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September 17, 2004

RECORDATION NO. 25192 FILED

SEP 17 '04 9-38 AM

SURFACE TRANSPORTATION BOARD

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, N.W. - Room 704
Washington, D.C. 20423-0001

Re: Lease Financing of Railcars
Indiana Michigan Power Company - Lessee

Dear Mr. Williams:

I am enclosing for recording pursuant to Section 11301 of Title 49 of the United States Code, two copies of the primary document described below. As an attorney representing one of the parties in this transaction, I have knowledge of the matters described in this letter.

The primary document is as follows:

Railcar Lease and Security Agreement, dated as of September 17, 2004, between Indiana Michigan Power Statutory Trust-2004-A, as Lessor (the *"Lessor"*), and Indiana Michigan Power Company, as Lessee (the *"Lessee"*).

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

RAILCAR LEASE AND SECURITY AGREEMENT

Lessor: Indiana Michigan Power Statutory Trust-2004-A
c/o Wilmington Trust Company, as Security Trustee
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890

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

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The description of the Equipment covered as of the date hereof by the aforesaid Railcar Lease and Security Agreement is as set forth on **Exhibit A** hereto.

A fee of thirty dollars ($30.00) is enclosed. Please time and date stamp the enclosed copy of the enclosed document along with the extra copy of this letter as proof of filing and recordation of the enclosed document and return the original and any extra copies of such document and this letter not needed by the Board for recordation to:

Richard J. DiLallo, Esq.
Chapman and Cutler LLP
111 West Monroe Street
Chicago, IL 60603-4080

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

"RAILCAR LEASE AND SECURITY AGREEMENT, dated as of September 17, 2004, covering the new railroad rolling stock bearing the road numbers listed in the exhibit thereto."

If you have any questions or need further information, please do not hesitate to contact the undersigned at (312) 845-3481.

Sincerely,

CHAPMAN AND CUTLER LLP

By _____
Richard J. DiLallo

RJD
Enclosures

## EXHIBIT A

| DESCRIPTION | NUMBER OF CARS | MARKS | CAR NUMBERS |
|---|---|---|---|
| Aluminum Gons, 4,402 cubic foot capacity, 122 Ton cars | 105 | COEH | 7088 through 7192 (inclusive) |

EXECUTION VERSION

RAILCAR LEASE AND SECURITY AGREEMENT

RECORDATION NO. 25192 FILED

Dated as of September 17, 2004

SEP 17 '04 9-38 PM

Between

SURFACE TRANSPORTATION BOARD

INDIANA MICHIGAN POWER STATUTORY TRUST-2004-A,

as Lessor

and

INDIANA MICHIGAN POWER COMPANY,

as Lessee

This Lease and Security Agreement (*"Lease"*) has been executed in several counterparts. To the extent, if any, that this Lease constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease may be created through the transfer or possession of any counterpart hereof other than the *"Counterpart No. 1"*. This Counterpart is Counterpart No. 3 of 7. Certain rights of Lessor under this Lease have been assigned as security to, and are subject to a security interest in favor of Wilmington Trust Company, as Security Trustee under the Security Agreement-Trust Deed dated as of the date hereof between Lessor and the Security Trustee, for the benefit of the holders of the Notes referred to therein.

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## TABLE OF CONTENTS


| SECTION | HEADING | PAGE |
|---|---|---|
| SECTION 1. | DEFINITIONS | 1 |
| SECTION 2. | AGREEMENT FOR LEASE OF EQUIPMENT | 1 |
| SECTION 3. | DELIVERY AND ACCEPTANCE OF EQUIPMENT | 1 |
| SECTION 4. | LEASE TERM | 2 |
| SECTION 5. | [INTENTIONALLY OMITTED] | 2 |
| SECTION 6. | RENT | 2 |
| SECTION 7. | NET LEASE | 4 |
| SECTION 8. | CHARACTERIZATION; GRANT OF SECURITY INTEREST | 5 |
| SECTION 9. | USE OF EQUIPMENT; COMPLIANCE WITH LAWS | 6 |
| SECTION 10. | MAINTENANCE AND REPAIR OF EQUIPMENT | 7 |
| SECTION 11. | REPLACEMENTS; ALTERATIONS; MODIFICATIONS | 7 |
| SECTION 12. | IDENTIFICATION MARKS; INSPECTION | 8 |
| SECTION 13. | TRANSFERS BY LESSEE AND LESSOR | 9 |
| SECTION 14. | LIENS | 10 |
| SECTION 15. | LOSS, DAMAGE OR DESTRUCTION | 11 |
| SECTION 16. | INSURANCE | 13 |
| SECTION 17. | NO WARRANTIES | 15 |
| SECTION 18. | EVENTS OF DEFAULT | 16 |
| SECTION 19. | REMEDIES UPON LEASE DEFAULT | 18 |
| SECTION 20. | LESSOR'S RIGHT TO PERFORM FOR LESSEE | 20 |
| SECTION 21. | LATE CHARGES | 20 |

SECTION 22. COVENANT OF QUIET ENJOYMENT ..... 20

SECTION 23. OTHER DOCUMENTS ..... 20

SECTION 24. NOTICES AND REQUESTS ..... 21

SECTION 25. EARLY TERMINATION OPTION AND OBLIGATION TO PURCHASE ..... 21

SECTION 26. END OF TERM PURCHASE ..... 22

SECTION 27. [INTENTIONALLY OMITTED] ..... 22

SECTION 28. [INTENTIONALLY OMITTED] ..... 22

SECTION 29. RETURN OF EQUIPMENT ..... 22

SECTION 30. MISCELLANEOUS ..... 22

SECTION 31. THIRD-PARTY BENEFICIARIES ..... 23

SECTION 32. EXECUTION ..... 23

SECTION 33. LIMITATION OF LIABILITY ..... 24

Signature ..... 25

ATTACHMENTS TO RAILCAR LEASE AND SECURITY AGREEMENT:

Annex 1 – Definitions

EXHIBITS

A – Description of Equipment
B – Form of Lease and Security Agreement Supplement
C – Schedule of Rent
D – Schedule of Rent Payment Date and Stipulated Loss Value

## RAILCAR LEASE AND SECURITY AGREEMENT

THIS RAILCAR LEASE AND SECURITY AGREEMENT dated as of SEPTEMBER 17, 2004 (the *"Lease"*), by and between INDIANA MICHIGAN POWER STATUTORY TRUST-2004-A, a Delaware statutory trust (the *"Lessor"*), and INDIANA MICHIGAN POWER COMPANY, an Indiana corporation (the *"Lessee"*).

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

SECTION 1. DEFINITIONS.

For purposes of this Lease, capitalized terms used herein shall have the meanings assigned to them in **Annex 1** hereto, as the same may be amended from time to time (such definitions to be equally applicable to both the singular and plural forms of the terms defined). Any term defined by reference to an agreement, instrument or other document shall have the meaning so assigned to it whether or not such document is in effect. Unless otherwise indicated, references without qualification in this Lease to sections, paragraphs, clauses, appendices, schedules and exhibits are to the same contained in or attached to this Lease.

SECTION 2. AGREEMENT FOR LEASE OF EQUIPMENT.

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

SECTION 3. DELIVERY AND ACCEPTANCE OF EQUIPMENT.

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

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

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

SECTION 4. LEASE TERM.

The interim term (the *"Interim Term"*) for each Item of Equipment shall commence on the Acceptance Date for such Item of Equipment and shall terminate at the end of the day on December 14, 2004 unless this Lease is sooner terminated with respect to such Item pursuant to the provisions hereof. The basic term (the *"Basic Term"*) for each Item of Equipment shall commence on December 15, 2004 (the *"Basic Term Commencement Date"*) for such Item and, unless this Lease is sooner terminated with respect to such Item (or all Equipment) pursuant to **Section 15** or **19** hereof, shall terminate on December 15, 2024. If not sooner terminated pursuant to the provisions hereof, the Lease Term for each Item of Equipment shall end on the last day of the Basic Term thereof.

