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RADNOR, PA. 19087
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RECORDATION NO. 9321 Filed & Recorded
APR 11 1978 -3 20 PM
INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 9321-A Filed & Recorded
APR 11 1978 -3 20 PM
INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 9321-B Filed & Recorded
APR 11 1978 -3 20 PM
INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 9321-C Filed & Recorded
APR 11 1978 -3 20 PM
INTERSTATE COMMERCE COMMISSION

8-101A150

April 10, 1978

Fee $ 100

ICC

Robert L. Oswald, Secretary
Interstate Commerce Commission
Washington, DC 20423

Dear Mr. Oswald:

I am sending you herewith for filing in your office, pursuant to Section 20c of the Interstate Commerce Act, six counterparts of each of the following:

(a) Conditional Sale Agreement dated as of April 1, 1978, between Evans Transportation Company and Radnor Associates, Ltd., covering the purchase by Radnor Associates, Ltd. of 25 new covered steel-coil cars for use in interstate commerce;

(b) Agreement and Assignment also dated as of April 1, 1978, between Evans Transportation Company and Girard Bank, Agent, pursuant to which Evans Transportation Company assigns to Girard Bank the former's interest in the Conditional Sale Agreement and in the cars;

(c) Lease of railroad equipment dated as of April 1, 1978, between William M. Gibbons, trustee of the property of the Chicago, Rock Island and Pacific Railroad Company (the Lessee) and Radnor Associates, Ltd. pursuant to which the cars are leased to the Lessee; and

(d) Lease Assignment also dated as of April 1, 1978, between Radnor Associates, Ltd. and Girard Bank, as Agent, pursuant to which Radnor Associates, Ltd. assigns to the Agent the former's interest in the Lease and the equipment.

RECEIVED
APR 11 3 18 PM '78
CERTIFICATION UNIT

There is also enclosed a check in the amount of $100 for the recordation fees. The names and addresses of the parties to the transaction are as follows:

Vendor:	Evans Transportation Company 2200 East Devon Avenue Des Plaines, IL 60018
Purchaser and Lessor:	Radnor Associates, Ltd. Suite 230 - 676 E. Swedesford Road Wayne, PA 19087
Lessee:	William M. Gibbons, trustee of the property of the Chicago, Rock Island and Pacific Railroad Company 332 South Michigan Avenue Chicago, IL 60604
Assignee of Conditional Sale Agreement and of as Lease	Girard Bank, as Agent Broad and Chestnut Streets Philadelphia, PA 19101

The equipment covered by the agreement consists of 25 100-ton covered steel-coil cars with A.A.R. mechanical designation GBSR, bearing Lessee road numbers Rock 955000-955024, inclusive, and marked"Girard Bank, Agent, Security Owner".

Kindly return to the bearer five counterparts of each of the documents.

Very truly yours,

James A. Ounsworth

JAO:msb

Enclosures

RECORDATION NO. 9321-B Filed & Recorded

APR 11 1978 -3 20 PM

INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of April 1, 1978

between

William M. Gibbons
Trustee of the Property of the
Chicago, Rock Island and Pacific Railroad Company, Debtor

and

Radnor Associates, Ltd.

[Covering 25 100-Ton Covered Steel-Coil Cars]

Lease of Railroad Equipment

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ANNEX A [Specifications, Road Numbers, Price, Delivery]

SCHEDULE I [Casualty Value of Units]

LEASE OF RAILROAD EQUIPMENT, dated as of April 1, 1978, between William M. Gibbons, trustee of the property of the Chicago, Rock Island and Pacific Railroad Company, Debtor (the Debtor) (such trustee in his capacity together with any successors or assigns being called the Lessee) and Radnor Associates, Ltd., a Pennsylvania corporation (the Lessor).

WHEREAS, on the 17th day of March, 1975, a petition for reorganization of the Debtor under Section 77 of the Bankruptcy Act was filed in the United States District Court for the Northern District of Illinois (the Court) and such petition was duly approved as properly filed by order entered by said Court (the proceedings with respect thereto being hereinafter called the Reorganization Proceedings) and the trustee was duly qualified as trustee of the property of the Debtor on April 4, 1975;

WHEREAS, the Lessor has entered into a conditional sale agreement dated as of the date hereof (the Conditional Sale Agreement) with Evans Transportation Company, an Illinois corporation (of which Southern Iron & Equipment Co. is a division) (the Builder), wherein the Builder has agreed to construct, sell and deliver to the Lessor certain units of railroad equipment described in Schedule A hereto (the Equipment or the Units or individually a Unit), a copy of which agreement has been delivered to the Lessee;

WHEREAS, the Builder has assigned or will assign its interest in the Conditional Sale Agreement to Girard Bank (formerly Girard Trust Bank), as agent (the Agent) pursuant to an agreement and assignment (the Assignment) dated as of the date hereof, between the Builder and the Agent, a copy of which has been delivered to the Lessor and the Lessee;

WHEREAS, the Lessee desires to lease the Equipment, or such lesser number as are delivered and accepted by it on or before April 30, 1978, 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 Units to the Lessee and the Lessee hereby hires the Units from the Lessor, upon the following terms

and conditions, but, upon default of the Lessee hereunder, subject to all the rights and remedies of the Vendor (as defined in the Conditional Sale Agreement), notwithstanding anything in this Lease to the contrary:

Section 1. Financing. This Lease provides for the lease by the Lessee from the Lessor of the Units delivered to the Lessor prior to April 30, 1978, such Units to be financed pursuant to a finance agreement dated as of the date hereof between the Agent and Paul Revere Life Insurance Co. (the Investor).

Section 2. Delivery and Acceptance of Units. The Lessor shall purchase all of the Units in the Groups as defined and described in the Conditional Sale Agreement unless a greater or lesser number of Groups shall be agreed to by the Lessor and Builder.

The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the Conditional Sale Agreement. Upon such delivery, the Lessee will cause an inspector of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit and execute and deliver to the Lessor a certificate of acceptance (a Certificate of Acceptance) in accordance with Article 3 of the Conditional Sale Agreement, stating that such Unit has been inspected and accepted on behalf of the Lessee on the date of such Certificate of Acceptance and is marked in accordance with §5 hereof, whereupon, subject to the next succeeding sentence, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any Unit excluded from the Conditional Sale Agreement pursuant to the first paragraph of Article 4 thereof shall be null and void and ineffective to subject such Unit to this Lease.

Section 3. Rentals. The Lessee agrees to pay or cause to be paid to the Lessor as rental for each Unit subject to this Lease (i) a payment on July 1, 1978, equal to 2.7593% of the Purchase Price (as defined in the Conditional Sale Agreement) of each Unit in the Group settled for on the Closing Date (as defined in the Conditional Sale Agreement) and a payment, also on July 1, 1978, equal to the product of 2.7593% of the Purchase Price of each Unit then subject to

this Lease and the quotient obtained by dividing the number of days from the Closing Date to June 30, 1978 (both inclusive) by 91 (ninety-one) days, and (ii) 58 consecutive quarterly payments payable January 1, April 1, July 1, October 1 in each year commencing October 1, 1978, in an amount equal to 2.7593% of the Purchase Price of each Unit subject to the Lease on each such date.

All payments provided for in this Lease shall be made for the account of the Lessor, in care of the Agent, at Broad and Chestnut Sts., Philadelphia, Pennsylvania in immediately available funds in Philadelphia; provided, however, that after the Agent shall have notified the Lessee that the Conditional Sale Indebtedness payable under the Conditional Sale Agreement shall have been paid in full, such payments shall be made directly to the Lessor.

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent or any other sums due or owing hereunder or payable by Lessee to any person or entity hereunder, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or against the Builder or any other person or entity, provided that nothing herein shall be deemed to impair the Lessee's right to assert and sue upon such claims in separate actions; nor, except as otherwise expressly provided herein, shall this Lease terminate or the obligations of the Lessor or the Lessee be otherwise affected by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency, bankruptcy, reorganization or similar proceeding against the Lessee, 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 in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions

of this Lease. 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 Units 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 for any reason whatsoever.

The obligations to make rental and other payments under this Lease will constitute costs of administration entitled to priority equally and ratably with all other costs of administration.

