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INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of February 1, 1979

Between

ISLAND CREEK COAL COMPANY

as Lessee,

and

EXCHANGE NATIONAL BANK OF CHICAGO

not in its individual capacity but solely
as Trustee under a Trust Agreement dated as
of January 1, 1979, as amended, with Citizens
Fidelity Bank and Trust Company and Suburban Trust
Company

as Lessor.

Filed and recorded with the Interstate Commerce Commission
pursuant to Section 20c of the Interstate Commerce
Act on February __, 1979, at _____, recordation
number _____.

LEASE OF RAILROAD EQUIPMENT

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LEASE OF RAILROAD EQUIPMENT (hereinafter called the Lease or this Lease) dated as of February 1, 1979, between ISLAND CREEK COAL COMPANY, a Delaware corporation (hereinafter called the Lessee), and EXCHANGE NATIONAL BANK OF CHICAGO, a national banking association, acting not in its individual capacity but solely as Trustee (hereinafter called the Owner-Trustee) under that certain Trust Agreement dated as of January 1, 1979, as amended by that certain Trust Amendment Agreement No. 1 dated as of February 1, 1979 (said Trust Agreement, as so amended, hereinafter called the Trust Agreement) with Citizens Fidelity Bank and Trust Company and Suburban Trust Company (hereinafter individually called an Owner and collectively the Owners),

W I T N E S S E T H:

WHEREAS, the Owner-Trustee is entering into a Conditional Sale Agreement dated as of the date hereof (hereinafter called the CSA) with Shenandoah-Virginia Corporation (hereinafter called the Builder) wherein the Builder has agreed to construct, sell and deliver to the Owner-Trustee the units of railroad equipment described in Appendix A hereto;

WHEREAS, the Builder is assigning a portion of its interests in the CSA pursuant to an Agreement and Assignment dated the date hereof (hereinafter called the Assignment) to LaSalle National Bank, acting as agent under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) among said agent, the Lessee, Island Creek Coal, Inc. (hereinafter called the Guarantor), the Owner-Trustee, the Owners and State Farm Life Insurance Company (hereinafter, together with its successors and assigns, called the Investors) (said agent as so acting being hereinafter, together with its successors and assigns, called the Vendor);

WHEREAS, the Guarantor is executing a Guaranty dated as of the date hereof (hereinafter called the Guaranty) under which it guarantees the obligations of the Lessee hereunder and under certain other agreements of the Lessee;

WHEREAS, the Lessee desires to lease such number of units of railroad equipment as are delivered and accepted and settled for under the CSA (hereinafter

individually called a Unit and collectively the Units) at the rentals and for the terms and upon the conditions hereinafter provided; and

WHEREAS, the Owner-Trustee will assign this Lease for security purposes to the Vendor pursuant to an Assignment of Lease and Agreement dated as of the date hereof (hereinafter called the Lease Assignment) and the Lessee will consent to the Lease Assignment pursuant to a Consent and Agreement (hereinafter called the Consent);

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 Owner-Trustee hereby leases the Units to the Lessee upon the following terms and conditions:

ARTICLE 1. NET LEASE

This Lease is a net lease. The Lessee's obligation to pay all rentals and other amounts hereunder shall be absolute and unconditional and, except as herein specifically provided, the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, 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 Owner-Trustee or any Owner under this Lease or the CSA including the Lessee's rights by subrogation thereunder, or against the Builder or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Owner-Trustee 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 enforceability or lack of due authorization of this Lease, any insolvency of or any 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 Owner-Trustee, the Owners or the Vendor for any reason whatsoever.

ARTICLE 2. DELIVERY

The Owner-Trustee hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. Each delivery of a Unit to the Owner-Trustee under the CSA shall be deemed to be a delivery hereunder to the Lessee at the point at which such Unit is so delivered to the Owner-Trustee. Upon such delivery, the Lessee will cause an employee or other agent of the Lessee to inspect the same, and if such Unit conforms to the Specifications (as defined in the CSA) and requirements applicable thereto and is found to be acceptable, the Lessee shall accept delivery of such Unit on behalf of the Owner-Trustee under the CSA and on behalf of itself hereunder and execute and deliver to the Owner-Trustee a certificate of acceptance (hereinafter called the Certificate of Acceptance) in accordance with the provisions of Article 3 of the CSA, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Owner-Trustee on or as of the date of such Certificate of Acceptance and is marked in accordance with Article 5 hereof, whereupon 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.