SECTION 5. [INTENTIONALLY OMITTED.]

SECTION 6. RENT.

(a) *Interim Rent.* Lessee hereby agrees to pay Interim Rent (*"Interim Rent"*) to Lessor for the use by Lessee of each Item of Equipment during the Interim Term in one installment payable on the Basic Term Commencement Date in an amount equal to the aggregate amount indicated on Schedule 2 to each Lease Supplement delivered on a Closing Date. Interim Rent, based on the dates and amounts set forth in Schedule 3 to the Participation Agreement, is expected to be [$_____]. Lessee and Lessor agree to recalculate the Interim Rent due on the Basic Term Commencement Date should the actual funding dates and/or amounts differ from the funding dates and/or amounts detailed in Section 2.2(a) of the Participation Agreement.

(b) *Fixed Rent.* Lessee hereby agrees to pay Fixed Rent to Lessor for the use by Lessee of each Item of Equipment during the Basic Term, in consecutive semiannual installments, in arrears, due and payable on each Rent Payment Date and continuing until the expiration or earlier termination of the Basic Term, with each such installment to be in an amount equal to the product obtained by multiplying (i) the Equipment Cost of such Item of Equipment by (ii) the applicable percentages set forth in **Exhibit C** attached hereto. Notwithstanding the fact that interest due and payable on the Notes shall be determined by using the interest rate stated in the Notes and that the original principal amount of the Notes equals the Acquisition Price, the product obtained by multiplying (i) the Equipment Cost of such Item of Equipment by (ii) the applicable percentages set forth in **Exhibit C** attached hereto shall be at least equal to the aggregate amount of principal and accrued interest due and payable on such date in respect of all Notes.

(c) *Supplemental Rent.* Lessee also agrees to pay to Lessor, or to whomever shall be entitled thereto, all Supplemental Rent, as the same shall become due and owing. Lessee shall also pay to Lessor (and, in the case of payments of Supplemental Rent payable to other Persons hereunder, such other Persons) on demand, as Supplemental Rent, and, to the extent permitted by

applicable law, interest at the Late Rate on any part of any installment of Fixed Rent or any amount due under **Section 19** hereof not paid when due at or prior to the time specified for such payment for any period for which the same shall be overdue and on any payment of Supplemental Rent payable to the Noteholders or the Security Trustee and not paid when due for the period from the due date thereof until the same shall be paid and at a rate per annum equal to the Late Rate on any payment of Supplemental Rent payable to Lessor and not paid when due for the period from the due date thereof until the same shall be paid. The payment or satisfaction of Lessee's obligation with respect to Fixed Rent or any installment thereof shall not limit any obligation of Lessee which may have accrued during the Lease Term with respect to Supplemental Rent. In the event of any failure on the part of Lessee to pay any such Supplemental Rent hereunder, Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise in the case of nonpayment of Rent.

(d) *Method of Payment.* All payments of Fixed Rent and Supplemental Rent required to be made by Lessee to Lessor shall be made by 12:00 noon, Wilmington, DE time on the date payment is due in United States dollars and in immediately available funds. If any such date is not a Business Day, then payment shall be due on the next succeeding Business Day and if paid on such Business Day by 12:00 noon, Wilmington, DE time, such payment shall be without interest or penalty. In the event of any assignment pursuant to **Section 13.2** hereof, all payments or right to payments which are properly assigned thereunder, whether Fixed Rent, Supplemental Rent or otherwise, shall be paid to such address as shall be designated by Lessor and any such assignee. All payments of Rent shall be paid by Lessee to Lessor at its office at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration, or as Lessor may otherwise direct from time to time in writing; *provided,* that so long as the Security Agreement shall not have been discharged pursuant to Section 11.4 thereof, Lessor hereby directs, and Lessee agrees, that all payments of Rent and all other amounts payable to Lessor hereunder shall be paid directly to the Security Trustee at Wilmington Trust Company, ABA No. 031-100-092, Account No. 62764-0; Indiana Michigan Power Statutory Trust-2004-A, Attn: Corporate Capital Market Services, its office at Wilmington Trust Company, as Security Trustee, Rodney Square North, 1100 North Market Street, Wilmington, DE 19890-0001, Attn: Corporate Trust Administration or as the Security Trustee may otherwise direct, at such time so as to be received by the Security Trustee prior to 12:00 noon, Wilmington, Delaware time on the date of payment.

(e) *Minimum Payments.* Notwithstanding anything to the contrary contained herein or in any other Operative Agreement, in all events and irrespective of any adjustment thereto, (i) each installment of aggregate Interim Rent and Fixed Rent payable with respect to all Items of Equipment then subject to this Lease on the Basic Term Commencement Date and each Rent Payment Date, as the case may be, shall be at least equal to the aggregate amount of principal and accrued interest due and payable on such date in respect of all Notes then outstanding and (ii) each payment of Stipulated Loss Value and Termination Amount (when added to all other amounts required to be paid by Lessee under this Lease, including, without limitation, Supplemental Rent, in respect of any Event of Loss or, as the case may be, termination of this Lease) shall be at least equal to an amount sufficient, as of the date of payment, to pay in full the principal of and Make-Whole Amount, if any, and interest on all Notes due under the Security Agreement on account of such Event of Loss or termination, as the case may be.

SECTION 7. NET LEASE.

This Lease is a net lease and Lessee acknowledges and agrees that Lessee's obligations hereunder shall be absolute and unconditional under any and all circumstances and shall be paid without notice or demand and without any abatement, reduction, suspension, diminution, deferral, setoff, defense, counterclaim or recoupment whatsoever, including, without limitation, any abatement, reduction, suspension, diminution, deferral, setoff, defense, counterclaim or recoupment due or alleged to be due to, or by reason of, any past, present or future claims which Lessee may have against Lessor, any assignee, Security Trustee, any vendor or manufacturer of the Equipment or any part or Item thereof, the holders from time to time of the Notes, or any other Person, either under this Lease or otherwise, for any reason whatsoever; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the obligations of Lessee be otherwise affected for any reason whatsoever, including any defect in or damage to or loss of possession or loss of use or destruction of the Equipment or any part or Item thereof, the condition, design, operation or fitness for use thereof, any Liens or rights of others with respect to the Equipment or any part or Item thereof, any prohibition or interruption of or other restriction against Lessee's use, operation or possession of the Equipment or any part or Item thereof, or any interference with such use, operation or possession by any Person or entity (including confiscation, requisition or other taking by any governmental authority, any Person acting under governmental authority or otherwise, or action of any public or private Person, whether by eviction by paramount title or for any other reason whatsoever), the invalidity or unenforceability or lack of due authorization of this Lease, or any other Operative Agreement, any defect in the title to, compliance with plans or specifications for all or any of the Items of Equipment, any insolvency of or any bankruptcy, reorganization or other proceeding against Lessee, Lessor, Lessor Trustee, Beneficiary, Security Trustee, any Noteholder or any other Person, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention and agreement of the parties hereto, and the basis of the bargain, that (to the extent permitted by applicable law) Interim Rent, Fixed Rent, Supplemental Rent and other amounts payable by Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless and until the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease (in the case of any return of the Equipment to Lessor, any Item of Equipment shall not be deemed to have been returned to Lessor's possession until all of Lessee's obligations with respect to the return thereof have been performed). To the extent permitted by Applicable Law, Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease of any of the Items of Equipment except in accordance with the express terms hereof. Each Interim Rent, Fixed Rent, Supplemental Rent or other payment made by Lessee hereunder shall be final and Lessee shall not seek to recover all or any part of such payment (except for any excess payment made in error) from Lessor, Lessor Trustee, Beneficiary, Security Trustee, or any Noteholder for any reason whatsoever.