Section 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of the delivery to and acceptance by the Lessee of such Unit and, subject to the provisions of §7, §10 and §13 hereof, shall terminate on the earlier of (a) March 31, 1993 and (b) the date the Court finds the Lessee is unable to transport the traffic offered the Lessee because the Lessee's cash position or other facts make the Lessee's continued operation of the Debtor impossible and orders, said order not being stayed within 30 days of its issue, the Lessee to discontinue all, or substantially all, services of whatever nature and/or liquidate the assets of the Debtor. In the event of any such termination prior to March 31, 1993 pursuant to the occurrence of the events described in (b) of the next preceding sentence, the Lessee shall have no obligation to pay rental accruing subsequent to the date the Lessee returns the last Unit of the Equipment to the Lessor in the manner prescribed in §13 hereinafter and the Lessor shall have no claim against the estate of the Debtor for such rental. Anything herein to the contrary notwithstanding, the obligation to pay all rentals and other amounts due and owing under the Lease prior to the date of the return of the last Unit of the Equipment, the obligations to pay amounts which may become due and owing subsequent to the date of the return of the last Unit of the Equipment due to acts or omissions of the Lessee prior to such date and the obligation to indemnify the Lessor pursuant to §9 and §21 hereinafter, shall continue in full force and effect notwithstanding termination of the Lease pursuant to this §4 or any other provision of this Lease; provided, however, that the Lessee shall not be responsible for indemnification under §21 hereinafter solely because of termination of this Lease prior to March 31, 1993 and the subsequent sale of any or all of the Units by the Lessor or Agent.

Notwithstanding anything to the contrary contained herein, all rights and obligations under this Lease and in and to the Units, upon default by the Lessee hereunder, are subject to the rights of the Vendor under the Conditional Sale Agreement. If any event of default should occur under the Conditional Sale Agreement, the Agent may terminate this Lease (or rescind its termination), all as provided therein, unless the Lessee is not in default under this Lease.

Section 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identifying number set forth in Schedule A hereto, or in the case of any Unit not there listed such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly distinctly, permanently and conspicuously marked on both sides of each Unit, in letters not less than one inch in height, the following: "Girard Bank, Agent, Security Owner", or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the respective titles of the Lessor to and property interest in such Units, the Agent's Security Title (as defined in the Conditional Sale Agreement) to such Unit and the rights of the Lessor under this Lease and of the Agent under the Conditional Sale Agreement. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace promptly any such words which may be removed, defaced or destroyed. The Lessee will not change the identifying number of any Unit except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Agent and the Lessor owning said Unit and filed, recorded and deposited by the Lessee in all public offices where this Lease and the Conditional Sale Agreement shall have been filed, recorded and deposited.

The Lessee, at its own expense, will make any changes in the identification marks pursuant to the instructions of the Lessor with respect to the Units to permit the Lessor to comply with the fifth paragraph of Article 14 of the Conditional Sale Agreement.

Except as provided in this §5, the Lessee will not allow the name of any person, association or corporation to

be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may allow the Units to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of their rights to use the Units as permitted under this Lease.

Section 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, federal or foreign taxes (other than any United States federal income tax payable by the Lessor in consequence of the receipt of payments provided for herein and other than the aggregate of all state or city income taxes or franchise taxes measured by net income based on such receipts, up to the amount of any such taxes which would be payable to the state and city in which the Lessor has its principal place of business) or license fees, assessments, charges, fines and penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called Impositions) hereinafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use payment, shipment, delivery or transfer of title under the terms hereof or the Conditional Sale Agreement, all of which Impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all Impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any Imposition of any kind so long as it is contesting in good faith and by appropriate legal proceedings such Imposition and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the title, property or rights of the particular Lessor hereunder or under the Conditional Sale Agreement. If any Imposition shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor if the Lessor shall have been legally

liable with respect thereto (as evidenced by an opinion of counsel for the Lessor) or the Lessee shall have approved the payment thereof.

In the event that the Lessor shall become obligated to make any payment to the Builder or the Agent or otherwise pursuant to Article 6 of the Conditional Sale Agreement not covered by the foregoing paragraph of this §6, the Lessee shall pay such additional amounts (which shall also be deemed Impositions hereunder) to the Lessor as will enable the Lessor to fulfill completely their obligations pursuant to said Article 6.

In the event any reports with respect to Impositions involving any Units are required to be made, the Lessee will either make such reports in such manner as to show the interests of the Lessor and the Agent in such Units or notify the Lessor and the Agent of such requirements and make such reports in such manner as shall be satisfactory to the Lessor and the Agent.

In the event that, during the continuation of this Lease, the Lessee becomes liable for the payment or reimbursement of any Imposition, pursuant to this §6, such liability shall continue, notwithstanding the expiration of this Lease, until all such Impositions are paid or reimbursed by the Lessee.

The amount which the Lessee shall be required to pay to the Lessor with respect to any Imposition which is subject to indemnification under this §6 shall be an amount sufficient to restore the Lessor to the same position, after considering the effect of the receipt of such indemnification on its United States federal income taxes and state and city income taxes or franchise taxes based on net income, that it would have been in had such Imposition not been imposed; provided, however, that such amount shall be based upon the reasonable opinion of the Lessor and such opinion of the Lessor is subject to agreement by Lessee. In the event of disagreement between the parties as to any payment the parties agree to submit the calculation of such amounts to one of the eight largest public accounting firms in the United States, chosen by mutual agreement or, in the absence of agreement, to Arthur Andersen & Co. and such firm shall perform the calculation which will be binding on both parties.

Section 7. Payment for Casualty Occurrences; Risk of Loss. In the event that any Unit shall be or become lost, stolen, destroyed, or, in the opinion of the Lessor or the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise (such occurrences being hereinafter called Casualty Occurrences) during the term of this Lease, the Lessee shall promptly and fully notify the Lessor and the Agent with respect thereto. On the rental payment date next succeeding the Casualty Occurrence, the Lessee shall pay to the Lessor with respect to such Unit the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with Schedule I hereto. Upon the making of such payment of the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of loss, theft, complete destruction or return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis and the Lessee may be a purchaser of such Unit. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value, and shall pay such excess to the Lessor. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit returned to the Builder pursuant to any patent indemnity provision of the Conditional Sale Agreement an amount equal to any payment made by the Builder to the Vendor in respect thereof under the Conditional Sale Agreement.

The Lessee, at its own expense, will promptly furnish the Lessor a revised schedule of payments of principal and interest thereafter to be made under the Conditional Sale Agreement, in such number of counterparts as said Lessor may request, calculated as provided in Article 7 of the Conditional Sale Agreement.

The Casualty Value of each Unit shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule I hereto opposite the number of such rental payment period. For the purposes of this definition, a "rental payment period" with respect to a Unit shall be each three month period ending on a rental payment date,

with the exception of the first such period which shall be that period from the Closing Date for such Unit through June 30, 1978.

The Lessee will bear the responsibility for and risk of any damage to or destruction or loss of any Unit. Except as hereinabove in this §7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the responsibility for and the risk of, any damage or Casualty Occurrence to any Unit after delivery to and acceptance thereof by the Lessee hereunder.

The Lessee hereby assigns any and all rights to receive payment in settlement for destruction of any Unit (hereinafter called the Settlement) to the Lessor. The Lessor hereby directs the Lessee to collect and receive such Settlement in trust for the benefit of the Lessor, and to pay promptly such Settlement over to the Lessor. The Lessor agrees to apply such Settlement, to the extent received, towards the satisfaction of Lessee's obligation to make payment to the Lessor in respect of a Casualty Occurrence of the Unit or Units for which Settlement is made. In the event that the Lessor receives any insurance proceeds by reason of a Casualty Occurrence, it will credit such proceeds to the Lessee as a payment on account of the Casualty Value of the Units which are the subject of such Casualty Occurrence. In the event the Lessor receives any condemnation award by reason of a Casualty Occurrence, it will credit such award to the Lessee as payment on account of the Casualty Value of the Units which are subject of such Casualty Occurrence. Nothing in this paragraph shall effect Lessee's obligation to make timely payment of the Casualty Value pursuant to the first paragraph of this Section 7.

Section 8. Annual Reports. On or before March 31 in each year, but in case of financial statements as promptly thereafter as possible but not later than April 30 in each such year, commencing March 31, 1979, the Lessee will furnish to the Lessor and the Agent (a) an accurate statement setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the Conditional Sale Agreement; the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year (or since the date of this Lease in the case of the first such statement) and such other information regarding the condition and state

of repair of the Units as the Lessor or Agent may reasonably request; (b) an accurate statement stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and the markings required by §5 hereof and Article 9 of the Conditional Sale Agreement have been preserved or replaced; (c) a consolidated annual financial report of the Lessee prepared in accordance with generally accepted accounting principles consistently applied and audited and certified by a recognized public accounting firm, which shall include, without limitation, a statement of income and retained earnings and a balance sheet, all in reasonable detail and satisfactory in scope to the Lessor and the Agent; (d) a certificate of an officer of the Lessee describing any event during the preceding year which constituted, or with the passage of time will constitute, an Event of Default hereunder or, to the knowledge of the Lessee, an event of default under the Conditional Sale Agreement and, with respect to any event which constituted, or with the passage of time will constitute, an Event of Default, the actions taken, or scheduled to be taken, to correct such event and remedy the Event of Default; and (e) an opinion of counsel for the Lessee that to the best knowledge of such counsel either no additional filings of any nature are required under any federal, state or local law with respect to perfection of title to the Units in the Lessor and the Agent's Security Title (as defined in the Conditional Sale Agreement) or that all requisite filings, specifying same, have been duly made and are in full force and effect. The Lessor, and the Agent shall have the right, by their agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor or the Agent may request during the continuance of this Lease.

