating any liability on State Street Bank and Trust Company of Connecticut, National Association, or the Trustor, in its individual capacity or personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, State Street Bank and Trust Company of Connecticut, National Association, or the Trustor, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Lessee and by any Person claiming by, through or under the Lessee; provided, however, that nothing contained in this Section 23.8 shall be construed to limit the liability of the Lessor in its individual capacity for any breach of any representations or warranties of the Lessor made expressly in its individual capacity set forth herein or to limit the liability of the Lessor for its own gross negligence or willful misconduct. Any obligation of the Lessor hereunder may be performed by the Trustor, and any such performance shall not be construed as revocation of the trust created by the Trust Agreement. Nothing contained in this Lease shall restrict the operation of the provisions of the Trust Agreement with respect to its revocation or the resignation or removal of the Trustee thereunder.

23.9. Further Assurances. The Lessee shall, at its expense, promptly and duly execute and deliver to the Lessor and to such other Persons as the Lessor shall reasonably designate such further documents and assurances and take such further action as the Lessor may from time to time reasonably request in order more effectively to carry out the intents and purposes of this Lease and to establish and protect (a) the rights and remedies created or intended to be created in favor of the Lessor hereunder, and (b) the Lien of the Security Agreement, including, without limitation, if requested by the Lessor, at the expense of the Lessee, the execution and delivery of supplements or amendments hereto, in recordable form and the recording or filing of counterparts hereof or thereof, or of financing statements with respect hereto, in

accordance with the laws of such jurisdictions as the Lessor may from time to time deem advisable.

23.10. Additional Signature. The Vice President and Treasurer of Dominion Resources, Inc. is executing this Lease on behalf of the Lessee solely to satisfy an internal policy of the Lessee. Dominion Resources, Inc. is not assuming, and shall not have any obligations or liabilities hereunder.

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

VIRGINIA ELECTRIC & POWER CO.

By: F. Kenneth Moore
Its: VICE-PRESIDENT/PROCUREMENT



(CORPORATE SEAL)

ATTEST:

By: [Signature]
Its: ASSISTANT-SECRETARY

VIRGINIA ELECTRIC & POWER CO.

By: _____
Vice President and Treasurer,
Dominion Resources, Inc.,
executing on behalf of Virginia
Electric & Power Co. in
accordance with Section 23.10
hereof

(CORPORATE SEAL)

ATTEST:

By: _____
Its: _____

STATE STREET BANK AND TRUST COMPANY
OF CONNECTICUT, NATIONAL ASSOCIATION,
not in its individual capacity but
solely as Trustee

By: _____
Its: _____

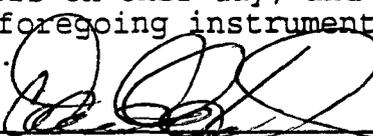
[CORPORATE SEAL]

ATTEST:

By: _____
Its: _____

STATE OF VIRGINIA)
CITY) SS
COUNTY OF RICHMOND)

On this 1ST day of JULY, 1993, before me personally
appeared F. KENNETH MOORE and J.P. CARNEY to me
personally known, who being by me duly sworn, say that they are the
VICE-PRESIDENT-PROCUREMENT and ASST. SECRETARY of VIRGINIA ELECTRIC &
POWER CO., that one of the seals affixed to the foregoing
instrument is the corporate seal of said corporation, that said
instrument was signed and sealed on behalf of said corporation by
authority of its Board of Directors on this day, and they acknowl-
edged that the execution of the foregoing instrument was the free
act and deed of said corporation.

By: 
Notary Public

[NOTARIAL SEAL]
My commission expires: My Commission Expires July 31, 1998

accordance with the laws of such jurisdictions as the Lessor may from time to time deem advisable.

23.10. Additional Signature. The Vice President and Treasurer of Dominion Resources, Inc. is executing this Lease on behalf of the Lessee solely to satisfy an internal policy of the Lessee. Dominion Resources, Inc. is not assuming, and shall not have any obligations or liabilities hereunder.

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

VIRGINIA ELECTRIC & POWER CO.

By: _____
Its: _____

(CORPORATE SEAL)

ATTEST:

By: _____
Its: _____

VIRGINIA ELECTRIC & POWER CO.