Without limiting the generality of the foregoing, Lessee covenants that it will remain obligated under this Lease in accordance with its terms, and will not take any action to terminate (except in accordance with the express provisions hereof), rescind or avoid this Lease for any reason, notwithstanding any insolvency, bankruptcy, reorganization or other proceeding affecting

Lessor, Lessor Trustee, Beneficiary, Security Trustee or any Noteholder or any property of Lessor, Security Trustee or any Noteholder, or any action which may be taken by any receiver, trustee or liquidator (or other similar official) or by any court.

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

SECTION 8. CHARACTERIZATION; GRANT OF SECURITY INTEREST.

For purposes of Federal, state and local income tax, accounting and commercial law and bankruptcy, insolvency, conservatorship, receivership and UCC purposes, including the substantive law upon which such bankruptcy, insolvency, conservatorship and receivership proceedings are based), it is the intention of the parties hereto that (i) this Lease and the Lease Supplements shall be treated as a security agreement (the or this *"Lessee Security Agreement"*) from Lessee, as debtor, to Lessor, as secured party, and that Lessee, as debtor, hereby grants to Lessor, as secured party, a security interest in the Lessee Collateral, (ii) the Lessee Security Agreement shall secure the payment and performance of the Secured Obligations, (iii) all payments of Interim Rent, Fixed Rent and Supplemental Rent shall be treated as payment of principal, interest or premium, if any, on the Secured Obligations, and all payments of Stipulated Loss Value, Termination Amount and Lease Balance shall be treated as payment of principal of the Secured Obligations, (iv) Lessee shall be treated as entitled to all benefits and burdens of ownership of the Equipment, (v) Lessor shall have all of the rights, powers and remedies of a secured party available under Applicable Law to take possession of and sell (whether by judicial foreclosure, power of sale or otherwise) the Lessee Collateral, (vi) the effective date of this Lessee Security Agreement will be the date hereof, (vii) the reference to this **Section 8** in each Lease Supplement shall be deemed to be the recording of the Lessee Security Agreement and (viii) Lessor shall be treated as having advanced funds to Lessee in the form of a loan secured by a Lien on the Items of Equipment and the other Lessee Collateral. Without limiting the foregoing, Lessee acknowledges that Lessor is concurrently with the grant of the security interest pursuant to this **Section 8** entering into the Security Agreement pursuant to which Lessor is assigning and granting a security interest in the Collateral, including, without limitation, the Lessee Collateral, to all of which and to the terms of such Security Agreement Lessee unconditionally agrees, with the effect and result that the Security Trustee, as collateral assignee of the Lessor, is and shall be treated as the secured party having a first priority, perfected security interest in and Lien on the Items of Equipment and the other Lessee Collateral, free and clear of all Liens other than Permitted Liens. Except as otherwise provided by law or in connection with a settlement, compromise or adjudication made under the provisions of **Section 19** of the Lease, each of the parties to this Lease agrees that it will not at any time, take any action or fail to take any action with respect to the filing of any income tax return, including an amended income tax return, inconsistent with the intention of the parties expressed in this **Section 8**.

SECTION 9. USE OF EQUIPMENT; COMPLIANCE WITH LAWS.

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

Lessee shall procure and maintain in effect all licenses, registrations, certificates, permits, approvals and consents required by Federal, state or local laws or by any governmental body, agency or authority in connection with the use and operation of each Item of Equipment, including any instruments required by the AAR. Notwithstanding the foregoing sentence, however, Lessee will cause this Lease and/or a Lease Supplement and the Security Agreement and/or a Security Agreement Supplement to be filed and recorded with the STB in accordance with 49 U.S.C. §11301, and will do and perform any other act and will prepare, execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) this Lease and any and all amendments or supplements to this Lease, or otherwise with respect to or including any other Operative Agreement, in connection with any sublease pursuant to **Section 13**, assignment or otherwise, any financing statements or similar instruments, and any and all further instruments required by the AAR or any law or reasonably requested by Lessor, for the purpose of protecting Lessor's title to any Item of Equipment to the satisfaction of Lessor and Lessor's counsel or for the purpose of carrying out the intention of this Lease, including, without limitation, any such filings and recordings as shall be necessary to evidence any change in name of Lessee or Lessor, or any merger or consolidation thereof. Lessee will pay all costs, charges and expenses incident to any such filing, refiling, recording and re-recording or depositing and redepositing of any such instruments or incident to the taking of such action. This Lease and/or a Lease Supplement and the Security Agreement and/or a Security Agreement Supplement shall be filed and recorded with the STB prior to the delivery and acceptance hereunder of any Item.

The Equipment will at all times during the Lease Term be and remain in the possession and control of Lessee, subject to the terms of **Section 13** hereof. Lessee shall not permit any Item of Equipment to be operated, used or located outside of the United States, Canada or Mexico; *provided, however,* that (a) no more than 25% in the aggregate of the Items of Equipment may be operated, used or located in Mexico at any one time, and then only subject to the limitations of the following clauses (b) and (c) of this **Section 9**, (b) no Item of Equipment

shall be operated, used or located in Mexico pursuant to any written agreement or other arrangement relating to dedicated use in Mexico, but rather only on an incidental basis therein, and (c) Lessee shall, at its sole cost and expense, cause all filings, recordings, deposits, or giving of notice necessary to protect the rights of Lessor and the Security Trustee in or to this Lease and the Items of Equipment located in Mexico to be made promptly if and when a central filing system is established in Mexico for the filing or recording of security interests and/or ownership rights in railroad rolling stock becomes available (which filing system is intended to provide substantially the same protection to secured creditors as the STB filing system) and Lessee shall advise Lessor and the Security Trustee in reasonable detail of the completion of such filings, recordings, deposits or giving of notice, as the case may be. Lessee shall not use and will not permit any other Person to use any Equipment or allow the same to be used for any unlawful purpose. Lessee shall use and operate the Equipment or cause it to be used and operated only by personnel authorized by Lessee, and Lessee shall use every reasonable precaution to prevent loss or damage to each Item of Equipment from fire and other hazards. Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear; *provided,* that Lessee shall not, except with respect to the transportation of coal, use the Equipment and shall not permit the Equipment to be used to transport or store hazardous or toxic substances or materials or other substances or materials containing or contaminated by hazardous or toxic substances or materials.

SECTION 10. MAINTENANCE AND REPAIR OF EQUIPMENT.

Lessee shall, at all times during the Lease Term and at its own expense, (a) keep the Equipment in satisfactory repair, condition and working order consistent with accepted industry practice, and as otherwise may be required by any insurance policies maintained pursuant to **Section 16** or to enforce warranty claims against each vendor and manufacturer of each Item of Equipment, ordinary wear and tear excepted; (b) maintain the Equipment in accordance with all standards, specifications and regulations then in effect of the Federal Railroad Administration and AAR under the Interchange Rules or similar successor guidelines (the *"Interchange Rules"*), and at least equal to the standards of maintenance which Lessee performs on similar equipment owned or leased by Lessee; and (c) comply with all requirements of law applicable to the maintenance and condition of the Equipment.

SECTION 11. REPLACEMENTS; ALTERATIONS; MODIFICATIONS.