Section 9. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; Indemnification. THE LESSEE TAKES EACH UNIT HEREUNDER AS IS. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; and so long as an Event of Default is not continuing hereunder, the Lessor shall and does hereby irrevocably appoint and constitute

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 of and for account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have under the provisions of Article 13 of the Conditional Sale Agreement. The Lessee's delivery of a Certificate of Acceptance to the Lessor shall be conclusive evidence as between the Lessee and the Lessor that all Units 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.

The Lessee agrees, for the benefit of the Lessor and the Agent, to comply, and require every user of a Unit to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its or such user's operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power of jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that such laws or rules require any alteration of any Unit, or in the event that any equipment or appliance on any such Unit shall be required to be changed or replaced, or in the event that any additional or other equipment or appliance is required to be installed on any such Unit in order to comply with such laws or rules, the Lessee will make such alterations, changes, replacements and additions at its own expense; provided, however, that the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor or the Agent, adversely affect the property or rights of said Lessor or the Agent under this Lease or under the Conditional Sale Agreement.

The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit in good order and repair.

The Lessee shall make no improvements or additions to any Unit other than those provided above and except communications, signal and automatic control equipment or

devices having a similar use which are owned by the Lessee and readily removable without causing material damage to the Units.

Any and all parts installed on and additions and replacements made to any Unit (i) the cost of which is included in the Purchase Price of such Unit, (ii) in the course of ordinary maintenance of the Units or (iii) which are required for the operation or use of such Unit by the interchange rules of the Association of American Railroads or by the regulations of the Interstate Commerce Commission, the United States Department of Transportation or any other regulatory body, shall constitute accessions to such Unit and full ownership thereof free from any lien, charge, security interest or encumbrance (except as created by the Conditional Sale Agreement) shall immediately be vested in the Lessor.

The Lessee agrees to defend, indemnify, protect and hold harmless the Lessor and the Agent and their respective successors and assigns from and against all losses, damages, injuries, liabilities, claims, demands, costs, charges and expenses whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, royalty payments and expenses, patent liabilities, penalties and interest arising out of or as the result of the entering into or the performance of the Conditional Sale Agreement or this Lease, the ownership of any Unit (including without limitation the retention by the Agent of Security Title to any Unit), the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, construction, storage or return of any Unit or any design, system, process, formula, combination, article or material used or contained therein or in the construction thereof or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, whether as a result of negligence, the application of the laws of strict liability, or otherwise except as otherwise provided in Section 14 of this Lease; provided, however, that nothing herein shall be construed to be a guarantee by the Lessee that the Units will have any residual value at the end of the term of this Lease or any extension thereof.

The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full

payment of all obligations under this Lease or the termination of this Lease. The indemnities required to be paid by the Lessee to the Lessor under this paragraph shall be of an amount sufficient to restore the Lessor to the same position, after considering the effect of the receipt of such indemnities on its United States federal income taxes and state and city income taxes or franchise taxes based on net income that it would have been in had the indemnities not been required; provided, however, that such amount shall be based upon the reasonable opinion of the Lessor and such opinion of said Lessor is subject to agreement by Lessee. In the event of disagreement between the parties as to any payment the parties agree to submit the calculation of such amounts to one of the eight largest public accounting firms in the United States, chosen by mutual agreement or, in the absence of agreement, to Arthur Andersen & Co. and such firm shall perform the calculation which will be binding on both parties.

In addition and without limiting the preceding paragraph, the Lessee agrees to defend, indemnify, protect and hold harmless the Builder and the Lessor from and against any and all liability, claims, demands, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against Builder or the Lessor because of the use in or about the construction or operation of the Units or any part thereof, of any design specified by the Lessee and not developed or purported to be developed by the Builder, or article or material specified by the Lessee and not manufactured by the Builder, which infringes or is claimed to infringe on or which is claimed to constitute contributory infringement with respect to any patent or other right. The term "design" wherever used in this Lease or in any assignment of this Lease shall be deemed to include formulae, systems, processes and combinations.

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 Agent of the Units or the leasing thereof to the Lessee.

Section 10. Default. If one or more of the following events (each such event being hereinafter sometimes called an Event of Default) shall occur and be continuing:

A. default shall be made in payment of any part of the rental provided in Section 3 hereof, in the payment of Casualty Value under Section 7 hereof, in the payment of amounts due under Section 21 hereof or in the payment of any other monies hereunder, and such default shall continue for five days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of possession of the Units, or any thereof;

C. the insurance to be maintained by the Lessee under Section 20 hereof shall for any reason not remain in full force and effect as therein provided unless comparable substitute insurance satisfactory to the Lessor and the Agent shall be in force;

D. default shall be made in observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein and such default shall continue for 25 days after written notice from the Lessor to the Lessee specifying the default and demanding that the same be remedied;

E. a decree or order is entered in the Reorganization Proceedings preventing or disabling the Lessee from performing any of his obligations under this Agreement;

F. the obligations of the Lessee hereunder are assumed by a corporation or by the Debtor's successor pursuant to a plan of reorganization for the Debtor approved in the Reorganization Proceedings or by an assignee under Section 12 as provided herein (such corporation, successor, or assignee, being hereinafter called the Successor) and either

(i) a petition for reorganization under Section 77 of the Bankruptcy Act as now constituted or as said Section 77 may be hereafter amended shall be filed by or against the Successor, and, unless such petition 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 Successor under this Lease are not duly assumed in writing, pursuant to a court order or decree, by

a trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees, within 30 days after such appointment (whether or not such appointment is subject to confirmation or ratification), if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

(ii) any proceedings are commenced by or against the Successor for any relief which includes, or might result in, modification of the obligations of the Successor under this Lease under any bankruptcy or insolvency law, or law relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions, 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 Successor 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 Successor or for the property of the Successor 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 (whether or not such appointment is subject to confirmation or ratification), if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier;

then, in any such case, 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 (i) terminate this Lease, or (ii) terminate the Lessee's interest in the Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any such Units and thenceforth hold, possess, and

enjoy the same free from any right of the Lessee, or its successors, or assigns, to use the Units for any purpose whatever. The Lessor shall, nonetheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is 90) and also to recover from the Lessee as liquidated damages and not as a penalty (1) that percentage of the Purchase Price of the Units as is set forth on Schedule I hereto opposite the last quarterly period with respect to which the lease rental was paid by the Lessee under this Lease, plus interest to the extent legally enforceable at the rate of 13% per annum from the date of the Event of Default to the date of payment thereof, plus (2) any 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, less (3) the total net proceeds, if any, paid to the Vendor (as defined in the Conditional Sale Agreement) and the Lessor following any sale of the Units under the Conditional Sale Agreement or, if there has been no sale, the fair market value of the Units on the date of the Declaration of Default (as defined in the Conditional Sale Agreement) said fair market value to be determined by agreement of the parties, including any assignee of this Lease, or, in the event agreement cannot be reached, in the same manner as set forth in Section 13 hereof; provided, however, that in the event that sale of any Units is prevented by the order of a court of competent jurisdiction or by any other governmental action, no reduction in the amount owing shall be made until such time as the Vendor receives any "income or proceeds of the Units" as that term is defined in the Conditional Sale Agreement. The amount payable under (1) less (3) shall be paid by the Lessee to the Lessor within 30 days after the date on which such amount is agreed upon or determined hereunder and the amounts payable under (2) shall be payable promptly by the Lessee to the Lessor upon receipt of invoice or invoices therefor.

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 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 to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf. The Lessor and the Lessee agree that the Lessor shall be entitled to all rights provided for in Section 77(j) of the Bankruptcy Act or any comparable provision of any amendment thereto, or of any other bankruptcy act, so that the Lessor, to the fullest extent provided by law, shall have the right to take possession of the Equipment upon an Event of Default under this Lease regardless of whether the Lessee is in reorganization.

The failure of the Lessor to exercise the rights granted it hereunder upon the 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.

