

RECORDATION NO. 8989 Filed & Recorded

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INTERSTATE COMMERCE COMMISSION

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ICC Washington, D. C.

Interstate Commerce Commission
Washington, D. C.

Gentlemen:

Enclosed for recordation under the provisions of Section 20(c) of the Interstate Commerce Act, as amended, are the original and nine counterparts of an Equipment Lease dated as of September 1, 1977.

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

The names and addresses of the parties are:

Lessor: The First National Bank of Chicago,
as Trustee under F. I. Trust No. 6
One First National Plaza
Chicago, Illinois 60670
Attention: Corporate Trust Division

Lessee: Farmland Industries, Inc.
3315 North Oak Trafficway
Kansas City, Missouri 64116
Attention: Financial Vice President

The undersigned is the Lessor mentioned in the enclosed document and has knowledge of the matters set forth therein.

Please return the original and seven copies of the Equipment Lease to Larry Elkins, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$50.00 covering the required recording fee.

Very truly yours,

THE FIRST NATIONAL BANK OF CHICAGO,
as Trustee under F. I. Trust
No. 6

By

[Signature]

Its Authorized Officer

LESSOR AS AFORESAID

Enclosures

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I. C. C.
REGISTRATION BR.

Christy - C. T. Kennel

MANUFACTURER: ACF Industries, Incorporated
PLANT OF MANUFACTURER: Huntington, West Virginia
DESCRIPTION OF EQUIPMENT: 100 100-ton covered hopper cars, bearing Road Mark and Numbers FLIX 500 to FLIX 599, both inclusive
SPECIFICATIONS: Manufacturer's Specification Number 76-3A0-007
BASE PRICE: \$34,000 per Item (\$3,400,000 for 100 Items)
MAXIMUM PURCHASE PRICE: \$37,400 per Item
DELIVER TO: Farmland Industries, Inc.
PLACE OF DELIVERY: Russel, Kentucky
ESTIMATED DELIVERY DATES: December, 1977
OUTSIDE DELIVERY DATE: January 15, 1978

MANUFACTURER: Union Tank Car Company

PLANT OF MANUFACTURER: East Chicago, Indiana
and Ville Platte, Louisiana

DESCRIPTION OF EQUIPMENT: 20 super phosphoric acid tank
cars, bearing Road Mark and
Numbers FLIX 2501 to FLIX 2520,
both inclusive

SPECIFICATIONS: Manufacturer's Specification
Number S-854

BASE PRICE: \$40,000 per Item (\$800,000 for
20 Items)

MAXIMUM PURCHASE PRICE: \$44,000 per Item

DELIVER TO: Farmland Industries, Inc.

PLACE OF DELIVERY: Altuma, Pennsylvania

ESTIMATED DELIVERY DATES: September, 1977

OUTSIDE DELIVERY DATE: January 15, 1978

RECORDATION NO. 2235 Filed & Recorded

SEP 9 1977 -4 42 PM

INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE

Dated as of September 1, 1977

Between

THE FIRST NATIONAL BANK OF CHICAGO,
as Trustee under F.I. Trust No. 6,

as Lessor

and

FARMLAND INDUSTRIES, INC.,

as Lessee

(F.I. Trust No. 6)

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Attachments to Equipment Lease:

- Schedules A and B - Description of Equipment
- Schedule C - Certificate of Acceptance under Equipment Lease
- Schedule D - Schedule of Casualty Values
- Schedule E - Schedule of Obsolescence Termination Values

THIS EQUIPMENT LEASE dated as of September 1, 1977 ("the Lease" or "this Lease") between THE FIRST NATIONAL BANK OF CHICAGO, as trustee (the "Lessor") under a Trust Agreement (the "Trust Agreement") with AMERICAN ROAD EQUITY CORPORATION, a Delaware corporation (the "Trustor"), dated as of September 1, 1977 relating to F.I. Trust No. 6, and FARMLAND INDUSTRIES, INC., a Kansas cooperative corporation (the "Lessee");

W I T N E S S E T H:

WHEREAS, the Lessor has entered into a Conditional Sale Agreement dated as of the date hereof (the "Conditional Sale Agreement") with UNION TANK CAR COMPANY and ACF INDUSTRIES, INCORPORATED (collectively the "Manufacturers" and individually the "Manufacturer") providing for the manufacture, sale and delivery to the Lessor of the railroad equipment (collectively the "Equipment" and individually an "Item" or "Item of Equipment") described in Schedules A and B, respectively, attached hereto and made a part hereof;

WHEREAS, by instrument of Agreement and Assignment dated as of the date hereof (the "Assignment"), the Manufacturers have assigned their right, security title and interest under the Conditional Sale Agreement to The First National Bank of Chicago, as assignee (the "Assignee"); and

WHEREAS, the Lessee desires to lease all of the Items of Equipment or such lesser number as are delivered, accepted and settled for under the Conditional Sale Agreement on or prior to the Outside Delivery Dates set forth in said Schedules, at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Equipment to the Lessee upon the following terms and conditions:

SECTION 1. DELIVERY AND ACCEPTANCE OF EQUIPMENT; PURCHASE OF EXCLUDED EQUIPMENT.

1.1. Delivery and Acceptance of Equipment. The Lessor will cause each Item of Equipment to be tendered to the Lessee at the place or places at which such Item of Equipment is to be delivered to the Lessor under the Conditional Sale Agreement; provided that the Lessee will confer with the Manufacturers regarding the anticipated date of delivery for the

first Item of Equipment and the Lessee will give the Lessor, the Trustor and the Assignee not less than five business days' prior written notice of the date on which the first Item of Equipment will be delivered and accepted by the Lessee hereunder (said delivery date being hereinafter called the "First Delivery Date"). Lessee hereby agrees to provide all opinions, certificates and other documents required on its part by this Lease, the Conditional Sale Agreement, the Assignment and the Finance Agreement dated as of September 1, 1977 (the "Finance Agreement") among the Lessee, the Assignee and the Investor (as defined in Section 2.5 hereof) on or prior to the First Delivery Date. Upon such tender of each Item of Equipment by each Manufacturer, the Lessee will cause an authorized representative of the Lessee to inspect the same, and if such Item of Equipment is found to conform to the specifications therefor, to accept delivery of such Item of Equipment on its own behalf and on behalf of the Lessor and to execute and deliver to the Lessor and to the Manufacturer thereof a certificate of acceptance (hereinafter called "Certificate of Acceptance") substantially in the form attached hereto as Schedule C, whereupon such Item of Equipment shall be deemed to have been delivered to and accepted by the Lessee and the Lessor and shall be subject thereafter to all of the terms and conditions of this Lease.

1.2. Purchase of Excluded Equipment. In the event of the exclusion of any Item or Items of Equipment from the Conditional Sale Agreement pursuant to Sections 2.3 or 3.1 thereof, the Lessee agrees with the Lessor, and also with and for the benefit of the Manufacturers who are hereby designated third party beneficiaries to the undertakings of the Lessee set forth in this Section 1.2, **that the Lessee will be obligated to purchase from the Manufacturer of, accept delivery of and pay for, any Item or Items of Equipment so excluded from the Conditional Sale Agreement and such Manufacturer and the Lessee shall execute a separate agreement providing for the sale of such excluded Item or Items of Equipment by such Manufacturer to the Lessee upon the same terms and conditions as those contained in the Conditional Sale Agreement, modified only to the extent necessary to provide for payment in cash upon delivery of such excluded Item or Items of Equipment, either directly or indirectly by means of a conditional sale agreement, equipment trust or other appropriate method of financing as the Lessee may determine and as may be reasonably satisfactory to such Manufacturer.**

SECTION 2. RENTALS AND PAYMENT DATES.

2.1. Rentals for Equipment. The Lessee agrees to pay the Lessor the following Rent for the Items of Equipment leased hereunder:

(a) Interim Rental. For each Item of Equipment, an amount (the "Interim Rental") for the period from and including the Closing Date (as defined in the Conditional Sale Agreement) for such Item to but not including January 17, 1978 equal to the amount of interest which would have been charged by The First National Bank of Chicago for a loan in a principal amount equal to the Purchase Price (as defined in the Conditional Sale Agreement) of such Item assuming such loan to have been made throughout such period at an interest rate equal to 112% of the corporate base rate of interest charged by The First National Bank of Chicago from time to time throughout such period to its largest and most credit-worthy commercial borrowers on 90-day commercial loans (computed on the basis of a 365-day year).

(b) Fixed Rental. For each Item of Equipment, sixty (60) consecutive quarterly installments of fixed rental (subject to increase as hereinbelow provided) (the "Fixed Rental") each in an amount equal to 2.10977% of the Purchase Price (as defined in the Conditional Sale Agreement) of such Item.