Lessee shall, at its sole expense, promptly make all alterations, modifications, additions or attachments required by applicable laws and required or deemed necessary by any Federal, state or local governmental agency for the continued usefulness of the Equipment. Lessee may, at its sole expense, make other alterations, modifications, additions or attachments to the Equipment so long as the value, utility and remaining economic useful life of the Equipment is not reduced thereby and so long as such alterations, modifications, additions or attachments do not cause such Items to become a limited use property within the meaning of Revenue Procedure 76-30, 1976-2 C.B. 647 (or such other successor tax provision). So long as no Lease Event of Default has occurred and is continuing, and so long as the value, utility and remaining economic useful life of the Equipment (exclusive of any such alterations, modifications, additions or attachments) is not reduced thereby, any such alteration, modification, addition or attachment,

which was paid for by Lessee and not reimbursed or otherwise compensated for by Lessor shall, subject to the last two sentences of this **Section 11**, remain the property of Lessee and may be removed by Lessee prior to return of the Equipment pursuant to **Section 29** hereof. If any alteration, modification, addition or attachment to an Item of Equipment (a) is a replacement of existing parts constituting part of the Items of Equipment, (b) was made in the course of ordinary and proper maintenance of the Items of Equipment, (c) is required by Federal, state or local law in order to permit the continued usefulness of the Equipment, or (d) cannot physically be removed without unrepaired damage to the Equipment, it shall immediately and without further act become the property of Lessor, and shall be subject to all the terms of this Lease. Upon termination of this Lease, Lessor shall have the option to purchase from Lessee any alterations, modifications, additions or attachments to any Item of Equipment not described in the preceding sentence at the Fair Market Value of such alterations, modifications, additions or attachments, as the case may be.

SECTION 12. IDENTIFICATION MARKS; INSPECTION.

(a) Lessee agrees, at Lessee's cost and expense, to place markings on the Equipment by stencil or by a metal tag or plate affixed thereto showing Lessor's security interest and the assignment thereof to Security Trustee; *provided, however,* that such identification markings are to be placed so as not to interfere with the usefulness and utility of such Item of Equipment. If during the Lease Term any such identification marking shall be defaced or destroyed, Lessee shall cause such defaced or destroyed identification marking to be restored or replaced. Lessee will cause each Item of Equipment to be kept numbered with the road number and serial number as shall be set forth in any Lease Supplement hereto extending this Lease to cover such Item of Equipment. Lessee shall not allow the name of any other Person to be placed on any Item of Equipment as a designation that might be identified as a claim of ownership or any other interest therein; *provided,* that nothing herein contained shall prohibit Lessee or its permitted sublessees from placing its customary colors and insignia on any Item of Equipment or from naming each Item of Equipment. Lessee will not change the identification number of any Item of Equipment unless and until (i) a statement of a new number or numbers to be substituted therefor shall have been delivered to Security Trustee and Lessor and filed, recorded and deposited by Lessee in all appropriate public offices, including the public offices where this Lease and/or a Lease Supplement and the Security Agreement and/or a Security Agreement Supplement shall have been filed, recorded and deposited, and (ii) Lessee shall have furnished Lessor and Security Trustee an opinion of counsel in form and substance reasonably satisfactory to them to the effect that such statement has been so filed, recorded and deposited and that such filing, recordation and deposit will protect Lessor's interest in such Items of Equipment and the assignment thereof to the Security Trustee under the Security Agreement.

(b) Upon the reasonable request of Lessor or Security Trustee, Lessee shall make the Equipment available to Lessor or Security Trustee for inspection and shall also make Lessee's records pertaining to the Equipment reasonably available to Lessor or Security Trustee for inspection (it being understood and agreed that neither Lessor nor Security Trustee shall have any obligation to make such inspection and shall incur no liability for failure to do so); *provided* that prior to the occurrence of a Lease Default or Lease Event of Default, Lessor (or any Person appointed thereby) and Security Trustee (or any Person appointed thereby) may not exercise its

rights pursuant to this **Section 12(b)** more than once in any fiscal year, with any such frequency of visitation and inspection pursuant hereto following the occurrence and continuance of a Lease Default or Lease Event of Default not to be limited as to the frequency thereof. During the continuance of a Lease Default or a Lease Event of Default, such inspection shall be at Lessee's expense.

SECTION 13. TRANSFERS BY LESSEE AND LESSOR.

*Section 13.1. By Lessee.*

(a) Lessee may sublease any Item of Equipment upon the following terms and conditions:

(i) Lessee may, without the prior written consent of Lessor or Security Trustee, sublease any of the Items of Equipment to one or more Affiliates of Lessee, *provided* that such sublease shall be subject to the terms expressed in this Lease; and

(ii) Lessee may sublease any of the Items of Equipment to one or more Persons not an Affiliate of Lessee; *provided* that (1) Lessee shall provide written notice of such sublease to Lessor and Security Trustee within forty-five (45) days of the date of execution and delivery of such sublease, which notice shall include a representation by Lessee that such sublease complies with the terms of this **Section 13.1(a)(ii)**, (2) each such sublease shall by its express terms be subject and subordinate to this Lease, (3) each such sublease shall not extend beyond the Basic Term, and (4) not less than 75 of the Items of Equipment shall be the subject of any such sublease, except for subleases of thirty (30) days or less, in which case no limit will be applied; *provided* that no such sublease of thirty (30) days or less shall be renewed or extended unless the limits set forth in this **Section 13.1(a)(ii)(4)** shall have been satisfied. Without limiting the foregoing, Lessee shall provide a true, correct and complete copy of any such sublease to Lessor and Security Trustee.

(b) Anything contained in clause (a) of this **Section 13.1(a)** to the contrary notwithstanding, Lessee may, so long as no Lease Default or Lease Event of Default shall have occurred and be continuing, permit the use of Items of Equipment upon connecting or other carriers in the usual interchange of traffic or pursuant to run-through agreements on customary terms.

(c) Lessee's obligations hereunder shall continue in full force and effect as the obligations of a principal and not of a surety irrespective of any sublease. Each sublease permitted by this paragraph shall be expressly subject and subordinate to all of the provisions of this Lease and to the rights and remedies of Security Trustee under the Security Agreement and Lessor under this Lease in respect of the Items of Equipment covered by such sublease and shall provide that the Equipment which is subject to such sublease shall be maintained and operated upon terms and conditions substantially similar

to the terms and conditions relating to operation and maintenance of the Equipment as are contained herein.

Lessee shall pay all out-of-pocket costs and expenses of Lessor, Security Trustee and the Noteholders in connection with any such sublease.

*Section 13.2. By Lessor.* (a) Lessor shall not be entitled to transfer its interest in this Lease other than the assignment for collateral security purposes of this Lease by Lessor to Security Trustee pursuant to the Security Agreement (to which assignment Lessee consents by its execution hereof), except in compliance with Section 3.7(d) of the Participation Agreement. No such transfer by Lessor shall interfere with Lessee's rights under this Lease with respect to Lessee's use of the Items of Equipment. Lessee shall provide such information concerning the location of the Equipment as Lessor may reasonably request in connection with any such transfer.

(b) Lessee hereby acknowledges and consents to the security interest and other rights and interests granted to Security Trustee pursuant to the Security Agreement. Such notice is hereby given of the assignment of this Lease and all Rent and other payments to be made to Lessor hereunder to Security Trustee under and pursuant to the Security Agreement, and Lessee agrees to make all payments of Rent in accordance with the provisions of **Section 6(d)**.

(c) Upon any such sale or assignment under this **Section 13.2**, Lessee shall not be required to execute any documents in connection therewith other than a form of acknowledgment, any required Uniform Commercial Code Financing Statements or any filings required by the STB, Registrar General or AAR. Any expenses incurred in connection with any such sale or assignment shall be borne solely by Lessee if a Lease Event of Default has occurred and is continuing, otherwise solely by Lessor. Lessee shall not be required to prepare any documents in connection with any such sale or assignment.

SECTION 14. LIENS.

Assuming that the Lease and/or a Lease Supplement and the Security Agreement and/or a Security Agreement Supplement has been filed with the STB, Lessee represents and warrants to Lessor and Security Trustee that at the time an Item of Equipment is accepted by it under the Lease, such Item will be free and clear of all Liens except Permitted Encumbrances. Lessee will not create, incur, assume or suffer to exist any Lien on or with respect to the Equipment or any part or Item thereof, Lessor's title thereto, or any interest therein, except Permitted Encumbrances. Lessee, at its own expense, will pay, satisfy and otherwise take such actions as may be necessary to keep the Equipment free and clear of, and to duly discharge or eliminate or bond in a manner satisfactory to Lessor and Security Trustee, any such Lien other than Permitted Encumbrances if the same shall arise at any time during the Lease Term. Lessee will notify Lessor and Security Trustee upon becoming aware of any tax or other Lien (other than any Lien excepted above) that shall attach to the Equipment or any Item of Equipment.