Any termination of this Lease or of Lessee's interest in the Equipment and the Lease shall be subject to any rights of the Vendor to affect such termination and the status of the parties hereto.

Section 11. Return of Units Upon Default. If this Lease or the Lessee's interest therein shall terminate pursuant to Section 10 hereof, the Lessor may take, or cause to be taken or demand from the Lessee, immediate possession of the Equipment, or one or more of the Units thereof, and may remove the same from possession and use of the Lessee. For such purpose, the Lessor may enter upon the premises of the Lessee or any other premises where the Units may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Lessee, with or without process of law.

In case the Vendor shall demand possession of the Units pursuant to the Conditional Sale Agreement and shall designate a reasonable point or points on the lines or premises of the Lessee for the delivery of the Units to said Vendor, the Lessee shall at its own cost, expense and risk, forthwith and in the usual manner, cause the Units to be

moved to such point or points on lines of the Lessee and shall there deliver the Units or cause it to be delivered to said Vendor. At the option of said Vendor, said Vendor may keep the Units on any of the lines or premises of the Lessee until said Vendor shall have leased, sold or otherwise disposed of the same, whichever first occurs, and for such purpose, the Lessee agrees to furnish, without charge for rent, insurance or storage, the necessary facilities at any point or points selected by said Vendor reasonably convenient to the Lessee.

Subject to the rights of the Vendor in the preceding paragraph, in case the Lessor shall demand possession of the Units pursuant to this paragraph and shall designate a reasonable point or points on the lines or premises of the Lessee (or on those of any affiliates of the Debtor or to those of any connecting carriers for shipment) for the delivery of the Units to the Lessor, the Lessee shall at its own cost, expense and risk, forthwith and in usual manner, cause the Units to be moved to such point or points on the Lessee's lines (or on those of any such affiliates or to those of any connecting carriers for shipment) and shall there deliver the Units or cause them to be delivered to the Lessor. At the option of the Lessor, the Lessor may keep the Units on any of the lines or premises of the Lessee until the Lessor shall have leased, sold or otherwise disposed of the same, whichever first occurs, and for such purpose, the Lessee agrees to furnish, without charge for rent, storage or insurance, the necessary facilities at any point or points selected by the Lessor and reasonably convenient to the Lessee.

The assembling, delivery, storage and transportation of the Units as herein provided shall be at the cost, expense and risk of the Lessee. During any storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, including the Vendor or an authorized representative thereof, or lessee of any such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of the negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising the rights of inspection granted under this Section.

All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 11, the Lessee hereby irrevocably appoints the Lessor as agent and attorney of the Lessee with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time. This agreement to deliver the Units, furnish facilities, and pay costs as hereinbefore provided is of the essence of the agreement between the parties, 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 hereof.

The Lessee hereby expressly waives any and all claims against the Lessor and its assigns or agents and any and all claims against the Vendor and its assigns or agents for damages of whatever nature in connection with the retaking of any Unit of the Equipment in any reasonable manner.

Section 12. Assignment; Prohibition Against Liens; Possession and Use; Reorganization Proceedings. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder shall inure to the benefit of the Lessor's assigns. Whenever the term Lessor is used in this Lease it shall include the assignees of the Lessor.

Upon any such assignment, the assignor shall give written notice to the Lessee together with a counterpart copy of such assignment, stating the identity and Post Office address of the assignee.

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 Units 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 the Units or any of them except as hereinafter provided in this Section 12. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance resulting from claims against the Lessor or the Agent not related to the ownership of the Units) upon or with respect to any Unit, including any accession thereto, or any part thereof or the interest of the Lessor, the Agent or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises; provided, however, that the Lessee shall be under no obligation to pay or discharge such claim so long as it is contesting the validity thereof in good faith in a reasonable manner and by appropriate legal proceedings and the nonpayment thereof does not, in the opinion of the Lessor adversely affect the title, property or rights of the Lessor hereunder or under the Conditonal Sale Agreement or the title, property or rights of the Agent in or to the Units under the Conditional Sale Agreement. If any such claim shall have been charged or levied by anyone and in any manner against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor, provided that the Lessor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Lessor) or the Lessee shall have approved the payment thereof. 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 such Units, except to the extent permitted by this Section 12.

So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Units and to the use of the Units by the Lessee or any affiliate of the Debtor upon lines of railroad owned or operated by the Lessee or any such affiliate or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee, or any such affiliate is regularly operated pursuant to contract, and also to permit the use of the Units by connecting and other carriers in the usual interchange of traffic or in the transportation thereof from the place of delivery to the Lessee but only upon and subject to all the terms and conditions of the Lease and the Conditional Sale Agreement; provided, however, that the Lessee shall

not use or permit the use of any Unit in service involving the operation and maintenance thereof outside the United States of America. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units.

The rights of Lessee under this Lease may not be assigned by the Lessee, except that, with the prior written consent of the Lessor and the Agent, at the sole and absolute discretion of the Agent, the Lessee may assign all of its rights under this Lease to a third party of reliable standing with the financial community which shall have duly assumed the Lessee's obligations hereunder. The obligations of the Lessee hereunder shall terminate upon the assignment of the Lessee's rights and obligations pursuant to this paragraph except as to obligations and claims arising prior to such assignments; provided, however, that nothing contained herein shall prohibit or restrict the right of the Lessee to assign or transfer all of its right hereunder to any corporation, which shall have duly assumed all of such obligations, into or with which the Debtor shall have become merged or consolidated or which shall have acquired the property of the Debtor as an entirety or substantially as an entirety, but in any event only if such corporation will not, upon the effectiveness of such assumption, merger, consolidation or acquisition be in default under any provisions of this Lease.

The Reorganization Proceedings shall not be dismissed or terminated nor shall the property of the Debtor be surrendered by the Lessee or their successor or successors, unless, (a) as a condition of such dismissal or termination or such surrender, all of the obligations then existing or to accrue of the Lessee under this Lease shall be assumed as a general obligation by the Debtor's successor pursuant to a plan of reorganization approved in the Reorganization Proceedings or by any other railroad corporation acquiring all or substantially all of the lines of railroad of the Debtor or as an obligation, having the same status and priorities as those of the Lessee under this Lease, by any receiver or receivers in equity, or trustee or trustees, that shall succeed the Lessee, or (b) payment in full in cash (or provision therefor satisfactory to the Lessor and the Agent) is made to the Agent of the Casualty Value of the Equipment and all damages, claims, or any other moneys payable to or in favor of the Lessor and/or the Agent pursuant to this Lease or the Conditional Sale Agreement, together with interest thereon as herein provided to the date of payment thereof.

In case of any sale or conveyance of all or substantially all of the lines of railroad of the Debtor, the purchaser, or transferee of the purchaser, shall not be at liberty to refuse to accept performance of this Lease or to disaffirm it and any such purchaser and any such transferee shall assume and agree to perform each and all of the obligations of the Lessee hereunder, unless provision is made for the payment to the Agent as provided above in clause (b) of the next preceding paragraph.

Section 13. Renewal Options. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may, by written notice delivered to the Lessor not less than six months prior to the end of the term of this Lease, state that he intends to elect (a) to extend the term of the Lease on the same terms and conditions contained herein except as otherwise provided in this Section in respect to all, but not fewer than all, the Units covered by this Lease for a five-year period commencing on the scheduled expiration of the original term, at a rental payable in advance in 20 quarterly payments, each in an amount equal to the Fair Market Rental as hereinafter defined, such quarterly payments to be made January 1, April 1, July 1 and October 1 in each year of the extended term and with a Casualty Value payment schedule to be negotiated by the Lessee and the Lessor or (b) to purchase all, but not fewer than all, the Units covered by this Lease at the end of such term of this Lease for a purchase price equal to the Fair Market Value as defined hereinafter of such Units as of the end of such term. The election need not be made until the determination of the Fair Market Value and Rental as set forth hereinafter but in no case will it be made less than six (6) months prior to the end of the term of this Lease, or any extension thereof, as the case may be.

In the event that the Lessee exercises its option to extend the initial term of the Lease for a five year period, and provided that this Lease, as extended, has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may, by written notice delivered to the Lessor not less than six months prior to the end of the initial extended term of this Lease, state that he intends to elect (a) to extend the term of the Lease for an additional five year period subject to all the terms and conditions applicable to the exercise of the Lessee's option to extend the initial term of the Lease at a then Fair Market Rental

as hereinafter defined and a Casualty Value payment schedule to be negotiated by the parties or (b) to purchase all, but not fewer than all, the Units covered by this Lease at the end of such term of the Lease for a purchase price equal to the Fair Market Value as defined hereinafter of such Units as of the end of such term. The election need not be made until the determination of the Fair Market Value and Rental as set forth hereinafter but in no case will it be made less than six (6) months prior to the end of the term of this Lease, or any extension thereof, as the case may be.