2.2. Rental Payment Dates. The total amount of Interim Rental provided for in Section 2.1(a) above shall be due and payable on January 17, 1978. The installments of Fixed Rental provided for in Section 2.1(b) above shall be due and payable quarterly commencing on April 17, 1978 and on the 17th day of each July, October, January and April thereafter to and including January 17, 1993 (each day on which an installment of Fixed Rental is due and payable being herein called a "Fixed Rental Payment Date"). If any Fixed Rental Payment Date is not a business day (as defined in Section 3.6 of the Conditional Sale Agreement), the Fixed Rental otherwise payable on such date shall be payable on the next succeeding business day, and no interest on such payment shall accrue for the period from and after the nominal date for payment thereof to such next succeeding business day.

2.3. Place of Rent Payment. Except for payments covered by Section 25.6 of the Conditional Sale Agreement, all payments provided for in this Lease to be made to the Lessor shall be made not later than 10:00 A.M. Central time on the business day the same is payable hereunder to the Assignee by wire transfer of immediately available funds to the Assignee at its principal office in Chicago, Illinois, Attention: Corporate Trust Division, or at such other place as the Lessor or the Assignee or any successors or assigns of the Assignee shall specify to the Lessee in writing.

2.4. Net Lease. This Lease is a net lease and the Lessee's obligation to pay all Interim Rental and Fixed Rental and other amounts payable hereunder shall be absolute and unconditional under any and all circumstances and, without limiting the generality of the foregoing, Lessee shall not be entitled to any abatement of rent, reduction thereof or set-off against rent, including, but not limited to, abatements, reductions or set-offs due to any present or future claims of the Lessee against the Lessor or the Trustor under this Lease or otherwise or against either Manufacturer or against the Assignee; nor except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss or destruction of all or any of the Equipment from whatsoever cause, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, 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). 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 the Assignee for any reason whatsoever.

2.5. Fixed Rental Adjustment. The Lessee, the Lessor, the Trustor and the Assignee each contemplate that on each Closing Date, the Lessor will pay to the Manufacturer of the Group of Equipment being financed on such date a downpayment with respect to the purchase of the Items of Equipment in such Group in an amount equal to 37.00% of the Purchase Price thereof pursuant to Section 3.3(a) of the Conditional Sale Agreement with the proceeds of a loan to the Lessor pursuant to the Bank Agreement referred to in the Trust Agreement and that the balance of such Purchase Price will be

paid to such Manufacturer on such date by the Assignee. It is further contemplated that on January 17, 1978, New England Mutual Life Insurance Company (the "Investor") will advance to the Assignee a sum equal to the entire unpaid Conditional Sale Indebtedness (as defined in the Conditional Sale Agreement) in consideration for the assignment by the Assignee to the Investor of its entire right, title and interest in and to the Conditional Sale Agreement and that the Trustor will advance funds to the Lessor for the repayment of the principal amount of the loan pursuant to said Bank Agreement. The amounts payable as installments of Fixed Rental as above provided and the amounts payable as Casualty Values and Obsolescence Termination Values as set forth in Schedules attached hereto have been determined on the assumption that the above stated contemplated arrangement for initial payment of the Purchase Price of all Items of Equipment leased hereunder and such subsequent assignment by the Assignee of its rights under the Conditional Sale Agreement to the Investor will be so consummated. However, in the event of a failure of either such consummation, Section 4.1 of the Trust Agreement provides that the Trustor shall advance funds to the Lessor to provide funds for the downpayment pursuant to the Conditional Sale Agreement, and Section 4.3 of the Trust Agreement provides that the Trustor will advance funds to the Lessor to prepay the Conditional Sale Indebtedness. In the event of any such additional advance, in lieu of the installments of Fixed Rental payable as set forth in Section 2.1(b) hereof, the Lessee agrees that the installments of Fixed Rental payable hereunder shall be increased by an amount which shall be sufficient to cause the Trustor's after-tax economic and accounting yields and cash flows to equal the after-tax economic and accounting yields and cash flows (computed on the same assumptions as utilized by the Trustor in originally evaluating this transaction) that would have been realized by the Trustor if it had not been required to make any such additional advance, and that the Casualty Values and Obsolescence Termination Values shall similarly be adjusted in amounts reasonably determined by the Trustor.

The installments of Fixed Rental set forth in Section 2.1(b) hereof and the Casualty Values and Obsolescence Termination Values expressed in the Schedules attached hereto have likewise been determined on the assumption that all of the Items of Equipment will be delivered by the Manufacturers and accepted by the Lessee hereunder not later than December 31, 1977. In the event that any Item of Equipment shall be so delivered and accepted on any date thereafter, then such installments of Fixed Rental shall be likewise increased and such Casualty Values and Obsolescence Termination

Values shall be adjusted in accordance with the computations referred to in the preceding paragraph so as to maintain the after-tax economic and accounting yields and cash flows to the Trustor as originally contemplated.

SECTION 3. TERM OF THE LEASE.

The interim term of this Lease (the "Interim Term") as to each Item of Equipment shall begin on the date of delivery to and acceptance by the Lessee of such Item of Equipment and shall terminate upon the commencement of the primary term as to such Item. The primary term of this Lease (the "Primary Term") as to each Item of Equipment shall begin on January 17, 1978 and, subject to the provisions of Sections 11, 14 and 20 hereof, shall terminate 15 years following the commencement of the Primary Term.

SECTION 4. TITLE TO THE EQUIPMENT.

4.1. Retention of Title. The Lessor is acquiring legal title to the Equipment as Vendee under the Conditional Sale Agreement (but only upon compliance with all the terms and conditions thereof) and it is understood that the Lessee shall acquire no right, title and interest to the Equipment except hereunder as Lessee notwithstanding the delivery of the Equipment to and the possession and use thereof by the Lessee.

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

"Leased from The First National Bank of Chicago, as Trustee, and subject to a Security Interest recorded with the I.C.C."

with appropriate changes thereof and additions thereto as may be reasonably required by the Lessor and 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 will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so

marked on both sides thereof and will replace promptly any identification which may be removed, defaced or destroyed. The Lessee will not change the road number of any Item of Equipment except with the consent of the Lessor and in accordance with a statement of new road numbers to be substituted therefor, which consent and statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited or as otherwise required by law.

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

SECTION 5. DISCLAIMER OF WARRANTIES.

THE LESSOR LEASES THE EQUIPMENT, AS-IS, IN WHATEVER CONDITION IT MAY BE, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, BY EITHER THE LESSOR OR THE TRUSTOR, EACH EXPRESSLY DISCLAIMING ANY WARRANTY OR REPRESENTATION, EITHER EXPRESSED 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 LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, (D) THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR (E) 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. Notwithstanding the foregoing, the Lessor represents that it has such title to the Equipment as has been conveyed to it by the Manufacturers pursuant to the Conditional Sale Agreement, free of liens resulting from claims against the Lessor, in its individual capacity, not related or connected to the ownership of the Equipment, being lessor hereunder, the administration of the trust estate under the Trust Agreement or any other transaction contemplated by any of the Operative Agreements (as defined in the Trust Agreement). The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against the Manufacturers, provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (1) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Item of Equipment or by any inadequacy thereof or deficiency

or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Item of Equipment or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Item of Equipment. 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. LESSEE'S INDEMNITY.

6.1. Scope of Indemnity. The Lessee shall defend, indemnify and save harmless the Lessor, the Trustor and the Assignee and their successors, assigns, employees and agents from and against:

(a) any and all loss or damage of or to the Equipment, usual wear and tear excepted, and

(b) any claim, cause of action, loss, damages, liability, cost or expense (including reasonable counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them

(i) relating to any Item of Equipment or any part thereof, including without limitation, the construction, purchase, delivery, acceptance, rejection, installation, ownership, sale, leasing, return or storage of any Item of Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessor or by the Lessee),

(ii) by reason or as the result of any act or omission (whether negligent or otherwise) of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, (iii) as a result of claims for patent, trademark or copyright infringements, or (iv) as a result of claims for negligence or strict liability in tort.

The indemnities and assumptions of liabilities set forth in this Section 6.1 do not constitute a guarantee of the residual value of the Equipment or the Conditional Sale Indebtedness.

6.2. Continuation of Indemnities and Assumptions. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise; provided, however, that such indemnities and assumption of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i) or (ii) of subsection (b) of Section 6.1 hereof, occurring after the termination of this Lease, except for any such matters occurring before the return of the Equipment to the possession of the Lessor as provided in Sections 13 or 15 hereof, as the case may be. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability.