SECTION 15. LOSS, DAMAGE OR DESTRUCTION.

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

(b) *Replacement or Payment of Stipulated Loss Value upon an Event of Loss.* If an Event of Loss occurs with respect to an Item or Items of Equipment during the Lease Term, Lessee shall, within thirty (30) days after the occurrence of such Event of Loss, inform Lessor and Security Trustee in regard thereto and of its election, subject to the terms hereof, to perform one of the following options (it being agreed that if Lessee shall not have given Lessor and Security Trustee notice of such election within such time, Lessee shall be deemed to have elected to perform the option set forth in the following clause (i)), *provided* that Lessee shall not have the right to select the option set forth in clause (ii) if a Lease Default or Lease Event of Default shall have occurred and be continuing:

(i) on the Rent Payment Date next following such notice, Lessee shall pay (1) Stipulated Loss Value for such Item (computed as of such Rent Payment Date), *plus* (2) the Fixed Rent and any Supplemental Rent due for such Item or Items of Equipment on such Rent Payment Date, plus (3) all accrued and unpaid Fixed Rent and any Supplemental Rent owing for such Item or Items of Equipment through any prior Rent Payment Date; or

(ii) as promptly as practicable, and in any event on or before the Business Day next preceding the 120th day following the date of such notice, in replacement for such Item of Equipment, Lessee shall comply with **Section 15(d)** hereof and shall convey or cause to be conveyed to Lessor a Replacement Item to be leased to Lessee hereunder, such Replacement Item to: (1) be free and clear of all Liens (other than Permitted Encumbrances), (2) be of the same type and a similar make and model to the Item so replaced, (3) be no older than the Item so replaced, and (4) have a utility and estimated remaining useful life at least equal to the Item so replaced (assuming such Item was in the condition required to be maintained by the terms of this Lease); *provided* that Lessee shall pay on the first day corresponding to the day of the month on which Rent Payment Dates occur an amount computed in the manner specified in clause (i) of this **Section 15(b)** if no such replacement occurs by the end of the 120 day period referred to above.

(c) *Rent Termination; Disposition of Equipment.* Upon the sale, retention or replacement of any Item or Items of Equipment in compliance with this **Section 15** or upon payment in full of the amounts described in **Section 15(b)(i)** hereof, (A) the obligation of Lessee to pay Fixed Rent hereunder with respect to such Item or Items of Equipment commencing after the date of the payment of such amounts shall terminate and the Lease Term of such Item or Items shall thereupon terminate, *provided* that Lessee shall be obligated to pay all Rent in respect of such Item or Items which has accrued up to and including the date of payment of such amounts, (B) Lessee shall request Lessor to execute a release with respect to such Item or Items of Equipment releasing such Equipment from the Lease and shall request Security Trustee to execute a release with respect to such Item or Items of Equipment releasing such Equipment from the Lien of the Security Agreement and (C) Lessee shall, as agent for Lessor, as soon as practicable, dispose of such Item or Items of Equipment in a manner reasonably acceptable to Lessor. As to each separate Item so disposed of, so long as no Lease Default or Lease Event of Default shall have occurred and be continuing, any payments received by Lessor or by Lessee from any insurer or other party (except Lessee) as a result of the occurrence of such Event of Loss will be applied in reduction of Lessee's obligation to pay the amounts described in **Section 15(b)(i)(1)**, if not already paid by Lessee, or, if already paid by Lessee, will be applied to reimburse Lessee for its payment of such amount, and any such payments in excess of the amounts described in **Section 15(b)(i)(1)** shall be paid to or retained by Lessor, and after the occurrence and continuance of a Lease Default or a Lease Event of Default such payments shall be paid to Security Trustee.

(d) *Replacement of Item.* At the time of or prior to any replacement of any Item, Lessee, at its own expense, will (i) furnish Lessor and Security Trustee with a bill of sale and an assignment of warranties, if any, with respect to the Replacement Item, (ii) cause a Lease Supplement substantially in the form of **Exhibit B** hereto, subjecting such Replacement Item to this Lease, duly executed by Lessee, to be delivered to Lessor and Security Trustee for execution and, upon such execution, to be filed for recordation in the same manner as the original Lease Supplement, (iii) cause a Security Agreement Supplement substantially in the form of Exhibit B to the Security Agreement, subjecting such Replacement Item to the Security Agreement, to be delivered to Lessor and to Security Trustee for execution and, upon such execution, to be filed for recordation in the same manner as the original Security Agreement Supplement, (iv) furnish Lessor and Security Trustee with an opinion of counsel to Lessee or the party to the bill of sale, to the effect that (x) the bill of sale referred to in clause (A) above constitutes an effective instrument for the conveyance of title to the Replacement Item to Lessor free and clear of all Liens (other than Permitted Encumbrances), and constitutes a legal, valid and binding obligation of the party thereto (subject to customary qualifications as to bankruptcy and equitable principles), and (y) all filings, recordings and other action necessary or appropriate to perfect and protect Lessor's and Security Trustee's respective interests in the Replacement Item have been accomplished, and (v) furnish an Officer's Certificate of Lessee certifying that as of said date and upon consummation of such replacement, no Lease Default or Lease Event of Default exists. For all purposes hereof, upon passage of title thereto to Lessor of the Replacement Item, such Replacement Item shall be deemed part of the property leased hereunder and the Replacement Item shall be deemed an "Item" of Equipment as defined herein. Upon passage of title to any Item of Equipment, whether in connection with the replacement of such Item of Equipment or in connection with the payment of all sums required to be paid pursuant to **Section 15(b)(i)** hereof

with respect to such Item of Equipment, Lessor will transfer to Lessee, without recourse or warranty, all of Lessor's right, title and interest in and to such Item, and Security Trustee shall release its security interest in such Item of Equipment. As to each separate replaced Item, so long as no Lease Default or Lease Event of Default shall have occurred and be continuing, Lessee or its designee shall be entitled to any awards, insurance or other proceeds and damages received by Lessee, Lessor or Security Trustee with respect to such replaced Item after having replaced such Item.

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

SECTION 16. INSURANCE.

(a) Lessee will, at its sole expense, cause to be carried and maintained with financially sound and reputable insurance companies having a minimum Best Rating of "A" or equivalent or as otherwise may be reasonably acceptable to Lessor and Security Trustee reasonably satisfactory to Lessor and Security Trustee, with respect to the Equipment, (i) physical damage insurance insuring against physical loss or damage to the Equipment, in an amount not less than the Stipulated Loss Value of the Equipment, and (ii) commercial general liability insurance against bodily injury, death and property damage resulting from the use, operation, ownership and possession of the Equipment in an amount not less than $10,000,000 per occurrence; *provided* that in no event shall such insurance be any less comprehensive in amounts, risks covered, terms and conditions than any insurance maintained by Lessee with respect to similar equipment which it owns or leases.

(b) Such insurance policies shall: (i) name and insure Lessor, Security Trustee and each Noteholder as additional insureds under the commercial general liability insurance, (ii) insure Security Trustee as sole loss payee under a standard loss payee clause reasonably satisfactory to Security Trustee under the physical damage insurance, (iii) provide insurer's waiver of its right of subrogation, set-off or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability against any additional insured except for claims as shall arise from the willful misconduct or gross negligence of such additional insured, (iv) provide that such insurance as to the interest of Lessor, Security Trustee and each Noteholder shall not be invalidated by any action or inaction of Lessee or any other Person (other than such claimant), regardless of any breach or violation of any warranty, declaration or

condition contained in such policies by Lessee or any other Person (other than such claimant), (v) provide that all such insurance is primary without right of contribution from any other insurance which might otherwise be maintained by Lessor or any assignee under **Section 13.2** and shall expressly provide that all provisions except the limits of liability, shall operate in the same manner as if there were a separate policy covering each such additional insured, (vi) with respect to the property insurance, provide therein or by endorsement that thirty (30) days' prior written notice of expiration, cancellation or material modification shall be given to Lessor, Security Trustee and each Noteholder and shall provide that such cancellation, change or material modification shall not be effective during such 30-day period as to any of Lessor, Security Trustee and each Noteholder, (vii) with respect to the liability insurance, provide therein or by endorsement that the company providing coverage will endeavor to give thirty (30) days advance written notice to Lessor, Security Trustee and each Noteholder should the policy be cancelled, assigned or materially changed, and (viii) provide that no additional insured shall have any obligation or liability for premiums in connection with such insurance.