ARTICLE 3. RENTALS

§3.1. Amount and Date of Payment. (1) The Lessee agrees to pay to the Owner-Trustee, as rental for each Unit subject to this Lease, 36 consecutive semi-annual payments payable, in arrears, on March 30 and September 30 in each year, commencing September 30, 1979, to and including March 30, 1997. The first 18 rental payments shall each be in an amount equal to 3.83405% of the Purchase Price (as defined in §4.1 of the CSA) of each such Unit and the next 18 rental payments shall be in an amount equal to 4.68605% of such Purchase Price.

(2) In addition to the foregoing rentals, the Lessee hereby agrees to pay, as additional rentals, to the Owner-Trustee amounts equal to the amounts required for the Owner-Trustee to make the payments provided for in the third paragraph of Paragraph 2 and the last sentence of the second paragraph and in the last paragraph of Paragraph 10 of the Participation Agreement at the times required for such payments therein (without regard to the limitation of the obligations of the Owner-Trustee set forth therein) and the Owner-Trustee agrees to apply such rentals for such purposes.

§3.2. Payments on Nonbusiness Days. If any of the semiannual rental payment dates referred to in §3.1 is not a business day, the payment otherwise payable on such date shall be payable on the next succeeding business day, and no interest shall be payable thereon for the period from and after the nominal date for payment thereof to such next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Chicago, Illinois, are authorized or obligated to remain closed.

§3.3. Instructions To Pay Vendor and Owner-Trustee. If the Lease Assignment is executed and delivered, until the Vendor shall have advised the Lessee in

writing that all sums due from the Owner-Trustee under the CSA have been fully satisfied and discharged, the Owner-Trustee irrevocably instructs the Lessee, subject to §6.4 and §12.1 hereof, to make all the payments provided for in this Lease to the Vendor, for the account of the Owner-Trustee, with instructions to the Vendor (a) first to apply such payments to satisfy the obligations of the Owner-Trustee under the CSA known by the Vendor to be due and payable on the date such payments are due and payable hereunder and (b) second, so long as no event of default under the CSA, or event which with the lapse of time or notice or both could constitute such an event of default, shall have occurred and be continuing, to pay any balance promptly (and in no event later than the third business day after the Vendor shall have received such payments) to or upon the order of the Owner-Trustee in immediately available funds at such place as the Owner-Trustee shall specify in writing.

§3.4. Payment in Immediately Available Funds.

The Lessee agrees to make each payment provided for herein as contemplated by this Article 3 in immediately available funds at or prior to 11:00 a.m., Chicago time, on the date such payment is due.

ARTICLE 4. TERM OF LEASE

The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit under the CSA and, subject to the provisions of Articles 7, 13 and 16 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to §3.1 hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under Articles 6, 7, 10, 11, 12 and 17 hereof) shall survive the expiration of the term of this Lease.

ARTICLE 5. IDENTIFICATION MARKS

The Lessee will cause each Unit to be kept numbered with the identification number set forth in Appendix A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "Ownership subject to a Security Agreement filed under the Interstate Commerce Act, Section

20c", or other appropriate words designated by the Owner-Trustee, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Owner-Trustee's and Vendor's title to and property in such Unit and the rights of the Owner-Trustee under this Lease and the rights of the Vendor under the CSA. 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, obliterated, defaced or destroyed. The Lessee will not change the identification number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Owner-Trustee and filed and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed and deposited and (ii) the Lessee shall have furnished the Vendor and the Owner-Trustee an opinion of counsel to the effect that such statement has been so filed and deposited, such filing and deposit will protect the Vendor's and the Owner-Trustee's interests in such Units and no filing, deposit or giving of notice with or to any other federal, state or local government or agency thereof is necessary to protect the interests of the Vendor and the Owner-Trustee in such Units. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates. Except as provided herein, 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.

ARTICLE 6. TAXES

§6.1. Indemnification for Non-income Taxes.