By: *Lenwood Robertson*
Vice President and Treasurer,
Dominion Resources, Inc.,
executing on behalf of Virginia
Electric & Power Co. in
accordance with Section 23.10
hereof

(CORPORATE SEAL)

ATTEST:

By: *Henry C. Paily*
Its: *Assistant Corporate Secretary*



STATE OF Virginia)
City) SS
COUNTY OF Richmond)

On this 1st day of July, 1993, before me personally appeared Lawrence R. Robertson and Henry C. Riely to me personally known, who being by me duly sworn, say that they are the Vice President & Treasurer and Asst. Corporate Secretary of DOMINION RESOURCES, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors on this day, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

By Welda E. Schuize
Notary Public



[NOTARIAL SEAL]
My commission expires: August 31, 1995

STATE OF _____)
) SS
COUNTY OF _____)

On this _____ day of _____, 1993, before me personally appeared _____ and _____ to me personally known, who being by me duly sworn, say that they are the _____ and _____ respectively, of STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors on this day, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

By _____
Notary Public

[NOTARIAL SEAL]
My commission expires: _____

DESCRIPTION OF ITEMS OF EQUIPMENT TO BE LEASED

Three Hundred Seventy-Five (375) One Hundred Thirteen (113) ton steel riveted and welded construction hopper railcars having three double hoppers, assigned identifying numbers VAPX 93301 through VAPX 93675 (inclusive), with a capacity of approximately 3800 cubic feet.

SCHEDULE A
(To Equipment Lease)

CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE

TO: STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL
ASSOCIATION, as trustee (the "Lessor")

I, John A. Ritter, P.E., President of Jack Ritter & Associates, Inc., a duly appointed and authorized representative of Virginia Electric & Power Co. (the "Lessee") under the Equipment Lease dated as of June 28, 1993 between the Lessor and the Lessee, do hereby certify that I have inspected, received, approved and accepted delivery under the Lease of the following Items of Equipment on the date hereof:

NUMBER OF RAILCARS:

IDENTIFYING NUMBERS:

PLACE ACCEPTED:

DATE ACCEPTED:

I do further certify that the foregoing Items of Equipment (each of them an "Item") are new, having just been manufactured, conform to the Manufacturers' design and specifications applicable thereto, and there is no defect with respect to any Item, and that each Item has been labeled by means of a stencil printed in contrasting colors upon each side of the Item in letters not less than one inch in height as follows:

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

The execution of this Certificate will in no way relieve or decrease the responsibility of the Manufacturer of the Equipment for any warranties it has made with respect to the Equipment.

Dated:

Inspector and Authorized
Representative of the Lessee

SCHEDULE B
(to Equipment Lease)

SCHEDULE A to
Certificate of
Acceptance

Item Serial #

Delivery Date

Purchase Price

LEASE SUPPLEMENT NO.

This LEASE SUPPLEMENT NO. _____ dated as of _____ between STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, a national banking association, not individually but solely as Trustee (the "Lessor"), and VIRGINIA ELECTRIC & POWER CO., a Virginia public service corporation (the "Lessee");

WITNESSETH:

The Lessor and the Lessee have heretofore entered into an Equipment Lease dated as of June 28, 1993 (the "Lease"). The terms used herein not otherwise defined 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 Rental payments and Stipulated Loss Value.

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

1. Schedules D and E to the Lease, showing Stipulated Loss Values and Fixed Rentals, 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 June 28, 1993, between State Street Bank and Trust Company of Connecticut, National Association, as lessor, and Virginia Electric & Power Co., as lessee" or the "Lease dated as of June 28, 1993, between State Street Bank and Trust Company of Connecticut, National Association, as lessor, and Virginia Electric & Power Co., as lessee" 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.

SCHEDULE C
(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.

STATE STREET BANK AND TRUST
COMPANY OF CONNECTICUT,
NATIONAL ASSOCIATION, not in its
individual capacity but solely
as Trustee

[SEAL]

ATTEST:

By _____
Its: _____

Its: _____

VIRGINIA ELECTRIC & POWER CO.

[SEAL]

ATTEST:

By _____
Its: _____

Its: _____

Consented to as of the date first above written.