(c) (i) Lessee shall furnish Lessor, Security Trustee and each Noteholder with certificates or other satisfactory evidence of maintenance of the insurance so required and shall furnish binders or other formal confirmation reasonably acceptable to Lessor evidencing renewals thereof as soon as practicable but in no event later than three (3) Business Days prior to such renewal and certificates of insurance within twenty (20) days after such renewal is effected or the expiration date of the original policy or policies, as the case may be. (ii) All other terms of insurance shall be in accordance with such insurance carried by Lessee or its Affiliates with respect to other railcars in their respective fleets. (iii) Upon the execution and delivery of this Lease, certificates of the insurance coverage required by this **Section 16** shall be delivered by Lessee to Lessor, Security Trustee and each Noteholder. (iv) Lessee shall furnish written notice to Lessor, Security Trustee and each Noteholder of any notice of cancellation, material modification, termination or lapse for non-payment of premiums with respect to any of the liability insurance provided pursuant to this **Section 16** within five (5) Business Days after the earlier of (1) the date on which Lessee receives such notice from the insurance company providing such insurance, and (2) the date on which Lessee has actual knowledge of any such cancellation, material modification, termination or lapse for non-payment of premiums.

(d) If the loss covered by said physical damage insurance is less than $2,500,000, the proceeds of such insurance shall be payable to Lessee provided that no Lease Default or Lease Event of Default shall have occurred and be continuing and after the occurrence and continuance of a Lease Default or a Lease Event of Default such proceeds shall be paid to Security Trustee. If such loss equals or exceeds $2,500,000, the proceeds of such insurance shall be payable to Security Trustee, *provided* that Security Trustee shall, so long as no Lease Default or Lease Event of Default has occurred or is continuing, remit all such insurance proceeds to Lessee at such time as Lessee either (i) provides Lessor and Security Trustee evidence that the damage has been repaired and the Equipment has been restored to good working order and condition or (ii) has paid to Security Trustee the amounts otherwise due to Security Trustee on loss of such Equipment pursuant to **Section 15(b)** hereof. Lessee's obligation to maintain insurance with respect to any Item of Equipment shall commence on the Acceptance Date of such Item of Equipment and shall run until the termination of this Lease with respect to such Items of Equipment pursuant to and in accordance with the terms hereof. Lessee covenants that it will not

use or operate or permit the use or operation of any Item of Equipment at any time when the insurance required by this **Section 16** is not in force with respect to such Item of Equipment and will not use the Equipment in a manner which would violate the terms and provisions of such insurance policies. If Lessee shall fail to cause the insurance required under this **Section 16** to be carried and maintained, Lessor or Security Trustee may provide such insurance and Lessee shall reimburse Lessor or Security Trustee, as the case may be, upon demand for the cost thereof as Supplemental Rent hereunder. So long as no Lease Event of Default has occurred and is continuing, Lessee may maintain deductible provisions for the first $2,500,000 of the coverages specified in clauses (a)(i) and (ii) of this **Section 16**, or in such greater amount if in accordance with general insurance standards prevalent in the utility industry by companies with a comparable financial position.

(e) Nothing in this **Section 16** shall prohibit Lessor, Security Trustee or a Noteholder from obtaining insurance for its own account and any proceeds payable thereunder shall be as provided in the insurance policy relating thereto; *provided* that no such insurance may be obtained that would limit or otherwise adversely affect the coverage of any insurance to be obtained or maintained by Lessee pursuant to this **Section 16**.

SECTION 17. NO WARRANTIES.

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

Neither Lessor nor Security Trustee shall have any responsibility or liability to Lessee or any other Person with respect to any of the following: (a) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Item of Equipment or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (b) the use, operation or performance of any Item of Equipment or any risks relating thereto;

(c) any interruption of service, loss of business or anticipated profits or consequential damages; or (d) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Item of Equipment. Lessee's delivery of a Lease Supplement relating to an Item of Equipment shall be conclusive evidence as between Lessee and Lessor that such Item of Equipment is in all respects satisfactory to Lessee, and Lessee will not assert any claim of any nature whatsoever against Lessor or Security Trustee based on any of the foregoing matters.

So long as a Lease Event of Default shall not have occurred and be continuing, and so long as the Equipment shall be subject to this Lease and Lessee shall be entitled to possession of the Equipment hereunder, Lessor authorizes Lessee, at Lessee's expense, to assert for Lessor's and Security Trustee's account, all rights and powers of Lessor or Security Trustee, as the case may be, under any manufacturer's, vendor's or dealer's warranty on the Equipment or any part thereof; *provided, however,* that Lessee shall indemnify, protect, save, defend and hold harmless Lessor, Security Trustee and each Noteholder from and against any and all claims, and all costs, expenses, damages, losses and liabilities incurred or suffered by Lessor, Security Trustee and any Noteholder in connection therewith, as a result of, or incident to, any action by Lessee pursuant to the foregoing authorization, and that Lessee shall provide Lessor and Security Trustee with prior written notice of any action Lessee proposes to take on Lessor's, Security Trustee's or any Noteholder's behalf pursuant to the foregoing authorization. Any payments made by any such vendor or manufacturer pursuant to such warranty for any Item of Equipment shall be payable to Lessee so long as no Lease Default or Lease Event of Default shall have occurred and be continuing and after the occurrence and continuance of a Lease Default or a Lease Event of Default shall be paid to Security Trustee. Such payment is to be used to repair or replace damaged components in accordance with **Section 11** hereof, if feasible, and if not used, such amount shall be paid promptly to Security Trustee.

SECTION 18. EVENTS OF DEFAULT.

Any of the following events shall constitute a Lease Event of Default:

(a) Lessee shall fail to make any payment of (i) Interim Rent, Fixed Rent, Stipulated Loss Value, Termination Amount or Lease Balance within five (5) Business Days after the same is due and payable, (ii) any Supplemental Rent consisting of the payment of the Make-Whole Amount or payment of interest at the Late Rate as set forth in **Section 6(c)** within ten (10) days after the same is due and payable, or (iii) or any Supplemental Rent (other than Stipulated Loss Value, Termination Amount or Lease Balance or amounts specified in clause (ii) hereof) within thirty (30) Business Days after written notice to Lessee that the same is due and payable; or

(b) Lessee shall fail to observe or perform any of the covenants or agreements of Lessee set forth in the first and second paragraphs of **Section 16** or shall fail to observe or perform any of the covenants or agreements of Lessee set forth in Section 5.1.16 of the Participation Agreement; or

(c) any representation or warranty made by Lessee in any Operative Agreement to which Lessee is a party or in any certificate furnished in connection

herewith or in connection with any other Operative Agreement shall prove to have been false or incorrect in any material respect when such was made; or

(d) Lessee shall fail to perform or observe any other covenant, condition, or agreement to be performed or observed by it in any Operative Agreement to which it is a party (other than those referred to in paragraphs (a) through (c) of this **Section 18**), or in any agreement or certificate furnished in connection herewith, and such failure shall continue unremedied for thirty (30) calendar days after the earlier of (i) a Responsible Officer of Lessee obtaining actual knowledge of such default and (ii) Lessee receiving written notice of such default from Lessor, Security Trustee or any Noteholder; *provided* that no such failure shall be deemed a Lease Event of Default if (A) such failure is curable but cannot be cured by Lessee with reasonable diligence or by the payment of money within such thirty (30) day period and (B) Lessee is diligently pursuing such cure and effects such cure (I) within 90 days of the date of a failure to perform or observe said covenant, condition or agreement set forth in any of such Operative Agreement, or (II) in any case, before the last day of the Lease Term, whichever shall occur first; or

(e) any event shall occur or condition shall exist under any agreement or instrument relating to Debt of Lessee or any Significant Subsidiary (but excluding Debt outstanding hereunder) outstanding in a principal or notional amount of at least $50,000,000 in the aggregate if the effect of such event or condition is to accelerate or require early termination of the maturity or tenor of such Debt, or any such Debt shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), terminated, purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity or the original tenor thereof; or

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

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

(h) any judgment or order for the payment of money in excess of $50,000,000 and not covered by insurance shall be rendered against Lessee or any Significant

Subsidiary and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect.