The Lessee agrees to pay, and to indemnify and hold the Owner-Trustee, the Owners, and the Vendor harmless from, all taxes, assessments, fees and charges of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon, howsoever imposed, whether levied or imposed upon the Owner-Trustee, either Owner, the Vendor, the Lessee, the trust estate created by the Trust Agreement or otherwise, by any federal, state or

local government or governmental subdivision in the United States or by any foreign country or subdivision thereof, upon or with respect to: any Unit or any part thereof; the purchase, ownership, delivery, leasing, possession, use, operation, transfer of title, return or other disposition thereof; the indebtedness with respect thereto; the rentals, receipts or earnings arising therefrom; or this Lease, the Trust Agreement, the Participation Agreement, the CSA, the Assignment, the Lease Assignment, the Guaranty, any payment made pursuant to any such agreement, or the property, the income or other proceeds received with respect to property held in trust by the Owner-Trustee under the Trust Agreement (all such taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed as aforesaid being hereinafter called Taxes); excluding, however: (i) Taxes of the United States or of any state or political subdivision thereof and (if and to the extent that any person indemnified hereunder is entitled to a credit therefor against its United States federal income taxes or is indemnified by the Lessee pursuant to the Participation Agreement) of any foreign country or subdivision thereof, imposed on or measured solely by the net income or excess profits of the Owner-Trustee (in its individual capacity), either Owner or the Vendor, other than Taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Lease, provided that Taxes of any foreign country or subdivision thereof incurred as a result of the indemnified party being taxed by such foreign country or subdivision on its worldwide income without regard to the transactions contemplated by this Lease shall be excluded in all cases, whether or not the indemnified party is entitled to a credit against its United States federal income taxes; (ii) any Taxes imposed as a direct result of a voluntary transfer or other voluntary disposition by either Owner or any transfer or disposition by either Owner resulting from bankruptcy or other proceedings for the relief of creditors in which such Owner is the debtor, whether voluntary or involuntary, of any interest in any Unit or interest in rentals under this Lease; and (iii) penalties, fines and additional interest resulting only from and payable because of the negligent acts or omissions to act by the Owner-Trustee, either Owner or the Vendor; provided, however, that the Lessee shall not be required to pay any Taxes during the period it may be contesting the same in the manner provided in §6.2 hereof. The Lessee further agrees to pay on or before the time or times prescribed by

law any tax imposed on or measured solely by the net income of the Lessee under the laws of the United States or of any state or political subdivision thereof or of any foreign country or subdivision thereof which, if unpaid, might result in a lien or other encumbrance upon any Unit; provided, however, that the Lessee shall not be required to pay any such tax during the period it may be contesting the same in accordance with §6.2 hereof.

Notwithstanding the foregoing and only to the extent, if any, that the Owner-Trustee, either Owner or the Vendor receives or is allowed a credit against its West Virginia Corporation Income Tax (or similar tax) for West Virginia Business and Occupation Taxes paid or incurred with respect to any of the Units, the Lessee's obligations under this §6.1 shall be reduced to the extent of such credit. Within ninety (90) days after the end of its fiscal year, the Owner-Trustee, each Owner and the Vendor shall certify to the Lessee the amount, if any, of the West Virginia Business and Occupation Tax imposed upon each of them with respect to the Units which has been or will be used by such party to reduce its West Virginia Corporation Income Tax (or similar tax).

6.2. Claims; Contests; Refunds. If claim is made against the Owner-Trustee, either Owner or the Vendor for any Taxes indemnified against under this Article 6, such party shall promptly notify the Lessee. If reasonably requested by the Lessee in writing, the Owner-Trustee, such Owner or the Vendor, as the case may be, shall, at the expense of the Lessee, contest in good faith the validity, applicability or amount of such Taxes by (a) resisting payment thereof if possible, (b) not paying the same except under protest, if protest is necessary and proper, and (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. The Lessee may also contest, at its own expense, the validity, applicability or amount of such Taxes in the name of the Owner-Trustee, such Owner or the Vendor; provided that, no proceeding or actions relating to such contest shall be commenced (nor shall any pleading, motion, brief or other paper be submitted or filed in the name of the Owner-Trustee, such Owner or the Vendor in any such proceeding or action) if in the reasonable opinion of the Owner-Trustee and both Owners or such Owner or the

Vendor such contest or the nonpayment of the Taxes would adversely affect the title, property or rights of the Owner-Trustee hereunder or of the Vendor under the CSA. The Lessee agrees to give the Owner-Trustee, such Owner or the Vendor, as the case may be, notice of such contest within 30 days thereof. If the Owner-Trustee, such Owner or the Vendor shall obtain a refund of all or any part of such Taxes previously reimbursed by the Lessee in connection with any such contest or an amount representing interest thereon, the Owner-Trustee, such Owner or the Vendor, as the case may be, shall pay the Lessee the amount of such refund or interest net of reasonable out-of-pocket expenses; provided, however, that no Event of Default and no event which with notice or lapse of time or both would constitute an Event of Default shall have occurred and be continuing.