6.3. Further Indemnity. In the event that the Trustor shall become obligated to make any payments to the Lessor in its individual capacity pursuant to the provisions of Section 9.2 of the Trust Agreement which are not covered by Section 6.1 or Section 10.2 hereof or otherwise, the Lessee shall pay such additional amounts to the Lessor as will enable the Trustor to fulfill completely its obligations pursuant to Section 9.2 of the Trust Agreement.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all laws, regulations, requirements and rules (including the rules of the United States Department of Transportation and the interchange rules of the Association of American Railroads) with respect to the use, maintenance and operation of each Item of Equipment subject to this Lease. In case such Item of Equipment is required to be altered, or any equipment or appliance is required to be added to, installed on or modified or replaced in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such alterations, additions, replacements and modifications at the Lessee's cost and expense and title to any such alteration, addition, replacement or modification shall be immediately vested in the Lessor. In the event the Lessee shall make any alteration, addition, replacement or modification to any Item of Equipment pursuant to this Section 7 (the "Alterations"), the Trustor will include the value thereof in its gross income for Federal income tax purposes for the taxable year of the Trustor in which such alteration, addition, replacement or modification is made, unless Revenue Procedure 75-21 shall have been amended or modified to provide that such inclusion is not required and a ruling to that effect shall have been obtained from the Internal Revenue Service. The Lessee agrees that, within 30 days after the close of any calendar quarter in which the Lessee has made Alterations, the Lessee will give written notice thereof to the Lessor and the Trustor describing, in reasonable detail, the Alterations and specifying the cost thereof with respect to each Item.

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 so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment (including any parts installed thereon or replacements made thereon) in the same order, condition and repair as when originally delivered to the Lessee (or installed), ordinary wear and tear excepted. The Lessee shall not modify any Item of Equipment so as to impair its operational capacity. Any part installed or replacement made by the Lessee upon any Item of Equipment shall be considered an accession to such Item of Equipment and title thereto shall be immediately vested in the Lessor, without cost or expense to the Lessor, except that title to any such part or replacement made by the Lessee (other than pursuant to its maintenance obligation set forth above) which is readily removable without causing material damage to such Item of Equipment shall be vested in the Lessee. Except as required pursuant to Section 7 hereof, the Lessee will not make any alterations, additions or replacements in respect of any Item of Equipment which is not readily removable without causing material damage to such Item.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon the Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith, with due diligence and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not, in the opinion of counsel for the Trustor, affect or endanger the title and interest of the Lessor to the Equipment. The Lessee's obligations under this Section 9 shall survive termination of this Lease.

SECTION 10. FILING, PAYMENT OF FEES AND TAXES.

10.1. Filing. Prior to the delivery and acceptance of the first Item of Equipment, the Lessee will, at its sole expense, cause this Lease, the Conditional Sale Agreement, the Assignment and the Reassignment (as each such term is defined in the Conditional Sale Agreement) to be duly filed, recorded, registered or deposited in conformity with Section 20c of the Interstate Commerce

Act and in such other places within or without the United States as the Lessor may reasonably request for the protection of its title or the security interest of the Assignee and will furnish the Lessor proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record (and will re-file, re-register, re-deposit or re-record whenever required) any and all further instruments required by law or reasonably requested by the Lessor, for the purpose of protecting the Lessor's title to, or the Assignee's security interest in, the Equipment to the satisfaction of the Lessor's or the Assignee's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor proof of such filings and an opinion of the Lessee's counsel or other counsel approved by the Lessor and the Assignee that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, re-filing, recording, re-recording, depositing, re-depositing, registering and re-registering of any such instruments, or incident to the taking of such action.

10.2. Taxes Generally. The Interim Rental, Fixed Rental and other amounts otherwise required to be borne by the Lessee under this Lease are exclusive of all taxes, assessments, fees and charges, including any penalties, fines and interest thereon (hereinafter called "Imposts") levied and imposed by any governmental unit (domestic or foreign), or any agency, instrumentality or taxing jurisdiction thereof:

(i) with respect to this Lease;

(ii) upon any Item of Equipment or any interest of the Lessor, the Lessee or the Trustor therein;

(iii) upon or on account of the sale, purchase, lease, transfer, ownership, possession, use, operation, maintenance, registration, delivery or return of any Item of Equipment to or by the Lessor, the Lessee or the Trustor; or

(iv) on account of or measured by the gross earnings or gross receipts arising from the ownership, lease, possession or use of any Item of Equipment (including, but not limited to increased franchise taxes, if any, of the Trustor), or the value added thereto, other than taxes imposed on or measured by the net income of the Lessor or the Trustor except any such net income tax which is in substitution for, or relieves the Lessee from the payment of, any tax or other charge which the Lessee would otherwise be obligated to bear under this Section.

The Lessee shall bear the burden and make timely remittances to appropriate collectors of all such excluded Imposts and file timely, with each appropriate taxing or regulatory jurisdiction,

all returns, statements and reports legally required with respect thereto, and shall bear the burden of and remit any interest, fines and penalties exacted because of the Lessee's failure to discharge timely the Lessee's obligations hereunder. The Lessee shall indemnify and hold harmless the Lessor, the Trustor and the Assignee from and against the amount of all Imposts and shall reimburse the Lessor promptly upon demand for the amount of all Imposts required hereunder to be borne by the Lessee that are remitted by the Lessor.

The Lessee shall not be required to remit to any taxing or regulatory jurisdiction any Impost, unless remittance may not legally be withheld, if and so long as the Lessee shall in good faith, with due diligence, and by appropriate judicial or administrative proceedings, contest the validity, applicability, or amount thereof provided that the Lessee shall have given the Lessor prior written notice of such contest and in the opinion of counsel for the Trustor, the rights of the Lessor and the Trustor in any Item of Equipment are not impaired by such contest.

The Lessee shall, upon the request of the Lessor, made not more than one time in any calendar year, submit to the Lessor reasonable assurance of the Lessee's performance of its duties under this Section. The Lessee shall also furnish, promptly upon request, such data relating to any Item of Equipment as the Lessor reasonably may require, including the tax jurisdiction to which it is subject, to permit the Lessor's compliance with the requirements of any taxing or regulatory jurisdiction. The Lessor shall promptly forward to the Lessee any notices received by the Lessor of Imposts payable by the Lessee hereunder; provided, however, that the failure of the Lessor to forward any such notice shall not relieve the Lessee of the obligation hereunder to pay such Impost.

To the extent that the Lessee may be prohibited by law from performing in its own name the duties imposed on the Lessee by this Section, the Lessor hereby authorizes the Lessee to act in the name and on behalf of the Lessor; provided, however, that the Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith, as a result of, or incident to, any action by the Lessee pursuant to this authorization.

In the event the Lessee is required to make any payment under this Section or Section 6 hereof, the Lessee shall pay the Lessor an amount which, after deduction of all taxes required to be paid by the Lessor and the Trustor in respect of the receipt thereof under the laws of the United States or any political subdivision thereof, shall be equal to the amount of such payment.

SECTION 11. INSURANCE, PAYMENT FOR CASUALTY OCCURRENCE.

11.1. Insurance. The Lessee will at all times after delivery and acceptance of each Item of Equipment, at its own expense, keep or cause to be kept each such Item insured, either by a reputable insurance company or companies or by self-insurance against loss by such risks as are customarily insured against by lessees owning property of a similar character and engaged in a business similar to that engaged in by the Lessee; provided that the Lessee may provide such coverage by self-insurance to no greater extent than it from time to time self-insures property of a similar character which it owns or leases. Any insurance policy shall provide that the Lessor and the Assignee and its assigns shall be loss payees, that losses shall be adjusted with the Lessee and that the proceeds thereof shall be payable to the Lessor, the Lessee and the Assignee and its assigns as their interests shall appear. The Lessee further agrees that it will throughout the term of this Lease maintain general public liability insurance with respect to the Equipment against damage because of bodily injury, including death, or damage to property of others, such insurance to afford protection to the limit of not less than \$25,000,000 combined single limit in respect of bodily injury, death and damage to property of others; provided, however, that said \$25,000,000 requirement shall be reduced from time to time by one-half of the amount by which the total capital shares and equities of the Lessee and its consolidated Subsidiaries exceeds \$328,000,000. Any such insurance described above may have applicable thereto deductible provisions of not more than \$3,000,000, except that any such coverage may have deductible provisions applicable thereto which are consistent from time to time with the minimum deductible provisions customarily made available by insurance companies for similar properties and which are not higher than deductible provisions applicable to insurance coverage maintained by the Lessee for similar such properties which it owns or leases. Except to the extent of permitted self-insurance, the Lessee agrees to effect all insurance provided for in this Section 11.1 with good and responsible insurance companies which are not affiliated with the Lessee and are not unreasonably objected to by the Lessor, the Trustor, the Assignee or their respective successors or assigns. All such liability policies shall provide that the Lessor, the Trustor, the Lessee and the Assignee shall be assureds. All casualty and liability policies shall provide that the same shall not be cancelled or terminated without at least 30 days' prior written notice to each assured and loss payee named therein, and shall provide for at least 30 days' prior written notice to each assured and loss payee named therein of the date on which such policies shall terminate by lapse of time. No such policy shall contain a provision (i) under which the Lessee is a co-insurer, or (ii) relieving the insurer thereunder of liability for any loss by reason of existence of other policies of insurance covering the Equipment against the peril involved, whether collectible

or not, or by reason of the breach or violation by the Lessee of any warranties, declarations or conditions contained in such policies. Any such insurance may be carried under blanket policies maintained by the Lessee so long as such policies otherwise comply with the provisions of this Section 11.1. If general public liability insurance shall be carried under any blanket policy which is subject to aggregate annual claim limitations, the Lessee shall keep the assureds advised from time to time of the amount of any such limitations.