SECTION 19. REMEDIES UPON LEASE DEFAULT.

*Section 19.1. Remedies.* If any Lease Event of Default exists, Lessor shall have the rights, options and remedies set forth below and Lessor may exercise in any order one or more or all of the following remedies (it being understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute): (a) declare the entire outstanding Lease Balance to be due and payable, together with accrued and unpaid Rent and any other amounts payable under the Operative Agreements, including without limitation, the Make-Whole Amount, if any, (without double counting); (b) proceed by appropriate court action or actions either at law or in equity, to enforce the declaration of the amounts described in clause (a) above, the performance by Lessee of the applicable covenants of this Lease and the other Operative Agreements or to recover damages for the breach thereof; (c) terminate this Lease by notice in writing to Lessee, but Lessee shall remain liable as hereinafter provided; (d) enforce the Lien given hereunder pursuant to the Uniform Commercial Code or any other law; (e) enter upon the premises of Lessee where any of the Equipment may be and take possession of all or any of such Equipment and exercise any of its rights with respect thereto; (f) require Lessee to assemble and return the Equipment as provided below; and (g) avail itself of the rights, options and remedies of a secured party under the Uniform Commercial Code (regardless of whether the Uniform Commercial Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) or any other law.

If Lessor exercises the option set forth in clause (f) above, Lessee shall, at its own expense, forthwith deliver exclusive possession of the Equipment to Lessor, at a location or locations designated by Lessor in Lessee's service territory, together with a copy of an inventory list of the Equipment then subject to this Lease, all then current plans, specifications and operating, maintenance and repair manuals in the possession of Lessee and its Affiliates and relating to the Equipment that have been received or prepared by Lessee, appropriately protected and in the condition required by **Section 10** hereof (and in any event in condition to be placed in immediate revenue service) and free and clear of all Liens other than the Lien of the Security Agreement. In addition, Lessee shall, for 120 days after redelivery of the Equipment, (i) maintain (or cause to be maintained) the Equipment in the condition required by **Section 10** and free and clear of all Liens other than the Lien of the Security Agreement, (ii) store the Equipment without cost to Lessor, Security Trustee or any Noteholder, (iii) in the event Lessor elects to sell the Equipment pursuant to **Section 19.2**, upgrade the Equipment to cause each Item of Equipment to be in compliance with Rule 88 of the AAR or any successor rule (on the assumption that there will be a transfer to a new operator using new reporting marks) and (iv) keep all of the Equipment insured in accordance with **Section 16**. This paragraph shall survive termination of this Lease.

Following the foreclosure of Lessee's interest in the Equipment, Lessee shall take such action as Lessor or Security Trustee shall reasonably request in order to notify each sublessee of any Item of Equipment of such foreclosure and the succession of Security Trustee or its designee to ownership and operation thereof.

Notwithstanding the foregoing, if any Lease Event of Default described in **Section 18(g)** or **(h)** shall have occurred and be continuing, then the entire outstanding Lease Balance and all accrued and unpaid Rent and other amounts, including, without limitation, the Make-Whole Amount, if any, payable under the Operative Agreements (without duplication) shall automatically and immediately become due and payable, without presentment, demand, notice, declaration, protest or other requirements of any kind, all of which are hereby expressly waived.

*Section 19.2. Lessor Sale.* In addition to the remedies set forth in **Section 19.1**, if any Lease Event of Default shall occur, Lessor may, but is not required to, sell the Equipment in one or more sales. Lessor, any Noteholder or Security Trustee may purchase all or any part of the Equipment at such sale. Lessee acknowledges that sales for cash or on credit to a wholesaler, retailer or user of such Equipment, or at public or private auction, are all commercially reasonable. Any notice required by law of intended disposition by the Security Trustee or any Noteholder shall be deemed reasonably and properly given if given at least 10 days before such disposition.

*Section 19.3. Payments.* All payments received and amounts held or realized by Lessor at any time when a Lease Event of Default shall be continuing as well as all payments or amounts then held or thereafter received by Lessor and the proceeds of sale pursuant to **Section 19.2** or **25** shall be distributed to Security Trustee upon receipt by Lessor for distribution in accordance with Section 7.7 of the Security Agreement.

*Section 19.4. Attorney in Fact.* Lessee unconditionally and irrevocably appoints Security Trustee as its true and lawful attorney-in-fact, with full power of substitution, in its name and stead and on its behalf, for the purpose of effectuating any sale, assignment, transfer or delivery hereunder, if a Lease Event of Default occurs, whether pursuant to foreclosure or power of sale or otherwise, and in connection therewith to execute and deliver all such deeds, bills of sale, assignments, releases (including releases of this Lease on the records of any Governmental Authority) and other proper instruments as Lessor may reasonably consider necessary or appropriate. Lessee ratifies and confirms all that such attorney or any substitute shall lawfully do by virtue hereof. If requested by Lessor or any purchaser, Lessee shall ratify and confirm any such lawful sale, assignment, transfer or delivery by executing and delivering to Lessor or such purchaser, all deeds, bills of sale, assignments, releases and other proper instruments to effect such ratification and confirmation as may be designated in any such request.

*Section 19.5. Remedies Cumulative; Consents.* To the extent permitted by, and subject to the mandatory requirements of, Applicable Law, each and every right, power and remedy herein specifically given to Lessor or otherwise in this Lease shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often

and in such order as may be deemed expedient by Lessor, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any right, power or remedy. Lessor's, Security Trustee's or any Noteholder's consent to any request made by Lessee shall not be deemed to constitute or preclude the necessity for obtaining Lessor's, Security Trustee's or any Noteholder's consent in the future to all similar requests. To the extent permitted by Applicable Law, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise that may require Lessor, Security Trustee or any Noteholder to sell, lease or otherwise use the Equipment, any Item of Equipment or any part thereof in mitigation of Lessor's, Security Trustee's or any Noteholder's damages upon the occurrence of a Lease Event of Default or that may otherwise limit or modify any of Lessor's, Security Trustee's or any Noteholder's rights or remedies under this **Section 19**.

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

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

SECTION 21. LATE CHARGES.

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

SECTION 22. COVENANT OF QUIET ENJOYMENT.

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

SECTION 23. OTHER DOCUMENTS.

Except as otherwise provided herein, Lessee will, at Lessee's expense, execute and deliver to Lessor such other documents as may be reasonably required by Lessor, including,

without limitation, such amendments to this Lease, and Uniform Commercial Code financing statements and continuation statements and any filings required by the STB, Registrar General or the AAR.

SECTION 24. NOTICES AND REQUESTS.