§6.3. Reports or Returns. In case any report or return is required to be made with respect to any obligation of the Lessee under or arising out of this Article 6 (except obligations resulting from the second sentence of §6.1), the Lessee will, where permitted to do so under applicable rules and regulations, make and timely file such reports and returns in such manner as to show the interest of the Owner-Trustee and the Vendor in the Units as shall be satisfactory to the Owner-Trustee and the Vendor or, where not so permitted, will notify the Owner-Trustee, the Vendor and the Owners of such requirement and will prepare and deliver such reports to the Owner-Trustee and the Vendor within a reasonable time prior to the time such reports are to be filed, or in such manner as shall be reasonably satisfactory to the Owner-Trustee, the Vendor and the Owners. All reasonable costs and expenses (including legal and accountants' fees) of preparing any such return or report shall be borne by the Lessee.

§6.4. Survival. All the obligations of the Lessee under this Article 6 shall survive and continue, but only with respect to periods included in the term of this Lease, notwithstanding payment in full of all amounts due under the CSA or the termination of this Lease. Payments due from the Lessee to the Owner-Trustee, either Owner or the Vendor under this Article 6 shall be made directly to the party indemnified.

ARTICLE 7. PAYMENT FOR CASUALTY OCCURRENCES;
ECONOMIC OBSOLESCENCE; SURPLUS

§7.1. Definitions of Casualty Occurrence; Payments. In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or, in the reasonable opinion of the Lessee, irreparably damaged, from any cause whatsoever during the term of this Lease or any renewal term hereof or until such Unit is returned pursuant to Articles 14 or 17 hereof, or the Purchase Price of any Unit shall have been refunded by the Builder pursuant to the terms of its patent indemnity therefor or any Unit shall be taken or requisitioned by condemnation or otherwise by the United States Government for a stated period which shall exceed the then remaining term of this Lease or by any other governmental entity resulting in loss of possession by the Lessee for a period of 180 consecutive days during the term of this Lease or during any renewal term hereof (such occurrences being hereinafter called Casualty Occurrences), the Lessee shall promptly and fully notify the Owner-Trustee and the Vendor with respect thereto. On the next succeeding March 30 or September 30, whichever is earlier (each such date being hereinafter called a Casualty Payment Date), the Lessee shall pay to the Owner-Trustee a sum equal to the Casualty Value (as hereinafter defined in §7.5) of such Unit as of such Casualty Payment Date, plus (if not previously paid) the semiannual rental in respect of such Unit accrued as of such rental payment date; provided, however, that in the event of a Casualty Occurrence during the period any Unit is being returned pursuant to Articles 14 and 17 hereof, the Lessee shall make such payment to the Owner-Trustee on a date 30 days after such Casualty Occurrence. Upon the making of such payment by 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 the loss, theft, complete destruction or return to the Builder of such Unit) the Owner-Trustee shall be entitled to recover possession of such Unit. It is understood that if a Unit is damaged the Lessee shall not be required to make a final determination as to whether or not it is irreparably damaged or can be repaired for a period of 180 days after

such Unit is damaged but no later than the termination of this Lease or any renewal term hereof (but if the final determination is that it is irreparably damaged it shall, only for the purposes of §7.5 hereof, be deemed to have suffered a Casualty Occurrence on the date of the damage).