The loss, if any, under any casualty insurance covering the Equipment required to be carried by this Section 11.1 shall be adjusted with the insurance companies by the Lessee, or otherwise collected, including the filing of proceedings deemed advisable by the Lessee, subject to the approval of the Lessor and the Assignee and assigns if the loss exceeds \$500,000.

Not later than the First Delivery Date and annually thereafter the Lessee agrees to provide to the Lessor, the Trustor and the Assignee proof of maintenance of the insurance required by this Section 11.1. Thereafter the Lessee shall provide such parties, or their respective successors or assigns, further evidence of such insurance not less than 30 days prior to cancellation of previously evidenced insurance.

11.2. Notification by Lessee of Casualty Occurrence.

In the event that during the term of this Lease any Item of Equipment (i) shall be or become lost, stolen, destroyed or, in the opinion of the Lessee, irreparably damaged or permanently rendered unfit for use from any cause whatsoever, or (ii) shall be requisitioned or taken by any governmental authority in the United States (other than the United States of America or any agency thereof) by condemnation or otherwise for an indefinite term or for a stated term which exceeds one year, but in either such case only after the Lessee is in fact denied the use and possession of such Item of Equipment for a period exceeding one year, or (iii) shall be requisitioned or taken by any foreign governmental authority by condemnation or otherwise for an indefinite term or for a stated term of more than one year but in either such case only after the Lessee is in fact denied the use and possession of such Item of Equipment for a period of more than one year, or (iv) shall be requisitioned or taken by any governmental authority in the United States (including the United States of America or any agency thereof) or any foreign governmental authority and a sale, exchange or other disposition [within the meaning of the Internal Revenue Code of 1954, as amended (the "Code")] shall occur as a result thereof (any such occurrence being hereinafter referred to as a "Casualty Occurrence"), the Lessee shall promptly and fully inform the Lessor in regard thereto.

11.3. Payment for Casualty Occurrence. For any Item of Equipment suffering a Casualty Occurrence, the Lessee, on the next succeeding Fixed Rental Payment Date (or within 60 days after the date of the Casualty Occurrence, if a loss occurs within the 30-day period immediately preceding such Fixed Rental Payment Date), shall pay to the Lessor an amount equal to (x) the sum of (i) the Casualty Value (as defined in Section 11.7 hereof) of such Item of Equipment as of the Fixed Rental Payment Date next succeeding the Casualty Occurrence, (ii) interest on such Casualty Value at the rate of 11% per annum from the Fixed Rental Payment Date on or next succeeding the date of the Casualty Occurrence until the date of payment of such amount determined pursuant to this Section 11.3, plus (y) all other sums due and owing to the Lessor by the Lessee with respect to such Item of Equipment.

11.4. Rent Termination. Upon (and not until) the payment of the installment of Fixed Rental in respect of an Item of Equipment payable on the Fixed Rental Payment Date on or next succeeding the date of a Casualty Occurrence with respect thereto, the obligation to pay the Fixed Rental for such Item of Equipment shall terminate, but the Lessee shall continue to pay Fixed Rental for all other Items of Equipment and the indemnities provided for in Sections 6 and 10.2 hereof shall continue in full force and effect with respect to any acts, events or omissions relating to any Item of Equipment for which settlement has been made pursuant to Section 11.3 hereof. In connection with the payment of the Casualty Value of any Item of Equipment, the Lessee shall furnish to the Lessor a schedule listing the Equipment which remains subject to this Lease after giving effect to such Casualty Value payment and the Fixed Rental which will accrue and become payable with respect to such Equipment.

11.5. Disposition of Equipment. The Lessee shall, as agent for the Lessor, promptly dispose of any Item of Equipment for which settlement has been made pursuant to Section 11.3 or 11.6 for the highest price reasonably obtainable. Any such disposition shall be on an "as is", "where is" basis without recourse, representation or warranty, express or implied. If the Casualty Value thereof has been paid in full to the Lessor, then as to each separate Item of Equipment so disposed of the Lessee shall be entitled to receive and retain all proceeds of the disposition (including in the case of a Casualty Occurrence, any insurance proceeds and damages received by the Lessee or the Lessor) up to the Casualty Value attributable thereto and shall remit the excess, if any, to the Lessor as its sole property subject to the terms and provisions of the Trust Agreement.

It is understood and agreed that the Lessor shall not be liable to the Lessee for any costs or expenses incurred by the Lessee in connection with the disposition of any Item of Equipment.

11.6. Casualty Prior to Commencement of Primary Term.

In the event the Lessee shall have notified the Lessor at least five days prior to the commencement of the Primary Term hereunder with respect to any Item of Equipment that such Item of Equipment has suffered a Casualty Occurrence, the Casualty Value for such Item shall be an amount equal to 102.63% of the Purchase Price thereof plus the total amount of Interim Rental therefor, if any, to the date of payment of such Casualty Value, which date of payment shall be January 17, 1978. If, less than five days prior to, or after, the commencement of the Primary Term hereunder with respect to any Item of Equipment, the Lessee shall have notified the Lessor that such Item of Equipment has suffered a Casualty Occurrence prior to such commencement, the date of such Casualty Occurrence shall be deemed to be one day after such commencement.

11.7. Casualty Value.

After the commencement of the Primary Term the "Casualty Value" of each Item of Equipment shall be an amount, determined as of the number of the Fixed Rental Payment Date immediately succeeding the Casualty Occurrence, equal to the product of (i) the Purchase Price of such Item of Equipment times (ii) the percentage specified in the Schedule of Casualty Value attached hereto as Schedule D for such Fixed Rental Payment Date, except that, if the Casualty Occurrence is on a Fixed Rental Payment Date, the "Casualty Value" shall be determined as of such Fixed Rental Payment Date.

11.8. 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 after the date hereof.

11.9. Requisition or Taking.

In the event of any requisition or taking of any Item of Equipment by any governmental authority which does not constitute a Casualty Occurrence under the provisions of Section 11.2 hereof, the Lessee shall notify the Lessor of such event and the Lessee's duty to pay Fixed Rental shall continue for the duration of such requisition or taking. 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

up to an amount equal to the Fixed Rental paid or payable hereunder for such period, and the balance, if any, shall be payable to and retained by the Lessor as its sole property subject to the terms and provisions of the Trust Agreement. In the event of any requisition or taking constituting a Casualty Occurrence, provided no Event of Default and no event which with the passage of time or the giving of notice, or both, would constitute an Event of Default as defined in Section 14.1 hereof has occurred and is continuing, the Lessee shall be entitled to receive and retain for its own account all sums payable by the governmental authority as compensation for such requisition or taking up to the sum of (i) the out-of-pocket expenses (including legal costs and reasonable attorneys' fees) incurred by the Lessee in connection with such requisition or taking and (ii) any Casualty Value paid by the Lessee to the Lessor in respect of any Item of Equipment which was requisitioned or taken and not theretofore reimbursed, and the balance, if any, shall be payable to and retained by the Lessor as its sole property subject to the terms and provisions of the Trust Agreement.

11.10. Recovery of and Prosecution of Claims. The Lessor hereby authorizes and empowers the Lessee as agent for the Lessor to negotiate, accept, reject, file and prosecute any claims, including what otherwise would be the Lessor's claim, for any award or compensation on account of any loss, damage, destruction, confiscation, requisition or taking of any Item of Equipment and to collect and retain the proceeds thereof to the extent permitted by this Section 11. So long as no Event of Default or event which with the passage of time or giving of notice, or both, could become an Event of Default has occurred and is continuing, the Lessee shall be entitled to receive and retain all proceeds of any loss or damage which is not a Casualty Occurrence.

11.11. Obsolescence Termination. (a) unless an Event of Default or other event which, with notice, demand and/or lapse of time, would constitute an Event of Default shall have occurred and be continuing hereunder, the Lessee shall be entitled, at its option, upon at least 90 days' prior written notice to the Lessor, the Trustor and the Assignee or their successors or assigns, to terminate this Lease with respect to the Items of Equipment described in Schedule A hereto or Schedule B hereto (hereinafter referred to as "Groups" of Equipment), or both, if the Lessee shall have made a good faith determination that all (but not less than all) of the Items of Equipment in such Group have become obsolete or otherwise uneconomical for use in the Lessee's operations or surplus to the Lessee's needs, which notice shall be signed by the Chairman of the Board of Directors or the President and shall state that such Items of Equipment have become obsolete or otherwise uneconomical for use in the Lessee's operations or surplus to the Lessee's needs; provided, however, that such termination shall become effective only on a specified Fixed Rental Payment Date (hereinafter called the Obsolescence Termination Date) and, in no event, prior to January 17, 1986; and provided further, that such termination shall not take effect

unless the Lessee shall have fully complied with the provisions of this Section 11.11.