Fair Market Value and Fair Market Rental shall be determined as soon as feasible upon receipt by the Lessor of notice of the Lessee's aforementioned intention to elect and on the basis of, and shall be equal to, the value which would be obtained in an arm's-length transaction between an informed and willing buyer-user or lessee (other than (i) a lessee currently in possession or (ii) a used equipment dealer) and an informed and willing seller or lessor under no compulsion to sell or lease and, in such determination, costs of removal from the location of current use shall not be a deduction from such value. If on or before four months prior to the expiration of the term of this Lease or renewal term, as the case may be, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Value and/or the Fair Market Rental of the Units, as the case may be, 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 designated by the first two so selected. In case either of the parties shall fail or refuse to appoint an appraiser for a period of ten days after written notice is given by the other party to make such appointment, the appraiser appointed by the party having given notice to make such an appointment shall appoint a like qualified and disinterested appraiser for the defaulting party and the said two appraisers, so appointed, shall select a third appraiser. In any case where two appraisers are to appoint a third and cannot agree within thirty days after the appointment of the second appraiser, the third appraiser shall be appointed, upon the application of either party, by the American Arbitration Association. If any appraiser shall decline or fail to act, the party originally

having chosen such appraiser or the American Arbitration Association, as the case may be, shall appoint another to act in his place. The Appraiser shall be instructed to make the determination of the Fair Market Value and/or Fair Market Rental of the Units within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both Lessor and Lessee. The expenses and fee of the Appraiser shall be borne by the Lessee.

In the event the Lessee elects to purchase the Equipment, upon payment of the purchase price, the Lessor shall upon request of the Lessee execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without representations or warranties except that such Units are free and clear of all claims, liens, security interests and other encumbrances by or in favor of any person claiming by, through or under the Lessor) for such Units, and such other documents as may be required to release such Units from the terms and scope of this Lease and to transfer title thereto to the Lessee or such assignee or nominee, in such form as may reasonably be requested by the Lessee, all at the Lessee's expense.

Section 14. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the term of this Lease with respect to any Unit, which expiration includes any early termination of said term pursuant to clause (b) of the first paragraph of Section 4 hereof, the Lessee will (unless the Unit is re-leased to or purchased by the Lessee), at its own cost and expense, at the request of the Lessor deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee as the Lessor may reasonably designate, or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Unit on such tracks for a period not exceeding three months and transport the same, at any time within such three-month period, to any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as directed by the Lessor; the movement and storage of such Unit to be at the expense and risk of the Lessee. 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 such Unit, 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 the sentence. The movement, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to move, deliver, store and transport the Units.

The Lessee shall return the Units upon the termination of the initial term or any extended term of this Lease in the same operating order, repair and condition as when originally delivered hereunder, ordinary wear and tear excepted.

Section 15. Lessee's Warranties and Representations. The Lessee warrants and represents as follows:

A. The Lease, the Purchase Order Assignment and the acknowledgement to the Lease Assignment have been duly authorized by the Court upon due notice and duly executed and delivered by the Lessee and constitute valid, legal and binding obligations of the Lessee, enforceable in accordance with their terms;

B. Neither the execution and delivery of this Lease, the Purchase Order Assignment nor the acknowledgement to the Lease Assignment nor the consummation of the transaction herein and therein contemplated or the fulfillment of, or compliance with, the terms and provisions hereof and thereof by the Lessee will conflict with, or result in a breach of, any of the terms, conditions or provisions of any bond, debenture, note, mortgage, indenture, contract or other agreement or instrument to which the Debtor or the Lessee is a party or by which it or its property is bound or will constitute, with the giving of notice or the passage of time or both, a default hereunder or thereunder or will conflict with, or result in a breach of any of the terms, conditions or provisions of any law, regulation, order, judgment or decree of any court or governmental instrumentality.

C. No approval, order or license of the Interstate Commerce Commission or any other governmental authority, federal, state or local, is necessary in order for the Lessor to enter into the Conditional Sale Agreement, this Lease or the Lease Assignment or to perform its duties or obligations hereunder or thereunder or such approval as is necessary has been granted and the execution and delivery by the Lessor of such agreements and the performance by it of its obligations thereunder and its ownership of the Units do not subject the Lessor to the jurisdiction of, or regulation by, the Interstate Commerce Commission or any other regulatory authority, federal, state or local and in the event that any such approval, order or license is so necessary or that such execution and delivery or performance does so subject the Lessor to any such jurisdiction or regulation solely as a result of the Lessor's ownership of the Units, the Lessee or the Debtor shall not operate or otherwise utilize the affected Units in any and all jurisdictions for which any such approval, order or license is necessary or in which the Lessor shall become subject to such jurisdiction or regulation, until the Lessee shall have either (i) obtained such approvals, orders or waivers thereof or waivers of all such jurisdiction or regulation from the applicable federal, state and local regulatory authority, as the case may be, or (ii) in form and substance satisfactory to the Lessor, indemnified the Lessor from and against any and all claims, liabilities penalties or damages of any nature which might arise and/or result from the continued operations of the Unit or Units in any and all such jurisdictions, except for claims, liabilities penalties or damages arising from acts or omissions of the Lessor.

D. The Lessee has the full power and authority and legal right to carry on its principal business as now conducted.

E. There are no actions, suits or proceedings pending or threatened which, if adversely determined against the Lessee, will materially prevent or interfere with its ability or right to perform its duties and obligations under this Lease, the Purchase Order Assignment and the acknowledgement to the Lease Assignment.

F. The Lessee has furnished to the Investor and the Lessor a consolidated balance sheet, prepared utilizing generally accepted accounting principles, of the Lessee as

of December 31, 1977, a related consolidated income statement (income and retained earnings), and an ICC CBS statement (condensed balance sheet) as of December 31, 1977, together with an income statement for the 12 months then ended, both prepared in accordance with the rules of the Interstate Commerce Commission. Such financial statements are in accordance with the books and records of the Lessee and have been prepared in accordance with the respectively applicable accounting principles on a consistent basis throughout the period covered thereby, and such financial statements fairly present the financial condition of the Lessee at such dates and the results of its operations for such periods. Since December 31, 1977, there have been no changes which, individually or in the aggregate, have been materially adverse to the condition, financial or otherwise, of the Lessee as shown on the balance sheet as of such date, except changes in the ordinary course of business.

G. Each of the Units as of the Closing Date, with respect thereto as defined in the Conditional Sale Agreement, will have an estimated useful life of at least 19 years and an estimated fair market value at the end of the initial term of this Lease of at least 20% of the Purchase Price of such Unit, without including in such value any increase or decrease for inflation or deflation during such term.

H. As of the Closing Date, with respect thereto as defined in the Conditional Sale Agreement, the Lessee has not directly or indirectly taken any action which would adversely affect the good and marketable title of the Lessor to the Units including, without limitation, any action which would create or result in the creation of any liens, encumbrances and claims of any nature whatsoever against the Units, except only for the rights of the Lessee under this Lease.

I. As of the Closing Date, the Units are free from all claims, liens, security interests and other encumbrances arising at any time on or after the Lessee has accepted delivery of such Units pursuant to Section 2 of the Lease other than those created by the Conditional Sale Agreement and any other related documents, the rights of the Lessee under this Lease, and other than those resulting from claims against the Lessor not related to the ownership of the Units.

J. This Lease, the Lease Assignment, the Conditional Sale Agreement and the Assignment have been duly filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act; and no other filing, recordation or deposit (or giving of notice) is necessary for the protection of the rights of the Agent or the Vendee under the Conditional Sale Agreement or the Lease in and to the Equipment in any state of the United States of America or in the District of Columbia.

K. The Lessee represents that it is not entering into this Agreement or the Lease, or any other transaction contemplated hereby or thereby, directly or indirectly in connection with any arrangement or understanding in any way involving any employee benefit plan (other than a governmental plan) with respect to which it, or, in so far as is known to it, the Investor, the Builder or the Vendee is a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974.

L. The Lessee represents that it will satisfy the conditions precedent pertaining to it in the Assignment in accordance with the terms set forth therein.

M. The Lessee has been duly appointed trustee of the property of the Debtor in the Reorganization Proceedings, such appointment has not been rescinded and the Lessee is properly empowered to operate the lines and manage the property in the Debtor's estate.

N. The obligations of the Lessee under this Lease have the preferences and priorities specified in this Lease, including specifically the representations contained in the last paragraph of Section 3 of this Lease.