If any Unit shall have been taken or requisitioned by the United States Government or any other governmental entity and such taking or requisition shall not theretofore constitute a Casualty Occurrence as aforesaid, such taking or requisition shall be deemed a Casualty Occurrence if the same shall be continuing at the end of the term of this Lease, in which event the Lessee shall promptly and fully notify the Owner-Trustee with respect thereto and pay the Owner-Trustee the Casualty Value therefor computed as if the Casualty Occurrence had been suffered on the last day of the term of this Lease. Following such payment, the Lessee shall be entitled to receive condemnation payments in respect of such Unit up to an amount equal to such Casualty Value and any balance of such payments shall be the property of the Owner-Trustee. In the event such Unit shall be returned by the governmental entity prior to the time the Lessee shall have been reimbursed by such application of condemnation payments in an amount equal to such Casualty Value, then the Lessee shall dispose of such Unit as agent for the Owner-Trustee and shall retain the proceeds of such disposition to the extent that the aggregate of the amounts so retained and the condemnation payments theretofore received by the Lessee shall equal such Casualty Value, and the balance of such proceeds shall be promptly paid to the Owner-Trustee. In the event such Unit shall be returned by the governmental entity following the time the Lessee shall have been reimbursed by such application of condemnation payments in an amount equal to such Casualty Value, such Unit shall be returned by the Lessee to the Owner-Trustee in the manner provided in Article 17 hereof.

§7.2. Requisition by United States Government.
In the event of the requisition for use by the United States Government of any Unit for a period which does not exceed the term of this Lease or for an indefinite period

(except where deemed a Casualty Occurrence pursuant to the last paragraph of §7.1 hereof), all of the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred. All payments received by the Owner-Trustee or the Lessee from the United States Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing.

§7.3. Lessee Agent for Disposal. The Owner-Trustee hereby appoints the Lessee its agent to dispose of any Unit or any component thereof suffering a Casualty Occurrence before and after expiration of the Lease, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Owner-Trustee, (i) the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Owner-Trustee and (ii) the Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit returned to the Builder pursuant to the patent indemnity provisions of the CSA an amount equal to any payment made by the Builder to the Owner-Trustee in respect thereof under the CSA.

§7.4. Payments After Expiration of Lease. If the date upon which the making of the payment by the Lessee in §7.1 hereof in respect of any Unit is required as aforesaid shall be after the term of this Lease or any renewal term thereof in respect of such Unit has expired, no rental for such Unit shall accrue after the end of such term.

§7.5. Amount of Casualty Value of Units. The Casualty Value of a Unit as of the Casualty Payment Date on which payment is made shall be an amount equal to that percentage of the Purchase Price of such Unit as is set forth in Appendix B hereto opposite such Casualty Payment Date, plus, on any Casualty Payment Date with respect to a Casualty Occurrence occurring before the

third, fifth or seventh anniversary of the date of the Certificate of Acceptance for such Unit, an amount equal to the percentage of the Purchase Price of such Unit suffering a Casualty Occurrence (such amount to be determined as of the actual date of the Casualty Occurrence) set forth below:

<u>Anniversary of the date of the Certificate of Acceptance</u>	<u>Percentage of Purchase Price to be added</u>
Third	19.9125%
Fifth	13.2750%
Seventh	6.6375%

§7.6. No Release. Except as hereinabove in this Article 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

§7.7. Insurance to Be Maintained. (1) The Lessee will, at all times prior to the return of the Units to the Owner-Trustee, at its own expense, cause to be carried and maintained (i) property insurance in respect of the Units at the time subject hereto; provided, however, that the Lessee may self-insure such Units to the extent it self-insures equipment similar to the Units and to the extent such self-insurance is consistent with prudent industry practice, and (ii) public liability insurance with respect to third party personal and property damage, and the Lessee will continue to carry such insurance with such deductibles, in such amounts (which, with respect to the above-mentioned public liability insurance, shall not be less than \$10,000,000), for such risks and with such insurance companies as is consistent with prudent industry practice but in any event with no greater deductibles and at least comparable in amounts and against risks customarily insured against by the Lessee in respect of equipment owned or leased by it similar in nature to the Units. The proceeds thereof shall be payable to the Vendor, the Owner-Trustee and the Lessee, as their interests may appear, so long as the Indebtedness, if any, evidenced by the CSA shall not have been