(b) During the period from the giving of such notice until such Obsolescence Termination Date the Lessor, and the Lessee on behalf of the Lessor, shall use reasonable efforts to obtain bids for the cash sale or lease of such Group of Equipment. The Lessor and the Lessee shall certify to each other in writing the amount and the terms of each bid received by them and address of the parties submitting such bids. Subject to Lessor's right to reject bids as set forth in Section 11.11(c) hereof, on such Obsolescence Termination Date the Lessor shall either (i), without recourse, representation or warranty, sell such Group of Equipment to the highest bidder (not the Lessee or a person or entity affiliated with the Lessee) who shall have submitted such bid prior to such date or (ii) lease such Group of Equipment to the bidder (not the Lessee or a person or entity affiliated with the Lessee) acceptable to the Lessor and the Assignee who shall have submitted a bid prior to such date on terms and conditions acceptable to both the Lessor and the Assignee in their sole and absolute discretion. Upon such sale or lease, as the case may be, the Lessee shall pay to the Lessor an amount equal to (1) (A) the Obsolescence Termination Value (as set forth in Schedule E hereto) plus (B) the actual expenses incurred by the Lessor in making the sale or lease, including without limitation storage, insurance, advertising, brokerage and attorney's fees and expenses incurred in connection with such sale or lease, less (2) in the event of a sale, the proceeds of such sale or, in the event of a lease, an amount equal to the present value of the rentals provided in such lease during the period from the Termination Date to the end of the term of this Lease discounted at the rate of 12% per annum compounded monthly, to the extent that the proceeds of such sale or such present value of the rentals, as the case may be, does not exceed the Obsolescence Termination Value paid by Lessee.

(c) If neither the Lessor nor the Lessee shall receive any bid for the cash sale or lease of the Equipment or there shall not be any bid for lease of the Equipment which shall be to a lessee acceptable to the Lessor in its reasonable judgment, Lessor shall so advise Lessee. Thereupon, Lessee shall have the right (i) to notify Lessor, within 15 days following the giving of such advice, that Lessee will continue to lease the Equipment with the same effect as if the Lessee had not given notice of termination with respect thereto or (ii) to pay to the Lessor, on such Obsolescence Termination Date, the Obsolescence Termination Value of such Group of Equipment plus the rental payment due on such Obsolescence Termination Date, and thereupon the Lessee shall have no further right with respect to such Group of Equipment.

(d) Notwithstanding the foregoing, if the Obsolescence Termination Value exceeds the amount of any bid which is acceptable to the Lessor, the Lessee may at its option upon written notice

given to the Lessor not less than 90 days prior to such Obsolescence Termination Date, elect to rescind the Lessee's notice of termination, whereupon this Agreement shall not terminate with respect to such Group but shall, provided that no Event of Default (or other event which would constitute an Event of Default but for the lapse of time or the giving of notice or both) has occurred and is continuing hereunder and the Lessor has not by reason thereof declared this Agreement to be in default, continue in full force and effect as though no such notice of termination had been given by the Lessee. In the event the Lessee shall elect to rescind the Lessee's notice of termination in accordance with the provisions of this subsection 11.11(d), the Lessee shall reimburse the Lessor for all expenses which have been incurred in reliance upon any notice of termination by the Lessee.

(e) Except as the Lessee shall, in a timely fashion, have either exercised its right to continue to lease the Equipment pursuant to subsection 11.11(c) hereof, or elected to rescind the Lessee's notice of termination pursuant to subsection 11.11(d) hereof, the Lessee shall pay to the Lessor the Obsolescence Termination Value, less the amount determined pursuant to subsection 11.11(b)(2) hereof, on such Obsolescence Termination Date, without asserting any setoff, counterclaim or other defense for any reason whatsoever.

SECTION 12. REPORTS.

12.1. Duty of Lessee to Furnish Annual Reports. On or before April 1 in each year, commencing with the year 1979, the Lessee will furnish to the Lessor and the Assignee an accurate statement, as of the preceding December 31 (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or state of repair of the Equipment as the Lessor may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof have been preserved or replaced.

12.2. Lessor's Inspection Rights. The Lessor and the Assignee each shall have the right, at its sole cost and expense by its authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such times and at such locations as shall be mutually agreed upon in order to confirm to the Lessor or, as the case may be, the Assignee, the existence and proper maintenance thereof during the continuance of this Lease.

12.3. Financial Reports. The Lessee will furnish to the Lessor and the Trustor the reports required to be furnished to the Assignee or its successors or assigns pursuant to Section 7 of the Finance Agreement and at the same time such reports are furnished to the Assignee or its successors or assigns, and such other information as is reasonably requested by the Lessor or the Trustor.

12.4. Other Reports. The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any federal, state or other regulatory authority by reason of the ownership by the Lessor or the Assignee of the Equipment or the leasing thereof to the Lessee.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the original or any extended term of this Lease, the Lessee will, at its own cost and expense, at the request of the Lessor, cause each Item of Equipment to be transported to such point or points within the continental United States as shall be reasonably designated by the Lessee prior to such expiration and arrange for the Lessor to store such Items of Equipment on any lines of a nationally recognized and reputable storer of railroad equipment, stored in accordance with railroad industry standards for like or similar equipment for a period not exceeding 90 days from the date that the Items of Equipment then subject to this Lease are first placed in storage pursuant to this Section 13. Any parts installed on any Item of Equipment by the Lessee which remain the property of the Lessee under Section 8 hereof shall be removed by the Lessee at its expense prior to the return of such Item. All movement and storage of each such Item is to be at the risk and expense of the Lessee, and the maintenance and insurance requirements contained in Section 8 and 11.1 hereof respectively, shall continue to apply until delivery of such possession to Lessor, whether such delivery is made pursuant to this Section 13 or pursuant to Section 15 hereof. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, 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. Each Item of Equipment returned to the Lessor pursuant to this Section 13 shall (i) be in the same order, condition and repair as when originally delivered to the Lessee, ordinary wear and tear excepted, and (ii) meet all then applicable standards of the Department of Transportation and shall comply with any applicable interchange rules of the Association of American Railroads. 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:

(a) Default shall be made in the payment of any part of the rental or other sums to be paid hereunder and such default shall continue for five days; or

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or of possession of the Equipment, or any portion thereof; or

(c) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Finance Agreement or in the Tax Indemnity Agreement dated as of September 1, 1977 (the "Tax Indemnity Agreement") between the Lessee and the Trustor and such default shall continue for 30 days after written notice from the Trustor to the Lessee, specifying the default and demanding the same to be remedied; or

(d) Any representation or warranty made by the Lessee herein or in any written statement or certificate furnished pursuant to or in connection with this Lease, the Conditional Sale Agreement, the Finance Agreement or the Tax Indemnity Agreement proves untrue in any material respect as of the date of issuance or making thereof; or

(e) Any proceedings shall be commenced by or against the Lessee for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the indebtedness payable hereunder) and (unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective but then only so long as such stay shall continue in force or such ineffectiveness shall continue) all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment or 60 days after such proceedings shall have been commenced, whichever shall be earlier.

14.2. Remedies. If any Event of Default has occurred and is continuing, the Lessor, 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; or

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any Item of Equipment may be located and take possession of such Item of Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Equipment for any purpose whatever, but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by a fraction of which the numerator is such accrued number of days in such full rental period and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Item of Equipment, which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then Fair Market Rental Value of such Item for such period, such present worth to be based upon rentals which the Lessor reasonably estimates to be obtainable for the use of the Item during such period, in each case on a basis of a 8 1/2% per annum discount, compounded quarterly from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated,

or (y) an amount equal to the excess, if any, of the Casualty Value of such Item of Equipment as of the Fixed Rental Payment Date on or immediately preceding the date of termination over the amount the Lessor reasonably estimates to be the Fair Market Sales Value thereof at such time; provided, however, that in the event the Lessor shall have sold any Item of Equipment, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this part (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 Casualty Value of such Item of Equipment, as of the Fixed Rental Payment Date on or immediately preceding the date of termination over the net proceeds of such sale, plus (ii) any damages and expenses, including reasonable attorney's fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease, other than for the payment of rental.

For purposes of Section 14.2 above, Fair Market Sales Value and Fair Market Rental Value of Items of Equipment shall be determined in accordance with the appraisal arrangements specified in Sections 20.1(c) and 20.2(b) hereof, respectively, with the appraisal expenses to be borne by the Lessee, provided that any sale in a commercially reasonable manner of an Item of Equipment prior to any such determination shall conclusively establish the Fair Market Sales Value of such Item and any rental in a commercially reasonable manner of an Item of Equipment prior to any such determination shall conclusively establish the Fair Market Rental Value of such Item.

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 off-set against the rent payments due hereunder, and agrees to make the rent payments regardless of any off-set or claim which may be asserted by the Lessee on its behalf in connection with the lease of the Equipment or otherwise.