O. The obligations to make rental and other payments under this Lease will constitute costs of administration entitled to priority equally and ratably with all other costs of administration.

P. The Units delivered to the Lessee pursuant to this Lease will not, unless purchased by said Lessee, be considered as part of the estate of the Debtor.

Section 16. Recording; Expenses. The Lessee will cause this Lease, the Conditional Sale Agreement and any

assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will undertake the filing, registering, depositing, and recording required of the Lessor under the Conditional Sale Agreement and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or re-record whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Agent for the purpose of proper protection, to their satisfaction, of the Agent's and the Lessor's respective interest in the Units, or for the purpose of carrying out the intention of this Lease, the Conditional Sale Agreement or the assignments thereof to the Agent; and the Lessee will promptly furnish to the Agent and the Lessor evidences of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Agent and the Lessor.

The Lessee will pay all reasonable costs and expenses, including any printing or typing costs, incident to the preparation of this Lease and the Conditional Sale Agreement, the first assignments of the Lease and the Conditional Sale Agreement and the Purchase Order Assignment and any instrument supplemental or related thereto, the fees and expenses of an agent, if the first assignee is an agent; but, in respect to fees of counsel, only the fees of counsel for the Investor, Messrs. Pepper, Hamilton & Scheetz and counsel for the Lessor, Messrs. Saul, Ewing, Remick & Saul.

Section 17. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay as additional rental, to the extent legally enforceable, an amount equal to 13% per annum of the overdue rentals for the period of time during which they are overdue or such lesser amount as may be legally enforceable. Such interest shall be calculated on a 360-day year of twelve 30-day months.

Section 18. Notices. Any notice required or permitted to be given herein shall be deemed to have been given when deposited in the United States certified mails, first-class postage prepaid, addressed as follows:

(a) if to the Lessor: Radnor Associates, Ltd., Suite 230, 676 East Swedesford Road, Wayne, PA 19087, Attn: Louis A. Zehner, Jr., President

(b) if to the Lessee, at 332 South Michigan Avenue Chicago, Illinois 60604

(c) if to the Agent, at Broad and Chestnut Streets, Philadelphia, PA 19101 Attn: Corporate Trust Department

or addressed to such other address as the Lessor, the Lessee or the Agent shall hereafter furnish to the others in writing.

Section 19. Severability; Effect and Modification of Lease. 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 provision in any other jurisdiction.

This Lease including the Schedules attached hereto completely states the rights of the Lessor and the Lessee with respect to the Units and supersedes all other agreements, oral or written, with respect to the Units. 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 officers of the Lessor and of the Lessee or its duly authorized representative and consented to in writing by the Agent.

Section 20. Insurance. The Lessee will maintain, at its sole cost and expense, at all times during the term of this Lease and any renewals thereof (and thereafter during the first three (3) month period in which the Units are being assembled and delivered to the locations specified in Section 14 hereof), with reputable insurers acceptable to the Lessor and, so long as any portion of the Conditional Sale Indebtedness under the Conditional Sale Agreement shall remain outstanding, acceptable to the Agent, insurance in an amount not less than the Casualty Value of each Unit leased hereunder, insuring against loss and destruction of, and damage to, such Unit arising out of fire, windstorm, explosion,

and all other hazards and risks ordinarily subject to extended coverage insurance, and against such other hazards and risks as are customarily insured against by companies owning or leasing property of a similar character and engaged in a business similar to that engaged in by the Lessee with a deductible amount not in excess of $1,000,000 per occurrence and an overall maximum of $10,000,000. All such insurance policies shall (i) name the Lessor and Agent as additional insureds, with losses to be payable to the Lessor, the Agent and the Lessee as their respective interests may appear, (ii) provide that the policies will not be invalidated as against the Lessor or the Agent because of any violation of a condition or warranty of the policy or application therefor by Lessee, and (iii) provide that the policies may be materially altered or cancelled by the insurer only after thirty-five (35) days prior written notice to the Lessor and the Agent. Such insurance policies shall also not have any co-insurance clauses. The insurance policies shall also provide that upon receipt by the insurer from the Lessor or the Agent of any written notice of the occurrence of an Event of Default hereunder, any proceeds payable by said insurer with respect to any loss or destruction of, or damage to, any Unit, shall be payable solely to the Agent (or the Lessor after payment of all outstanding Conditional Sale Indebtedness) from the date of said insurer's receipt of such written notice, up to the date said insurer receives written notice from the Agent or the Lessor that said Event of Default is no longer continuing hereunder.

The Lessee will procure and maintain at its expense during the term of this Lease (and any renewals thereof) with insurers satisfactory to the Lessor and the Agent bodily injury and third party property damage insurance for each Unit with liability limits not less than $29 million per occurrence and with a deductible amount not in excess of $2,000,000. The policies for such insurance shall (i) name the Lessor and the Agent as additional insureds, as their respective interests may appear, (ii) provide that if the insurers cancel such insurance for any reason whatsoever, or the same is allowed to lapse for non-payment of premium, such cancellation or lapse shall not be effective as to the Lessor or the Agent for thirty (30) days after receipt by the Lessor and the Agent of written notice by the insurers of such cancellation or lapse, and (iii) contain no warranties, declarations or conditions which by any action or inaction of the Lessee or any other person (other than of the Lessor

or the Agent) would invalidate the interests of the Lessor or the Agent as they appear. Such insurance policies shall also not have any co-insurance clauses.

The Lessee will not materially alter the insurance in effect as of the date hereof and on each Closing Date pursuant to this Section 20 without the prior written consent of the Agent and the Lessor.

The Lessee shall deliver to the Lessor and the Agent, prior to the commencement of the lease term for any Unit (or at such other time or times as the Lessor or the Agent may request) and from time to time, but within at least 15 days, prior to the expiration date of each policy of such insurance, a certificate signed by a firm of independent insurance brokers, appointed by the Lessee and not unreasonably objected to by the Lessor or the Agent, showing the insurance then maintained by the Lessee pursuant to this §20 with respect to the Units (and the expiration date of each policy of such insurance) and stating the opinion of said firm that the insurance then carried and maintained on or with respect to the Units complies with the terms hereof; provided, however, that the Lessor and the Agent shall be under no duty to examine such certificate, opinion or other evidence of insurance, or to advise the Lessee in the event that its insurance is not in compliance with this Lease.

In the event that the Lessee shall fail to provide or to maintain insurance as herein provided, the Lessor or the Agent, upon notice to the Lessee, may at its option procure such insurance and, in such event, the Lessee shall, upon demand, reimburse the Lessor or the Agent for the cost and any other expenditures for such insurance, together with interest thereon at the maximum rate of interest permitted by law, but not more than 13% per annum from the date of the Lessor's or Agent's payment until reimbursed by the Lessee.

Section 21. Indemnity for Federal and Other Income Tax Benefits; Indemnity for Improvements. It is the intent of the Lessor and Lessee that this Lease will be recognized as a lease for all federal, state, city and local income taxes or franchise taxes imposed on or measured by net income, and that the Lease does not convey to the Lessee any right, title or interest in the Units except as lessee and that for United States income tax purposes (and to the extent applicable for state and local tax purposes) the

Lessor as the beneficial owner of the Units purchased by it, shall be entitled to such deductions, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended to the date hereof (the Code), to an owner of property including, without limitation, (i) the maximum depreciation deduction with respect to the Units authorized under section 167 of the Code based on an amount at least equal to the aggregate Purchase Price of the Units purchased by the Lessor utilizing the 12-year depreciable life prescribed for the Units in the Asset Guideline Class No. 00.25 in accordance with 167(m) of the Code, employing the double declining balance method of depreciation, switching to the sum of the years-digits method when most beneficial to the Lessor [without taking into account the salvage value of the Units until the Units have been depreciated to a salvage value that is not greater than 10% of their basis to the Lessor (said 10% being based upon an estimated gross salvage value of 20% of the basis of the Units which will be reduced by 10% of such basis as provided in Section 167(f) of the Code)] (such deduction being herein called the ADR Deductions); (ii) deductions with respect to interest payable under the Conditional Sale Agreement pursuant to section 163 of the Code (such deductions being herein called the Interest Deduction); and (iii) the 10% investment credit (such credit being herein called the Investment Credit) with respect to the aggregate Purchase Price of the Units pursuant to section 38 and related sections of the Code.

The Lessee agrees that neither the Lessee nor any corporation controlled by the Lessee, in control of the Lessee, or under common control with the Lessee, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing or which would increase the amount of rentals required to be taken into income by the Lessor over the amount specified to be payable under the Lease on the dates due thereunder, except as specifically provided in the Lease or hereunder, and that each will file such returns, take such actions and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent hereof. The Lessee agrees to keep and make available for inspection and copying by the Lessor such records as will enable the Lessor to determine the extent to which it is entitled to the benefit of the Investment Credit and the ADR Deduction with respect to the Units.