Unless otherwise expressly specified or permitted by the terms hereof, all communications and notices provided for herein shall be in writing or by a telecommunications device capable of creating a written record, and any such notice shall become effective upon receipt by the addressee or, if such receipt is rejected, upon rejection, at its address set forth below or, in the case of any such party hereto, at such other address as such party may from time to time designate by written notice to the other parties hereto:

| | |
|---|---|
| If to Lessee: | INDIANA MICHIGAN POWER COMPANY<br>c/o American Electric Power Service Corporation<br>1 Riverside Plaza<br>Columbus, Ohio 43215<br>Attention: Treasurer<br>Fax No.: (614) 716-2807<br>Confirmation No.: (614) 716-2800 |
| With a copy to: | General Counsel<br>Fax No.: (614) 716-1687 |
| If to the Lessor: | Indiana Michigan Power Statutory Trust-2004-A<br>c/o Wilmington Trust Company, as Lessor Trustee<br>Rodney Square North<br>1100 North Market Street<br>Wilmington, DE 19890<br>Attention: Corporate Trust Administration |

All notices required to be delivered under this Lease to Lessor shall also be delivered to the Security Trustee.

SECTION 25. EARLY TERMINATION OPTION AND OBLIGATION TO PURCHASE.

*Section 25.1. Early Termination Option.* If no Lease Default or Lease Event of Default shall exist, on any scheduled Rent Payment Date after the two year anniversary of the Basic Term Commencement Date, Lessee may, at its option, upon at least 90 days' advance written notice to Lessor, Security Trustee and the Noteholders, purchase all, but not less than all, of the Items of Equipment (the *"Early Termination Option"*) subject to this Lease for a purchase price equal to the sum of (i) all accrued and unpaid Rent payable on or prior to such Rent Payment Date, (ii) the outstanding Lease Balance, (iii) the Make Whole Amount, if any, and (iv) all other fees and expenses and other amounts then due and payable by Lessee pursuant to this Lease and the other Operative Agreements (the *"Termination Amount"*). Upon the payment in full of the

Termination Amount by Lessee in accordance with the provisions of the preceding sentence, the obligation of Lessee to pay Rent hereunder shall cease, the term of this Lease shall end on the date of such payment and Lessor and Security Trustee shall execute and deliver to Lessee such documents as may be reasonably required to release the Items of Equipment from the terms and scope of this Lease (without representations or warranties, except that the Items of Equipment are free and clear of Lessor's Liens), in such form as may be reasonably requested by Lessee, all at Lessee's sole cost and expense.

*Section 25.2. Required Purchase.* So long as Lessor has not exercised any other remedy inconsistent therewith, Lessee shall be obligated to purchase all of the Items of Equipment for the Termination Amount (a) automatically and without notice upon the occurrence of any Lease Event of Default described in clauses (g) or (h) of **Section 18** and (b) as provided for in **Section 19.1** upon written demand of Lessor upon the occurrence of any other Lease Event of Default, and upon receipt of the Termination Amount the Items of Equipment shall be transferred to Lessee pursuant to **Section 29** without cost or expense to Lessor or Security Trustee.

SECTION 26. END OF TERM PURCHASE.

Lessee shall purchase all (but not less than all) the Equipment on the last Rent Payment Date during the Lease Term for the sum of (a) $1.00 *plus* (b) all accrued and unpaid Rent due and payable on such Rent Payment Date *plus* (c) all other fees and expenses and other amounts then due and payable by Lessee hereunder.

SECTION 27. INTENTIONALLY OMITTED.

SECTION 28. INTENTIONALLY OMITTED.

SECTION 29. RETURN OF EQUIPMENT.

(a) *Return of Equipment upon Default.* If Lessor (acting at the written direction of the Required Noteholders) has terminated this Lease pursuant to **Section 19**, Lessee shall, at its sole cost and expense, comply with the terms and provisions of said **Section 19**.

(b) *Abandonment.* At the option of Lessor, it is agreed that Lessor may elect by written notice to Lessee to abandon where then located any (or all) Items of Equipment at any time after the expiration or early termination of this Lease without further responsibility or liability therefor and Lessee shall at such time assume all responsibilities and liabilities therefor.

This **Section 29** shall survive termination of this Lease.

SECTION 30. MISCELLANEOUS.

Each party agrees that the other party shall not by act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder unless such waiver is given in

writing. A waiver on one occasion shall not be construed to be a waiver on any other occasion. The captions in this Lease are for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating or diminishing Lessor's or Lessee's rights under the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. No term or provision of this Lease may be amended, altered, waived, discharged or terminated orally, but may be amended, altered, waived, discharged or terminated only by an instrument in writing signed by Lessor, Lessee and the Security Trustee (acting at the written direction of the Required Noteholders). All of the covenants, conditions and obligations contained in this Lease shall be binding upon and shall inure to the benefit of the respective successors and assigns of Lessor and Lessee. This Lease, each Lease Supplement and each related instrument, document, agreement and certificate, collectively constitute the entire agreement of Lessor and Lessee with respect to the acquisition and leasing of the Equipment, and cancel and supersede any and all prior oral or written understandings with respect thereto. THIS LEASE SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF OHIO (WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS OF SUCH STATE), INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

SECTION 31. THIRD-PARTY BENEFICIARIES.

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

SECTION 32. EXECUTION.

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

SECTION 33. LIMITATION OF LIABILITY.

It is expressly understood and agreed by the parties that with respect to the Lessor Trustee (a) this document is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Lessor Trustee, in the exercise of the powers and authority conferred and vested in it, pursuant to the Trust Agreement, (b) each of the representations, undertakings and agreements herein made on the part of the Lessor Trustee or the Debtor, is made and intended not as personal representations, undertakings and agreements by Wilmington Trust, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any person claiming by, through or under the parties hereto, and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Lessor Trustee or the Debtor, as the case may be, or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Lessor Trustee or the Debtor, as the case may be, under this Agreement or any other related documents.

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

INDIANA MICHIGAN POWER COMPANY

By Stephan T Haynes
Its Assistant Treasurer

INDIANA MICHIGAN POWER STATUTORY TRUST-2004-A

By: WILMINGTON TRUST COMPANY, not in its individual capacity but solely as Lessor Trustee

By _____
Its _____

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

On this, the 15th day of September, 2004, before me, a Notary Public in and for said County and State, personally appeared Stephan T. Haynes, the Assistant Treasurer of INDIANA MICHIGAN POWER COMPANY, who acknowledged himself to be a duly authorized officer of INDIANA MICHIGAN POWER COMPANY, and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

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

Name: _____
Notary Public
My Commission Expires:
Residing in

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

INDIANA MICHIGAN POWER COMPANY

By _____
Its _____

INDIANA MICHIGAN POWER STATUTORY TRUST-2004-A

By: WILMINGTON TRUST COMPANY, not in its individual capacity but solely as Lessor Trustee

By _____ Janel R. Havrilla
Its Financial Services Officer

STATE OF DELAWARE )
) SS.:
COUNTY OF NEW CASTLE )

On this, the 3 day of September, 2004, before me, a Notary Public in and for said County and State, personally appeared Janel R. Havrilla, the Financial Services Officer of WILMINGTON TRUST COMPANY who acknowledged himself to be a duly authorized officer of WILMINGTON TRUST COMPANY and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

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

Name: Michele Lauren Centrella
Notary Public
My Commission Expires:
Residing in Delaware

MICHELE LAUREN CENTRELLA
Notary Public - Delaware
My Comm. Expires May 17, 2008

Receipt of this original counterpart of the foregoing Lease is hereby acknowledged this 17th day of Sept., 2004.

WILMINGTON TRUST COMPANY, not in its individual capacity but solely as Security Trustee

By _____

Its _____ Janel R. Havrilla
Financial Services Officer

## DEFINITIONS

SEE ANNEX 1 TO THE PARTICIPATION AGREEMENT

ANNEX 1
(to Railcar Lease and Security Agreement)

## DESCRIPTION OF EQUIPMENT

470 new Trinity Rail Group, LLC built Aluminum Gondola Railcars as more specifically described in the Lease and Security Agreement Supplements delivered on each Closing Date.

EXHIBIT A
(to Railcar Lease and Security Agreement)