14.4. Lessor's Failure to Exercise Rights. The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies. No express or implied waiver by the Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any other Event of Default

14.5. Notice of Event of Default. The Lessee agrees to furnish the Lessor, the Trustor, the Assignee and any successors or assigns thereof, promptly upon any responsible officer becoming aware of any condition which constitutes an Event of Default or which with lapse of time or the giving of notice would constitute such Event of Default, written notice specifying such condition and the nature and status thereof and the steps that the Lessee has taken and/or intends to take to cure such Event of Default. For the purposes of this Section 14.5, "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee contained herein, any officer of the Lessee who, in the normal performance of his responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. Lessee's Duty to Return. If the Lessor or the Assignee shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. Each Item of Equipment returned to the Lessor pursuant to this Section 15.1 shall (i) be in the same order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, and (ii) meet all the applicable standards of the Department of Transportation and shall comply with any applicable interchange rules of the Association of American Railroads. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith and in the usual manner cause such Items of Equipment to be transported to such location in the continental United States as shall reasonably be designated by the Lessor or, in the absence of such designation, as the Lessee may select,

(b) furnish and arrange for the Lessor to store such Items of Equipment at such location as is designated by the Lessor as above provided on any lines of the Lessee or of a nationally recognized and reputable storer of railroad equipment approved by the Lessor, stored in accordance with railroad industry standards for like or similar equipment, until such Items of Equipment have been sold, leased or otherwise disposed of by the Lessor; and

(c) cause the Items of Equipment to be transported to such interchange point or points within the continental United States, as shall be designated by the Lessor upon any sale, lease or other disposal of all or any of the Items of Equipment, such transport to be completed within 30 days following such Lessor designation.

15.2. Specific Performance. The assembling, delivery, storage and transporting of the Equipment as provided in Section 15.1 hereof 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 obligations of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Item of Equipment to 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 other sums due and to become due hereunder have been assigned to the Assignee as and to the extent set forth in Section 25 of the Conditional Sale Agreement, and all such rent and other sums due and to become due hereunder shall be paid not later than 10:00 A.M. Central time on the business day on which the same shall become due by wire transfer of immediately available funds to the Assignee at the address described in Section 20 of the Conditional Sale Agreement, or at such other place as the Assignee or its successors

or assigns shall specify in writing. It is contemplated that the Assignee will assign all of its right, title and interest in and to the Conditional Sale Agreement, including its rights hereunder assigned pursuant to Section 25 of the Conditional Sale Agreement, to the Investor, which assignment is to be consummated on January 17, 1978. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of the Assignee and/or the Investor in and to the sums payable by the Lessee under the provisions of this Lease shall not be subject to any abatement whatsoever, and shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever whether by reason of or defect in Lessor's title, or any interruption from whatsoever cause in the use, operation or possession of any Item of Equipment or any part thereof, or any damage to or loss or destruction of any Item of Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and when 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 unconditionally and absolutely obligated to pay the Assignee and/or the Investor all of the rents and other sums which are the subject matter of the assignment, and (ii) prior to the occurrence of an Event of Default hereunder, the Assignee and/or the Investor and the Lessor, and following the occurrence of an Event of Default hereunder, the Assignee and/or the Investor shall have the sole 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 the Assignee and/or the Investor) which by the terms of this Lease are permitted or provided to be exercised by the Lessor.

It is understood and agreed that the right, title and interest of the Assignee and the Investor is, by the express terms of the Conditional Sale Agreement, subject to the rights and interests hereunder of the Lessee in and to the Equipment.

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION.

17.1. Lessee's Rights to the Equipment. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign or transfer its leasehold interest under this Lease in any of the Equipment. 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 Section 17.2 hereof.

17.2. Use and Possession on Lines Other Than Lessee's Own. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Equipment and to the use thereof upon lines of railroad owned or operated by any railroad company or companies incorporated in the United States of America (or any state, thereof or District of Columbia) or over which such railroad company or companies have trackage rights or rights for operation of their trains, and upon connecting and other carriers in the usual interchange of traffic, but only upon and subject to all of the terms and conditions of this Lease. Notwithstanding the foregoing, the Lessee covenants, represents and warrants that any use of the Equipment outside the United States during any calendar year by any person or entity shall be de minimus. The Lessee may sublease any Item of Equipment provided that (i) the term of such sublease shall not exceed one year without the prior written consent of the Lessor and the Assignee or its assigns and (ii) under the terms of any such sublease the Lessee shall retain the obligation to maintain such Item of Equipment. Any assignment or sublease entered into by the Lessee hereunder, or any use of the Equipment by any other person or entity, shall not relieve the Lessee of any liability or obligations hereunder, all of which shall be and remain those of a principal and not a surety.

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 corporation (which shall have duly assumed the obligations hereunder of the Lessee) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of Lessee as an entirety or substantially as an entirety.

SECTION 18. MILEAGE ALLOWANCE.

It is contemplated that the Lessee shall receive insofar as applicable law and regulations allow, all mileage allowance rentals and/or other compensation (hereinafter referred to as "Mileage") payable by carriers by reason of the use of the Items of Equipment and if for any reason the Lessor shall receive any Mileage then (unless an Event of Default shall have occurred and be continuing in which event such Mileage or portion thereof shall be retained by Lessor until such Event of Default shall no longer be continuing) the Lessor shall remit such Mileage to the Lessee promptly after the Lessee shall furnish to the Lessor, at the Lessee's sole expense, either a ruling of the Interstate Commerce Commission to the effect that the remittance thereof to the Lessee will not constitute a rebate within the meaning of 49 U.S.C. Section 41, as amended, or an opinion of counsel to the same effect.

SECTION 19. INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY LESSOR.

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals or other payments due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the additional obligation on the part of the Lessee to pay an amount equal to 12% per annum (or the lawful rate, whichever is less) on such overdue rentals or other payments and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 20. OPTIONS TO RENEW AND PURCHASE.

20.1. Renewal Options. Provided that the Lessee is not in default hereunder, the Lessee shall have the following renewal options:

(a) At the expiration of the Primary Term, the Lessee shall have the option to renew and extend this Lease as to all, but not less than all of the Items of Equipment in either Group, or both, then leased hereunder for a five-year renewal term (the "Initial Renewal Term") upon and subject to the terms and conditions herein contained for the Primary Term of this Lease; provided that the quarterly Fixed Rentals payable during the Initial Renewal Term shall be an amount equal to the Fair Market Rental Value (as hereinafter defined) of such Items of Equipment. The Lessee shall give the Lessor and the Trustor written notice of any such election 180 days prior to the commencement of the Initial Renewal Term.

(b) At the expiration of the Initial Renewal Term, the Lessee shall have the option to renew and extend this Lease as to all, but not less than all, of the Items of Equipment in either Group, or both, then leased hereunder for one or more additional renewal terms (the "Additional Renewal Terms") of one year each upon and subject to the terms and conditions herein contained for the Primary Term of this Lease; provided that the quarterly Fixed Rental payable for and during any such Additional Renewal Term shall be an amount equal to the Fair Market Rental Value (as hereinafter defined) of such Items of Equipment. Each renewal term shall commence immediately upon the expiration of the preceding term. The Lessee shall give the Lessor written notice of any such election 90 days prior to the commencement of any such renewal term.

(c) The Fair Market Rental Value of an Item of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession)

and an informed and willing lessor under no compulsion to lease. If on or before 60 days prior to the date of commencement of the renewal term elected by the Lessee, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental Value of the Item of Equipment, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term "Appraiser" shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon, or failing such agreement, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third by the first two so selected. In each case all appointments shall be made not less than 40 days prior to the commencement date of the renewal term. 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. If the parties shall have appointed a single appraiser, his determination of value 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 determinations shall be averaged and such average shall be final. 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.

20.2. Purchase Options. Provided that the Lessee is not in default, the Lessee shall have the following options to purchase:

(a) The Lessee shall have the right to purchase all but not less than all of the Items of Equipment in either Group, or both, then leased hereunder at the expiration of the Initial Renewal Term or of any Additional Renewal Term at a price equal to the Fair Market Sales Value (as hereinafter defined) of such Items of Equipment. The Lessee shall give the Lessor written notice at least 120 days prior to the end of the Initial Renewal Term or Additional Renewal Term, as the case may be, of its election to exercise the purchase option provided for in this Section. Payment of the option price shall be made upon the date of termination of the Lease at a place designated in writing to the Lessee by the Lessor in immediately available funds there current against delivery of a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to the Equipment and containing a warranty against liens or claims of persons claiming by,

through or under the Lessor except liens and claims which the Lessee assumed or is obligated to discharge under the terms of the Lease. The Lessor shall not be required to make any representation or warranty as to the condition of the Equipment or any other matters and such transfer shall be otherwise without recourse to the Lessor.