paid in full, and thereafter to the Owner-Trustee and the Lessee, as their interests may appear. Any policies of insurance carried in accordance with this paragraph shall (i) require 30 days' prior notice of cancellation or material change in coverage to the Owner-Trustee and the Vendor and (ii) name the Owner-Trustee and the Vendor as additional named insureds, as their respective interests may appear, and shall provide that, in respect of the interests of the Owner-Trustee and the Vendor in such policies, the insurance shall not be invalidated by any action or inaction of the Lessee or any other person (other than the Owner-Trustee or the Vendor) and shall insure the Owner-Trustee and the Vendor regardless of any breach or violation of any warranty, declaration or condition contained in such policies (or in the application therefor or in any other document submitted to the insurer in connection therewith) by the Lessee or by any other person (other than the Owner-Trustee or the Vendor). Prior to the first date of delivery of any Unit pursuant to the CSA, and thereafter not less than 5 days prior to the expiration dates of the expiring policies required pursuant to this Article 7, the Lessee shall deliver to the Owner-Trustee and the Vendor certificates of insurance issued by the insurers thereunder evidencing the insurance maintained pursuant to this Article 7; provided, however, that if the delivery of a certificate is delayed, the Lessee shall deliver an executed binder with respect thereto and shall deliver the formal certificate upon receipt thereof.

(2) In the event that the Lessee shall fail to maintain insurance as herein provided, the Owner-Trustee may at its option provide such insurance (giving the Lessee prompt written notice thereof) and, in such event, the Lessee shall, upon demand from time to time, reimburse the Owner-Trustee for the cost thereof together with interest, on the amount of the cost to the Owner-Trustee of such insurance which the Lessee shall have failed to maintain, at the rate per annum specified in Article 19 hereof, computed from the date of the Owner-Trustee's payment of such cost.

§7.8. Insurance Proceeds and Condemnation Payments. If the Owner-Trustee shall receive (directly or from the Vendor) any insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Owner-Trustee shall pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Owner-Trustee; provided, however, that no Event of Default shall have occurred and be continuing and the Lessee shall have made payment of the Casualty Value thereof, and accrued rentals in respect of such Unit, to the Owner-Trustee. All insurance proceeds received by the Owner-Trustee (directly or from the Vendor) in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof reasonably satisfactory to the Owner-Trustee that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

§7.9. Economic Obsolescence; Surplus. In the event that the Lessee shall, in its reasonable judgment, determine that any Unit or the Units have or will become economically obsolete (including, but not limited to any Unit's or the Units' requiring additions, modifications, improvements or replacements of the nature described in clause (iv) of §11.2(2) hereof) in, or surplus to, the Lessee's business, the Lessee shall have the right, at its option and on at least 90 days' prior written notice to the Owner-Trustee and the Vendor, to terminate (hereinafter called a Termination) this Lease as to such Unit(s) (subject to the survival of the obligations described in Article 4 hereof) as of any succeeding rental payment date specified in such notice occurring on or after March 30, 1986 (the termination date specified in such notice being hereinafter called the Termination Date).

The Lessee shall use its best efforts preceding the Termination Date to obtain bids for the purchase of such Unit or Units, and the Lessee shall at least five business days prior to the Termination Date certify to the Owner-Trustee the amount of each such bid and the name and address of the party (which shall not be a corporation or

individual affiliated with the Lessee or any party from whom the Lessee or any such affiliate intends thereafter to lease such Unit or Units) submitting such bid. On the Termination Date the Owner-Trustee shall sell such Unit or Units for cash to the bidder who shall have submitted the highest bid prior to the Termination Date. The total sales price realized at such sale shall be paid to the Owner-Trustee in immediately available funds on the Termination Date and, in addition, on the Termination Date the Lessee shall pay to the Owner-Trustee the excess, if any, of the Termination Value computed as set forth below in this §7.9 (hereinafter called the Termination Value) in respect of such Unit or Units over the net sales price of such Unit or Units after deducting from such sales price any and all out-of-pocket costs and expenses whatsoever incurred by the Owner-Trustee in connection with such sale. If no sale shall occur on the date scheduled therefor as above provided, this Lease shall continue in full force and effect without change unless and until the Lessee pays the Owner-Trustee an amount equal to the Termination Value of such Unit or Units (in which case such Unit or Units are to be returned to the Owner-Trustee in accordance with the procedures set forth in Article 17 hereof); provided, however, that the Lessee, on behalf of the Owner-Trustee, may attempt to sell such Unit or Units for cash at some later date upon 30 days' prior written notice to the Owner-Trustee and the Vendor and following the procedure set forth above. In the event of any such sale for cash and the receipt by the Owner-Trustee of the amounts above described, the obligation of the Lessee to pay rent pursuant to Article 3 hereof in respect of such Unit or Units subject to a Termination on each rental payment date shall continue to and including the Termination Date but shall then terminate. The Owner-Trustee shall be under no duty to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action or incur any cost or expense in connection with any such sale pursuant to this §7.9, other than to transfer or to cause to be transferred all of the Owner-Trustee's right, title and interest in and to such Unit or Units to the purchaser named in the highest bid certified by the Lessee to the Owner-Trustee as above provided. Any such sale pursuant to this §7.9 shall be free and clear of all of the Lessee's rights to such Unit or Units, but otherwise shall be made without warranties other than against the acts or omissions to act of, or claims (not related to the ownership of the Units) against the Owner-Trustee or the Owners.