[CORPORATE SEAL]

SHAWMUT BANK CONNECTICUT,
NATIONAL ASSOCIATION, as
Security Trustee

ATTEST:

Its: _____

By _____
Its: _____

STATE OF)
) SS
COUNTY OF)

On this ____ day of _____, _____, before me personally appeared _____ and _____ to me personally known, who being by me duly sworn, say that they are the _____ and _____ of STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors on this day, and they 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 _____, _____, before me personally appeared _____ and _____ to me personally known, who being by me duly sworn, say that they are the _____ and _____ of VIRGINIA ELECTRIC & POWER CO., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors on this day, and they 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 STIPULATED LOSS VALUE

The Stipulated Loss Value for an Item of Equipment payable on the Term Lease Commencement Date or any Fixed Rental Payment Date thereafter shall mean an amount equal to the percent of the Purchase Price of such Item set forth opposite such date in the following schedule:

<u>Term Lease Commencement Date or Fixed Rental Payment Date on which Stipulated Loss Value is Paid</u>	<u>Percentage of Purchase Price Payable as Stipulated Loss Value</u>
1/2/94	114.24105
7/2/94	115.37738
1/2/95	114.06282
7/2/95	114.80750
1/2/96	113.02547
7/2/96	113.51057
1/2/97	111.35289
7/2/97	111.66892
1/2/98	109.20651
7/2/98	109.41166
1/2/99	106.64453
7/2/99	106.73288
1/2/00	103.64391
7/2/00	103.64391
1/2/01	100.32247
7/2/01	100.32247
1/2/02	96.77420
7/2/02	96.77429
1/2/03	93.05155
7/2/03	93.05164
1/2/04	87.51643
7/2/04	87.51663
1/2/05	81.77692
7/2/05	81.77713
1/2/06	75.78949
7/2/06	75.78971
1/2/07	69.54346
7/2/07	69.55352
1/2/08	63.03427
7/2/08	63.16699
1/2/09	56.34036
7/2/09	56.52930
1/2/10	49.46770
7/2/10	49.56984
1/2/11	42.42315
7/2/11	42.41532
1/2/12	35.00000

SCHEDULE D
(to Equipment Lease)

SCHEDULE OF FIXED RENTALS

Each arrears payment of Fixed Rental per Item of Equipment subject to the Equipment Lease shall pertain to the six month period immediately preceding the Fixed Rental Payment Date.

Each advance payment of Fixed Rental per Item of Equipment subject to the Equipment Lease shall pertain to the six month period immediately following the Fixed Rental Payment Date.

<u>Fixed Rental Payment Date</u>	<u>Fixed Rental Payment in Advance per Item of Equipment Subject to Equipment Lease</u>	<u>Fixed Rental Payment in Arrears per Item of Equipment Subject to Equipment Lease</u>
1/2/94	\$0.00	\$0.00
7/2/94	\$0.00	\$1,071.51
1/2/95	\$0.00	\$1,973.70
7/2/95	\$0.00	\$1,040.02
1/2/96	\$0.00	\$2,005.18
7/2/96	\$0.00	\$1,006.34
1/2/97	\$0.00	\$2,038.87
7/2/97	\$0.00	\$970.31
1/2/98	\$0.00	\$2,074.91
7/2/98	\$0.00	\$931.76
1/2/99	\$0.00	\$2,113.46
7/2/99	\$0.00	\$890.51
1/2/00	\$0.00	\$2,154.70
7/2/00	\$0.00	\$846.39
1/2/01	\$0.00	\$2,198.82
7/2/01	\$0.00	\$799.19
1/2/02	\$0.00	\$2,246.02
7/2/02	\$0.00	\$759.83
1/2/03	\$0.00	\$2,285.39
7/2/03	\$0.00	\$726.80
1/2/04	\$0.00	\$2,995.12
7/2/04	\$0.00	\$684.85
1/2/05	\$0.00	\$3,037.07
7/2/05	\$0.00	\$634.04
1/2/06	\$0.00	\$3,087.88
7/2/06	\$0.00	\$581.04
1/2/07	\$0.00	\$3,140.88
7/2/07	\$0.00	\$521.99
1/2/08	\$0.00	\$3,199.93
7/2/08	\$0.00	\$432.37
1/2/09	\$0.00	\$3,289.55
7/2/09	\$0.00	\$372.19
1/2/10	\$0.00	\$3,349.73
7/2/10	\$0.00	\$372.19
1/2/11	\$372.19	\$3,349.73
7/2/11	\$3,349.73	\$0.00
1/2/12	\$0.00	\$0.00

SCHEDULE E
(to Equipment Lease)