(b) In the event of a rental adjustment pursuant to Section 2.5 hereof by reason of an advance by the Trustor pursuant to Section 4.3 of the Trust Agreement, the Lessee shall have the right to purchase all but not less than all of the Items of Equipment then leased hereunder on the first Fixed Rental Payment Date at a price equal to the greater of the Casualty Value (as adjusted pursuant to Section 2.5 hereof) or the Fair Market Sales Value of such Items of Equipment as of such date, which price shall be in addition to the adjusted rental payable on such first Fixed Rental Payment Date pursuant to Section 2.5 hereof. The Lessee shall give the Lessor written notice at least 90 days prior to the first Fixed Rental Payment Date of its election to exercise the purchase option provided for in this paragraph (b). Payment of the option price shall be made upon the first Fixed Rental Payment Date at a place designated in writing to the Lessee by the Lessor in funds there current against delivery of a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to the Equipment and containing a warranty against liens or claims of persons claiming by, through or under the Lessor except liens and claims which the Lessee assumed or is obligated to discharge under the terms of the Lease. The Lessor shall not be required to make any representation or warranty as to the condition of the Equipment or any other matters and such transfer shall be otherwise without recourse to the Lessor.

(c) For purposes of this Section 20.2, the Fair Market Sales Value of an Item of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing buyer-user (other than a lessee currently in possession) and an informed and willing seller under no compulsion to sell. If on or before 60 days prior to the date of purchase elected by the Lessee, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Sales Value of an Item of Equipment, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term "Appraiser" shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon, or failing such agreement, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third by the first two so selected. In each

case all appointments shall be made not less than 40 days prior to the date of purchase elected by the Lessee. 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. If the parties shall have appointed a single appraiser, his determination of value 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 determinations shall be averaged and such average shall be final. 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.

(d) Notwithstanding any election of the Lessee to purchase as provided in this Section 20.2, the provisions of Section 11 hereof shall continue in full force and effect until the date of purchase and the passage of ownership of the Items of Equipment purchased by the Lessee upon such date unless the purchase price has been agreed upon by the parties pursuant to this Section 20.2, in which event the amount payable under Section 11 hereof shall be the greater of the amount otherwise payable under said Section 11 or such purchase price.

20.3. Options Mutually Exclusive. The options to purchase and renew which are available to the Lessee pursuant to this Section 20 may not at any time be exercised concurrently. The exercise by the Lessee of any right of purchase shall constitute a waiver by the Lessee of all rights of renewal then or thereafter otherwise available hereunder. The exercise by the Lessee of any right of renewal shall constitute a waiver by the Lessee of any right of purchase otherwise then available, but any right of purchase or renewal provided for herein during any succeeding renewal term shall not be deemed waived. The Lessee shall not be permitted to concurrently exercise both a right to purchase and a right to renew and in the event it shall deliver any such notice to the Lessor, the same shall be deemed without effect for all purposes of this Section 20.

20.4. Delivery of Equipment. Unless the Lessee has elected to purchase the Items of Equipment then leased hereunder or to renew this Lease in respect of such Items of Equipment as provided in this Section 20, all of such Items of Equipment shall be returned to the Lessor at the end of the Primary Term, or the then current Initial or Additional Renewal Term, as the case may be, in accordance with Section 13 hereof.

SECTION 21. MISCELLANEOUS.

21.1. 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 registered mails, first class postage prepaid, addressed as follows:

If to the Lessor: The First National Bank of Chicago,
as Trustee under F.I. Trust No. 6
One First National Plaza
Chicago, Illinois 60670
Attention: Corporate Trust Division

with copies of such notice to be sent to:

American Road Equity Corporation
The American Road
Dearborn, Michigan 48121
Attention: Vice President,
CIR Financing

If to the Lessee: Farmland Industries, Inc.
3315 North Oak Trafficway
Kansas City, Missouri 64116
Attention: Financial Vice President

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

21.2. 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. Although this Agreement is dated as of the date first above written for convenience, the actual date or dates of execution hereof are respectively the date or dates set forth in the acknowledgments hereto, and this Agreement shall be effective on the latest of the dates shown thereon.

21.3. Law Governing. This Lease shall be construed in accordance with the laws of Illinois; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

21.4. Covenants, Representations and Warranties of Lessee. The Lessee covenants, represents and warrants, as of the date of execution of this Lease, that (i) the Lessee is a corporation duly incorporated and validly existing in good standing under the laws of the State of Kansas; (ii) the Lessee has the corporate or other power and authority to own its property and carry on its business as now being conducted and is duly qualified to do business as a foreign corporation in all jurisdictions in which such qualification is necessary to carry out the terms of the Lease and to operate its business to the extent currently operated; (iii) the Lessee is not in default under any indenture, agreement or other instrument for borrowed money to which it is a party; (iv) the Lessee is in substantial compliance with the applicable laws, rules and regulations of all government agencies or instrumentalities having jurisdiction over the Lessee or its business activities; (v) the Lessee is not a party to any agreement or instrument or subject to any charter or other corporate restriction which will materially adversely affect its financial condition, business or operations or its ability to perform its obligations under this Lease; (vi) there are no pending or threatened actions or proceedings before any court or administrative agency which will materially adversely affect the condition, business or operations of the Lessee and its subsidiaries taken as a whole or its ability to perform its obligations under this Lease; (vii) the Lessee and its subsidiaries have filed or caused to be filed all Federal and state tax returns which are required to be filed and have paid or caused to be paid all taxes shown to be due or payable on said returns or (except to the extent being contested in good faith with due diligence and by appropriate proceedings and for the payment of which adequate reserves for accounting purposes have been provided) on any assessment received by the Lessee or any subsidiary, to the extent that such taxes have become due and payable; (viii) the consolidated balance sheet of the Lessee as of August 31, 1976, and the related consolidated statement of income and retained earnings for the year then ending (copies of which have been furnished the Trustor, the Assignee and the Investor) correctly set forth the financial condition of the Lessee as of August 31, 1976 and the results of operations for the period covered thereby, and since August 31, 1976 there has been no material adverse change (or any development involving a prospective material adverse change) in such condition or operations and nothing has occurred which will materially adversely affect the Lessee's ability to carry on its business and operations or to perform its obligations under this Lease; (ix) the Lessee has executed and delivered the Finance Agreement and the Tax Indemnity Agreement referred to in the Trust Agreement; (x) when acquired and placed in service hereunder, the Equipment will constitute "new section 38 property" as defined in Sections 48(a) and (b) of the Code; (xi) the remaining useful life of the Equipment at the end of the Primary Term hereof (as defined in Section 3 hereof) is reasonably expected to be at least 20% of its originally estimated useful life; and (xii) the residual value of the Equipment at the end of such Primary Term is reasonably expected to be at least 20% of the Trustor's cost basis (within the meaning of Section 1012 of the Code) therein, without including in such value any increase or decrease for inflation or deflation occurring prior thereto; provided, however, that nothing in the foregoing clauses (xi) and (xii)

shall be construed as a guaranty by the Lessee of the residual value of the Equipment.

21.5. Extended Rights Against Lessee. All rights of the Lessor hereunder shall inure to the benefit of the Trustor and any of the Trustor's assigns under the Trust Agreement. Following the assignment by the Assignee to the Investor of its rights under the Conditional Sale Agreement and hereunder on January 17, 1978 as is currently contemplated, the Investor shall have all of the rights and interests of the Assignee provided for herein.

21.6. 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.

21.7. Effect and Modification of Lease. This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Equipment and supersedes all other agreements, oral or written, with respect thereto, except the Trust Agreement, the Operative Documents referred to in the Trust Agreement and any other instrument referred to in the Trust Agreement or the Operative Documents. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

21.8. Limitations of Liability. It is expressly understood and agreed by and between the Lessor and the Lessee and their respective successors and assigns, that this Lease is executed by The First National Bank of Chicago, not individually 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 (and The First National Bank of Chicago hereby warrants that it possesses full power and authority to enter into and perform this Lease); and it is expressly understood and agreed that, except in the case of negligence or wilful misconduct of the Lessor or the Trustor, nothing herein contained shall be construed as creating any liability on the Lessor or the Trustor, individually or personally, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Lessee and by each and every person now or hereafter claiming by, through or under the Lessee; and that so far as the Lessor or the Trustor, individually or personally are concerned, the Lessee and any person claiming by, through or under the Lessee shall look solely to the Trust Estate as defined in the Trust Agreement for the performance of any obligation under this Lease.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective officers

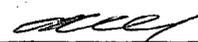
thereunto duly authorized and their corporate seals to be hereto affixed as of the date shown in the respective acknowledgments hereto.

THE FIRST NATIONAL BANK OF CHICAGO,
as Trustee under F.I. Trust No. 6

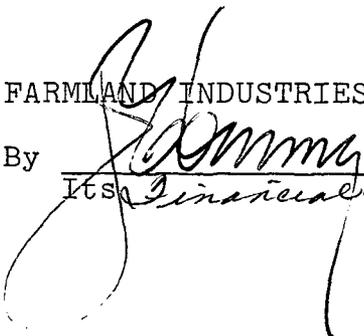
By 
Its Assistant Vice President
Lessor

(Corporate Seal)

Attest:

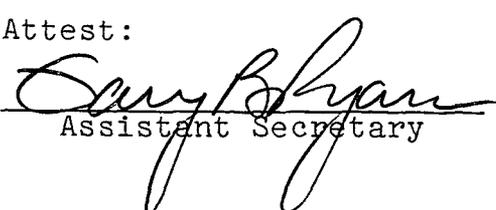

~~Assistant Secretary~~
TRUST OFFICER

FARMLAND INDUSTRIES, INC.