The Termination Value of a Unit as of the Termination Date on which payment is made shall be an amount equal to that percentage of the Purchase Price of such Unit as is set forth in Appendix C hereto opposite such Termination Date.

Notwithstanding the foregoing, the Lessee may elect by written notice at least 45 days prior to the Termination Date to rescind its notice of termination whereupon this Lease will continue in full force and effect as though no such notice of termination had been given by the Lessee, and the Lessee shall pay the Owner-Trustee's reasonable out-of-pocket costs and expenses incurred in anticipation of the notice of termination which was rescinded; provided, however, that the Lessee shall have thereafter the right to terminate this Lease with respect to such Unit or Units as provided above.

ARTICLE 8. REPORTS

On or before April 30 in each year, commencing with the calendar year 1980, the Lessee will furnish to the Owner-Trustee and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the total number, description and identification numbers of all Units that have suffered a Casualty Occurrence or a Termination during the preceding calendar year or then withdrawn from use pending repair (other than running repairs) and setting forth such other information regarding the condition and state of repair of the Units as the Owner-Trustee or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted

or repaired during the period covered by such statement, the numbers and markings required by Article 5 hereof have been preserved or replaced. The Owner-Trustee, the Vendor and each Owner shall each have the right, by its agents, to inspect the Units and the maintenance records with respect thereto at such reasonable times as the Owner-Trustee, the Vendor or such Owner may request during the continuance of this Lease.

ARTICLE 9. DISCLAIMER OF WARRANTIES

NEITHER THE OWNER-TRUSTEE NOR THE VENDOR MAKES, HAS MADE OR SHALL BE DEEMED TO MAKE OR HAVE MADE ANY 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 OR ANY COMPONENT THEREOF DELIVERED TO THE LESSEE HEREUNDER, AND NEITHER THE OWNER-TRUSTEE NOR THE VENDOR MAKES ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Owner-Trustee and the Vendor, on the one hand, and the Lessee, on the other hand, are to be borne by the Lessee; but the Owner-Trustee hereby irrevocably appoints 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 the account of the Owner-Trustee and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Owner-Trustee may have against the Builder under the provisions of Items 3 and 4 of Annex A of the CSA; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Owner-Trustee may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. Neither the Owner-Trustee nor the Vendor shall have any responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability (including, without limitation, strict liability in tort or otherwise), loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks

relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee, on the one hand, and the Owner-Trustee and the Vendor, on the other hand, that the 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 Owner-Trustee or the Vendor based on any of the foregoing matters.

ARTICLE 10. LAWS AND RULES

§10.1. Compliance. The Lessee agrees, for the benefit of the Owner-Trustee and the Vendor, 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 operations involving the Units may extend, with the Interchange Rules of the Association of American Railroads and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or 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, replacement, addition or improvement of or to any part of any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of the Owner-Trustee or the Vendor, adversely affect the property or rights of the Owner-Trustee or the Vendor under this Lease or under the CSA.

§10.2. Reports by Owner-Trustee. The Lessee agrees to prepare and deliver to the Owner-Trustee and the Vendor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Owner-Trustee and the Vendor) any and all reports (other than income tax returns) to be filed by the Owner-Trustee with any federal, state or other regulatory authority by reason of the ownership by the Owner-Trustee

or the Vendor of the Units or the leasing thereof to the Lessee. The Lessee shall reimburse the Owner-Trustee and the Vendor for their reasonable out-of-pocket expenses incurred in connection with the filing of such reports.