The Lessee represents and warrants that (i) at the time the Lessor becomes the owner of any Units, all the Units constitute property the full Purchase Price of which qualifies for the Investment Credit under sections 38, 46, 48 and 50 of the Code; (ii) at the time the Lessor becomes the owner of any Units, such Units will constitute "new section 38 property" within the meaning of sections 46 and 48 of the Code and at the time the Lessor becomes the owner of any Units, the Units will not have been used by any person so as to preclude "the original use of such property" within the meaning of sections 48(b) and 167(c)(2) of the Code from commencing with the Lessor; (iii) at all times during the term of the Lease each Unit will constitute "section 38 property" within the meaning of section 48(a) of the Code and the Lessee will not at any time during the term of the Lease use or fail to use any Unit in such a way as to disqualify it as "section 38 property" within the meaning of section 48(a) of the Code; and (iv) the Lessee will maintain sufficient records to verify such use, which records will be furnished to the Lessor within 30 days after receipt of a written demand thereof.

If by reason of this Lease being judged other than a true lease for tax purposes (based on the Code, regulations and procedures applicable to such determination and in effect on the date of delivery of the Units under the Lease) or if by reason of the inaccuracy in law or in fact of the representations and warranties of the Lessee set forth in the preceding paragraph or any act or omission of the Lessee or for any other reason caused by the Lessee, the Lessor shall lose, or shall not have, or shall lose the right to claim, or shall suffer a disallowance of, or shall be required to recapture all or any portion of, the Investment Credit, the ADR Deduction or the Interest Deduction with respect to all or part of any Unit (any such loss, disallowance, recapture or treatment being hereinafter called a Loss), then, unless the Lessee shall exercise its option pursuant to the proviso contained in this paragraph, the Lessee shall, beginning with the next succeeding rental payment date after written notice is given to the Lessee by the Lessor of such fact, and on each succeeding rental payment date, pay to the Lessor such amount or amounts as shall cause the Lessor's net return to equal the net return that would have been realized by the Lessor if such Loss had not occurred (which it is understood includes giving effect to any federal, state or local income tax required to be paid

by the Lessor with respect to receipt of payments made to it by the Lessee pursuant to the operation of this paragraph) and the Lessee shall forthwith pay to the Lessor the amount of any interest and/or penalties which may be assessed by the United States of America or any state or local taxing authority against the Lessor attributable to such Loss; provided, however, that in the event of any Loss of the Investment Credit, the Lessee may, in lieu of making the payments as hereinabove provided, at its option, pay to the Lessor on the next succeeding rental payment date after written notice is given to the Lessee by the Lessor of the fact of such Loss, a single payment in an amount as shall, in the reasonable opinion of Lessor and agreed to by the Lessee, cause said Lessor's net return to equal the net return that would have been realized by the Lessor if such Loss had not occurred (which payment shall also give effect to any federal, state or local income tax required to be paid by the Lessor due to such payment), together with payment of any amount equal to any interest and/or penalties which may be assessed by the United States of America or any state or local taxing authority against the Lessor attributable to such Loss.

Notwithstanding any other provision of this Lease, the indemnities of the Lessee contained in this Section run solely to the Lessor and not to any real or purported assignee or transferee of the Lessor where such assignment or transfer results in a taxable transaction.

If the deductions, credits or other benefits to which the Lessor is entitled are increased or decreased by a change in law (other than a change in income tax rates) that is effective prior to the delivery of the Units which are affected by the change, the rental and Casualty Value shall be adjusted appropriately by agreement of the Lessor and the Lessee so that the Lessor's net return shall not be increased or decreased by reason of such change; provided, however, that any decreases of the rental or Casualty Value pursuant to this paragraph shall not cause such rental or Casualty Value to be less than the amounts required to satisfy the Conditional Sale Indebtedness (as defined in the Conditional Sale Agreement) and any interest thereon.

In the event that payments are required of the Lessee under this Section, the Casualty Values shall be increased or decreased accordingly for the purposes of this

Section and, upon the subsequent occurrence of a Casualty Occurrence, the Lessee shall pay any increase, or be credited with any decrease, in such Casualty Values and paid the amount of such decrease by the Lessor promptly after and to the extent of receipt by the Lessor from the Agent of the portion of any Casualty Value paid by the Lessee as a result of such Casualty Occurrence; provided, however, that in no event shall such Casualty Values be reduced below the amount required to satisfy the Conditional Sale Indebtedness.

If a claim shall be made by the Internal Revenue Service or any state or local taxing authority with respect to the income tax liability of the Lessor which, if successful, would under this Section lead to payments by the Lessee or a lump sum payment by the Lessee, the Lessor (as a precondition to receiving any such payments) shall give prompt notice of such claim to the Lessee and shall take such action to contest such claim as the Lessee shall reasonably request in writing from time to time, provided, however, that within 30 days after notice by the Lessor of such proposed adjustment, the Lessee shall request that such adjustment be contested; and provided further, however, that an Event of Default shall not be continuing under this Lease. For purposes of this paragraph, "prompt notice" shall mean written notice to the Lessee not less than 30 days before the expiration of the time period for initiating a contest of such claim. The Lessor may in its discretion forego any administrative appeal with the Internal Revenue Service in respect of such claim and the Lessor may at its option, either pay the tax claimed and sue for refund in the appropriate United States District Court or in the United States Court of Claims, as the Lessor may elect, or contest such claim in the United States Tax Court, considering, however, in good faith such request as the Lessee may make concerning the most appropriate forum in which to proceed; provided, however, that the final decision as to selection of the forum shall be solely that of the Lessor. If the Lessor pays the tax claimed and sues for refund, payments by the Lessee shall be required so as to maintain the Lessor's net return in the manner and to the extent provided in this Section, and the Lessee shall forthwith pay to the Lessor the amount of any interest and/or penalty assessed against the Lessor with respect to such additional income tax; provided, however, that the Lessee shall not be required to make any such payments unless the Lessor agrees in writing to apply any refund in accordance with the next following sentence. If the Lessor receives a refund as a

result of contesting such claim, the Lessor shall forthwith pay to the Lessee any interest thereon paid by the taxing jurisdiction together with the appropriate amount of any interest and/or penalty payments which should not have been assessed against and paid by the Lessee to the Lessor pursuant to the preceding sentence, and the payments of the Lessee with respect to such claim shall, beginning with the next rental payment due after receipt by the Lessor of such refund, be decreased to such amount or amounts as shall cause the Lessor's net return over the term of the Lease to equal the net return that would have been realized by the Lessor if additional income taxes of the Lessor in the amount refunded had not been paid but not below the amounts required to satisfy the obligations of the Lessor under the Conditional Sale Agreement. Any such contest shall be at the sole expense of the Lessee and the Lessee agrees to pay to the Lessor on demand any expense incurred by the Lessor in connection with such contest; and the Lessor shall have no obligation to continue such contest in the event the Lessee fails to make such payment within 10 days after written demand.

The Lessee's and Lessor's agreements to pay any sums which may become payable pursuant to this Section shall survive the expiration or other termination of this Lease.

In the event and to the extent that the cost of any improvement and/or addition (hereinafter called Capital Expenditures) to a Unit made by the Lessee, under and pursuant to the terms of the Lease or otherwise, is required to be included in the gross income of the Lessor for federal, state or local income tax purposes at any time prior to the time such Unit is disposed of in a taxable transaction, then the Lessee shall, beginning with the next succeeding rental payment date after the date on which the Lessee is required to furnish written notice thereof to the Lessor pursuant to the last paragraph of this Section after said inclusion in the Lessor's gross income is required, and on each succeeding rental payment date, pay to the Lessor such amount or amounts as shall, after taking into account any present or future tax benefits that the Lessor reasonably anticipates it will derive from its additional investment in the Units (including without limitation, any available current deduction, current and future depreciation deductions and investment tax credit) cause the Lessor's net return to equal the net return that would have been realized by the Lessor if the cost of such

Capital Expenditures had not been includible in the Lessor's gross income (which payment shall also give effect to any federal, state or local income tax required to be paid by the Lessor due to such payment); provided, however, that the Lessee shall not be required to make any such payments unless the Lessor agrees in writing to contest such inclusion if requested in writing by the Lessee and as provided in this Section.