By 
Its Financial Vice President
Lessee

(Corporate Seal)

Attest:


Assistant Secretary

STATE OF MISSOURI)
) ss.:
COUNTY OF Clay)

On this 2nd day of September, 1977, before me personally appeared D. E. Ewing, to me personally known, who being by me duly sworn, says that he is Financial Vice President of FARMLAND INDUSTRIES, 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, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Phyllis J. Jennings
Notary Public

PHYLLIS J. JENNINGS

(SEAL)

My Commission Expires:

4/25/81



SCHEDULE A
(Equipment Lease)

MANUFACTURER:	Union Tank Car Company
PLANT OF MANUFACTURER:	East Chicago, Indiana
DESCRIPTION OF EQUIPMENT:	20 super phosphoric acid tank cars, bearing Road Mark and Numbers FLIX 2501 to FLIX 2520, both inclusive
SPECIFICATIONS:	Manufacturer's Specification Number S-854
BASE PRICE:	\$40,295.20 per Item (\$805,904 for 20 Items)
MAXIMUM PURCHASE PRICE:	\$44,000 per Item
DELIVER TO:	Farmland Industries, Inc.
PLACE OF DELIVERY:	Altoona, Pennsylvania
ESTIMATED DELIVERY DATES:	September, 1977
OUTSIDE DELIVERY DATE:	January 15, 1978

SCHEDULE B
(Equipment Lease)

MANUFACTURER:	ACF Industries, Incorporated
PLANT OF MANUFACTURER:	Huntington, West Virginia
DESCRIPTION OF EQUIPMENT:	100 100-ton covered hopper cars, bearing Road Mark and Numbers FLIX 500 to FLIX 599, both inclusive
SPECIFICATIONS:	Manufacturer's Specification Number 76-3A0-007
BASE PRICE:	\$34,000 per Item (\$3,400,000 for 100 Items)
MAXIMUM PURCHASE PRICE:	\$37,400 per Item
DELIVER TO:	Farmland Industries, Inc.
PLACE OF DELIVERY:	Russell, Kentucky
ESTIMATED DELIVERY DATES:	December, 1977
OUTSIDE DELIVERY DATE:	January 15, 1978

SCHEDULE C
(Equipment Lease)

CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE

TO: THE FIRST NATIONAL BANK OF CHICAGO,
as Trustee under F.I. Trust No. 6
("Trustee")

Union Tank Car Company and
ACF Industries, Incorporated, as applicable
("Manufacturers")

I, a duly appointed inspector and authorized representative of FARMLAND INDUSTRIES, INC. ("Lessee") and of the above named Trustee, do hereby certify that I have inspected, received, approved and accepted delivery on the date hereof, on behalf of the Lessee and under the Equipment Lease dated as of September 1, 1977 between the Trustee and the Lessee, and on behalf of the Trustee under the Conditional Sale Agreement dated as of September 1, 1977 among the Manufacturers and the Trustee, of the following Items of Equipment ("Equipment"):

Type of Equipment:

Manufacturer:

Place Accepted:

Number of Items:

Marked and Numbered:

I do further certify that the foregoing Equipment is in good order and condition, and conforms to the Specifications applicable thereto, and at the time of delivery to the Lessee there was plainly, distinctly, permanently and conspicuously marked by a plate or stencil in contrasting color upon each side of each Item of Equipment the following legend in letters not less than one inch in height:

"Leased from The First National Bank of Chicago,
and subject to a Security Interest recorded
with the I.C.C."

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

Dated:

Inspector and Authorized
Representative of Lessee
and Trustee

(F.I. Trust No. 6)

SCHEDULE D
(Equipment Lease)

FARMLAND INDUSTRIES, INC.

SCHEDULE OF CASUALTY VALUES

Fixed Rental Payment
Date Number

Percentage of the
Purchase Price

1	102.76	*
2	102.78	
3	102.80	
4	102.83	
5	102.82	
6	102.72	
7	102.55	
8	102.35	
9	102.10	
10	101.78	
11	101.40	
12	101.23	
13	93.78	
14	93.25	
15	92.67	
16	92.05	
17	91.39	
18	90.67	
19	89.91	
20	89.34	
21	81.52	
22	80.63	
23	79.69	
24	78.71	
25	77.70	
26	76.65	
27	75.56	
28	74.67	
29	66.54	
30	65.35	
31	64.13	
32	62.87	
33	61.59	
34	60.28	
35	58.95	
36	57.59	
37	56.20	
38	54.80	
39	53.38	
40	51.93	

SCHEDULE D
(continued)

<u>Fixed Rental Payment Date Number</u>	<u>Percentage of the Purchase Price</u>
41	50.47
42	49.00
43	47.52
44	46.03
45	44.52
46	43.01
47	41.51
48	39.99
49	38.46
50	36.95
51	35.45
52	33.93
53	32.41
54	30.88
55	29.32
56	27.72
57	26.08
58	24.42
59	22.73
60 and thereafter	20.00

*If any Casualty Value includes an amount in respect of recapture of investment tax credit or recapture of depreciation in excess of the amount thereof actually recaptured by the Trustor (herein referred to as an "Excess Amount"), then such Casualty Value shall be redetermined and adjusted in a manner which, after taking into account any indemnity payments made to the Trustor under the Tax Indemnity Agreement or any such Excess Amount, as the case may be, will provide the Trustor the same after-tax rate of return as contemplated by this Lease, it being understood that no such redetermination or adjustment shall reduce the amount payable on any date for Casualty Value to an amount less than the aggregate principal amount of the Conditional Sale Indebtedness unpaid with respect to the Item of Equipment as to which such Casualty Value is being paid on such date, together with interest thereon accrued and unpaid on such date. To the extent that any Casualty Value is insufficient to reimburse the Trustor for investment tax credit or depreciation recaptured as the result of a Casualty Occurrence, and the amount of such investment tax credit or depreciation recapture was taken into account in computing the Casualty Value for the rent payment date next preceding such Casualty Occurrence, then such Casualty Value shall be increased by the amount necessary to reimburse the Trustor for the amount of such investment credit or depreciation recapture.

SCHEDULE E
(Equipment Lease)

FARMLAND INDUSTRIES, INC.

SCHEDULE OF OBSOLESCENCE TERMINATION VALUES

<u>Fixed Rental Payment Date Number</u>	<u>Percentage of the Purchase Price</u>
32	62.87 *
33	61.59
34	60.28
35	58.95
36	57.59
37	56.20
38	54.80
39	53.38
40	51.93
41	50.47
42	49.00
43	47.52
44	46.03
45	44.52
46	43.01
47	41.51
48	39.99
49	38.46
50	36.95
51	35.45
52	33.93
53	32.41
54	30.88

SCHEDULE E
(continued)

<u>Fixed Rental Payment Date Number</u>	<u>Percentage of the Purchase Price</u>
55	29.32
56	27.72
57	26.08
58	24.42
59	22.73

The Obsolescence Termination Value of an Item of Equipment as of the commencement of the Initial Renewal Term shall be the Fair Market Sales Value of such Item as of the end of the Primary Term (determined in accordance with Section 20.2(c) hereof), and on each Fixed Rental Payment Date during the Initial Renewal Term shall decline or increase, as the case may be, on a straight-line basis to a value for the final Fixed Rental Payment Date for the Initial Renewal Term equal to the Fair Market Sales Value of such Item as of the end of the Initial Renewal Term (determined in accordance with Section 20.2(c) hereof). The Lessee shall not have the right to terminate this Lease pursuant to Section 11.11 hereof during any Additional Renewal Term.

*If any Obsolescence Termination Value includes an amount in respect of recapture of depreciation in excess of the amount thereof actually recaptured by the Trustor (herein referred to as an "Excess Amount"), then such Obsolescence Termination Value shall be re-determined and adjusted in a manner which, after taking into account any indemnity payments made to the Trustor under the Tax Indemnity Agreement or any such Excess Amount, as the case may be, will provide the Trustor the same after-tax rate of return as contemplated by this Lease, it being understood that no such redetermination or adjustment shall reduce the amount payable on any date for Obsolescence Termination Value to an amount less than the aggregate principal amount of the Conditional Sale Indebtedness unpaid with respect to the Item of Equipment as to which such Obsolescence Termination Value is being paid on such date, together with interest thereon accrued and unpaid on such date. To the extent that any Obsolescence Termination Value is insufficient to reimburse the Trustor for depreciation recaptured as the result of an Obsolescence Termination, and the amount of such depreciation recapture was taken into account in computing the Obsolescence Termination Value for the rent payment date next preceding such Obsolescence Termination, then such Obsolescence Termination Value shall be increased by the amount necessary to reimburse the Trustor for the amount of such depreciation recapture.