In determining the present or future tax benefits to be taken into account by the Lessor in establishing the payments required hereby, the Lessor shall attempt to maximize such benefits and hence minimize those payments by making such elections (including where advantageous the applicable asset guideline repair allowance and accelerated depreciation, if then permitted) and utilizing such conventions and accounting methods as will further such objectives; provided, however, that the Lessor shall not be required to make any election or utilize a particular convention or accounting method if the Lessor determines, in its sole discretion but in good faith, that in so doing it will adversely affect its federal, state or local income tax liability determined without regard to this transaction.

For the purposes of this Section, the cost of Capital Expenditures made by the Lessee shall be deemed to be "required to be included in the gross income of the Lessor for federal, state or local income tax purposes" if such inclusion is required by (i) any provision of the Code or state or local income tax law or the applicable regulations enacted or adopted thereunder as of the date of the Lease; or (ii) any published revenue ruling of the Internal Revenue Service issued as of the date of the Lease which has not been held invalid by a court having appellate jurisdiction over the federal income tax liability of the Lessor in a decision which has become final.

The Lessor shall not be required to contest a claim made by the Internal Revenue Service or any state or local income taxing authority with respect to the includability of the cost of any Capital Expenditure in the Lessor's gross income unless the Lessor has received an opinion from counsel selected by the Lessee and acceptable to the Lessor that there is a reasonable basis for contesting such inclusion.

The Lessee agrees to make a payment to the Lessor for any interest and/or penalties resulting from the failure to include the cost of Capital Expenditures in its income tax return, such payment to be made upon demand in amount sufficient to restore the Lessor to the same position it would have been in had such interest and/or penalties not been imposed; and such amount shall be determined in the reasonable opinion of said Lessor and agreed to by the Lessee.

The Lessee agrees that, within 30 days after the close of any calendar year (or in the event that the Lessor gives the Lessee written notice that the Lessor's taxable year closes on a date specified therein other than December 31, within 30 days after said date) in which the Lessee has made Capital Expenditures which are of a type or which the Lessee believes are of a type, or are of a type which the Lessee has been advised by the Lessor may be of a type, required to be included in the gross income of the Lessor for federal, state or local income tax purposes prior to the time such Unit is disposed of in a taxable transaction, the Lessee will give written notice thereof to the Lessor describing such Capital Expenditures in reasonable detail and specifying the cost thereof with respect to each Unit.

Section 22. Execution. This Lease may be executed in several counterparts, but the counterpart delivered to the Interstate Commerce Commission for recordation and subsequently redelivered to the Agent shall be deemed the original counterpart. Although this Lease is dated as of the date first above written, for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

Section 23. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

Section 24. Other Obligations. Lessee agrees, that during the term of this Lease, Lessee will not assume or enter into any other leases of equipment, equipment trust agreements, conditional sale agreements or other liabilities or obligations in connection with the leasing or financing of the future acquisition of equipment or other tangible personal property (i) if such liabilities or obligations would be entitled, directly or indirectly, to any priority in right of payment over the obligations of the Lessee under this Lease, or (ii) if such liabilities or obligations would be secured, directly or indirectly, by any mortgage, lien or other security interest in property of the Debtor or Lessee (except the equipment or other property involved in a particular transaction) unless the obligations of the Lessee under this Lease are equally and ratably secured thereby; provided, however, that nothing herein shall restrict the right of the Lessee to issue and sell trustee's certificates for any proper purpose.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

RADNOR ASSOCIATES, LTD.

By _____
President

[CORPORATE SEAL]

ATTEST:

_____
Asst. Secretary

WILLIAM M. GIBBONS,
trustee of the property of the
Chicago, Rock Island and Pacific
Railroad Company, Debtor

Witness

_____ _____(SEAL)
As trustee and not individually

[NOTARIAL SEAL]

STATE OF ~~NEW YORK~~ Penna. :
: ss.
COUNTY OF ~~NEW YORK~~ Delaware :

On this 10th day of April, 1978, before me personally appeared LOUIS A. ZEHNER, JR., to me personally known, who, being by me duly sworn, says that he is President of Radnor Associates, Ltd., that the seal 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 M. Brady
Notary Public

[NOTARIAL SEAL]

PHYLLIS M. BRADY, Notary Public
Radnor Township, Delaware Co., Pa.
My Commission Expires April 2, 1981

STATE OF :
: ss.
COUNTY OF :

On this day of April, 1978, before me personally appeared WILLIAM M. GIBBONS, to me personally known, who, being by me duly sworn, say that he is trustee of the property of the Chicago, Rock Island and Pacific Railroad Company that said instrument was signed and sealed by him as trustee of the property of the Chicago, Rock Island and Pacific Railroad Company, Debtor, pursuant to Order No. 136 of the United States District Court for the Northern District of Illinois, Eastern Division, in proceedings bearing no. 75B2697, a copy of which is attached hereto as Schedule II, and he acknowledged that the execution of the foregoing instrument was his free act and deed as trustee.

Notary Public

[NOTARIAL SEAL]

SCHEDULE A

Type	Builder's Specifications	Quantity	Lessee's Road Numbers (Inclusive)	Average Unit Price	Total Price	Delivery
Coil-Steel Car with lift off covers on 100-ton trucks. AAR mechanical designation GBSR	Builder's No. 77-52 [WO1406] per proposal letter of December 12, 1977	25	Rock 955000-955024	$35,795	$894,875	Washington, Indiana
	Total.	25		Total	$894,875	

SCHEDULE I

Rental Payment Period	Casualty Loss Value % of Purchase Price	Payment Period	Casualty Loss Value % of Purchase Price
1*	103.172*	31	73.083
2	105.792	32	71.444
3	108.592	33	69.769
4	111.585	34	68.056
5	113.083	35	66.306
6	112.993	36	64.530
7	112.829	37	62.728
8	112.612	38	60.900
9	112.504	39	59.043
10	112.844	40	57.159
11	113.174	41	55.248
12	113.362	42	53.307
13	106.727	43	51.337
14	106.588	44	49.492
15	106.264	45	47.637
16	105.777	46	45.753
17	105.111	47	43.837
18	104.250	48	41.889
19	103.177	49	39.911
20	101.990	50	37.902
21	94.097	51	35.859
22	92.833	52	33.839
23	91.529	53	31.904
24	90.188	54	30.058
25	88.810	55	28.289
26	87.394	56	26.601
27	85.938	57	25.042
28	84.447	58	23.619
29	76.253	59	22.321
30	74.687	60	21.156
		Thereafter	20.529

*That period from the delivery date of a Unit until June 30, 1978. To this amount shall be added accrued rent for that period as provided in Section 3 of the Lease.

SCHEDULE II

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In the Matter of	)	
	)	In Proceedings for the
CHICAGO, ROCK ISLAND AND	)	Reorganization of a
PACIFIC RAILROAD COMPANY,	)	Railroad
	)	
Debtor.	)	No. 75 B 2697

ORDER NO. 136 ON PETITION OF TRUSTEE FOR AUTHORITY TO LEASE 300 PLAIN GONDOLA CARS AND 25 GONDOLA CARS EQUIPPED FOR COIL STEEL LOADING

This cause coming on to be heard upon the Petition of William M. Gibbons, the Trustee herein, praying for the entry of an order for authority to lease for a period of 15 years 300 plain gondola cars and 25 gondola cars equipped for coil steel loading, the detail of which is fully set forth and described in the said Petition filed herein, and due notice having been given to all parties entitled thereto; the Court having examined said Petition and being fully advised in the premises,

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED as follows:

1. That the Trustee be and he is hereby authorized to execute and deliver an equipment lease containing the terms and provisions of the lease proposal of Radnor Associates, Ltd. referred to in the Petition as Exhibit A and take all action as may be necessary and proper to implement the same;

2. That the Trustee be and he is hereby authorized to execute and deliver an equipment lease containing the terms and provisions of the lease proposal of Thrall Car Manufacturing Company referred to in the Petition as Exhibit B and take all action as may be necessary and proper to implement the same;

3. That the obligations of the Trustee undertaken by said equipment

leases shall constitute a Trustee's cost of administration entitled to priority with all other costs of administration, except that if the Trustee shall be obligated to surrender possession of the leased equipment prior to the stipulated termination date because the Court finds that the Trustee is unable to continue to operate the Debtor and orders him to discontinue service and/or to liquidate the assets of the Debtor, in such event lessor shall have no claim whatsoever against this estate or its Trustee other than for rentals or damages accrued and resulting from the operation of said equipment by the Trustee up to the date of the surrender of such possession; and

4. That any right of the lessor to take possession of the leased cars in compliance with the provisions of said equipment leases shall not be affected by provisions of Section 77 of the Bankruptcy Act.

Dated: March 16, 1978

ENTER:

/s/ Frank J. McGarr
District Judge