ARTICLE 11. MAINTENANCE

§11.1. Units in Good Operating Order. The Lessee agrees that, at its own cost and expense, it will maintain and keep, or cause to be maintained and kept, each Unit (including any parts installed on or replacements made to any Unit and considered an accession thereto as hereinbelow provided) which is subject to this Lease in good operating order, repair and condition, ordinary wear and tear excepted.

§11.2. Additions, Modifications and Improvements. (1) Severable. The Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to any Unit during the term of this Lease as are readily removable without causing material damage to such Unit. Provided that no Event of Default, or event which but for the lapse of time or the giving of notice or both would be an Event of Default, shall have occurred and be continuing, the Lessee may remove such addition, modification or improvement before such Unit is returned to the Owner-Trustee, and the Lessee shall thereafter own such addition, modification or improvement. The Lessee shall repair all damage to such Unit resulting from such installation and removal so as to restore such Unit to the condition in which it existed prior to the installation of such addition, modification or improvement (ordinary wear and tear excepted). If the Owner-Trustee so agrees, the Lessee shall not be required to remove any addition, modification or improvement if the retention of such addition, modification or improvement will not adversely affect the operating capabilities of such Unit in the possession of the Owner-Trustee. Any addition, modification or improvement not so removed shall be the property of the Owner-Trustee.

(2) Non-severable. Any and all parts installed on and additions, modifications, improvements and replacements made to any Unit (i) which are not readily removable without causing material damage to such Unit and were installed or were added to such Unit in contravention of the provisions of §11.2(1) hereof, (ii)

the cost of which is included in the Purchase Price of such Unit, (iii) in the course of ordinary maintenance of the Units or (iv) which are not readily removable without causing material damage to such Unit and 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 Department of Transportation or any other applicable regulatory body or otherwise required under §10.1 of this Lease, shall constitute accessions to such Unit; and full ownership thereof, free from any lien, charge, security interest or encumbrance (except for those created by the CSA), shall immediately be vested in the Owner-Trustee and the Vendor as their respective interests may appear in the Unit itself.

ARTICLE 12. INDEMNIFICATION

§12.1. Indemnified Persons. The Lessee shall pay, and shall protect, indemnify and hold the Owner-Trustee (in both its individual and fiduciary capacities), each Owner, the Vendor and their respective successors, assigns, agents and servants (hereinafter called Indemnified Persons), harmless from and against any and all causes of action, suits, penalties, claims, demands or judgments of any nature whatsoever which may be imposed on, incurred by or asserted against any Indemnified Person (including any or all liabilities, obligations, damages, costs, disbursements, expenses (including without limitation reasonable attorneys' fees and expenses of any Indemnified Person) relating thereto) in any way relating to or arising or alleged to arise out of, or in connection with Lessee's rights and obligations under, this Lease, the CSA or the Units, including without limitation those in any way relating to or arising or alleged to arise out of (i) the manufacture, construction, purchase, acceptance, rejection, ownership, delivery, nondelivery, lease, possession, use, operation, condition, sale, return or other disposition of any Unit or portion thereof, (ii) any latent and other defects whether or not discoverable by the Owner-Trustee, the Vendor or the Lessee, (iii) any claim for patent, trademark or copyright infringement, (iv) any claims based on strict liability in tort, (v) any injury to or the death of any person or any damage to or

loss of property on or near the Units or in any manner growing out of or connected with, or alleged to grow out of or be connected with, the ownership, use, replacement, adaptation or maintenance of the Units or of any other equipment in connection with the Units (whether owned or under the control of the Owner-Trustee, the Lessee or any other person) or resulting or alleged to result from the condition of any thereof; (vi) any violation, or alleged violation, of any provision of this Lease (except by the Owner-Trustee) or of any agreement, law, rule, regulation, ordinance or restriction affecting or applicable to the Units or the leasing, ownership, use, replacement, adaptation or maintenance thereof; or (vii) any claim arising out of any of the Owner-Trustee's obligations under the Lease Assignment or the Vendor's retention of a security interest under the CSA or the Lease Assignment or the Participation Agreement, except to the extent such claim arises from an act or omission of the Owner-Trustee. The Lessee shall be obligated under this §12.1, irrespective of whether or not any Indemnified Person shall also be indemnified with respect to the same matter under any other agreement by any other person, and the Indemnified Person seeking to enforce the indemnification may proceed directly against the Lessee under this §12.1 without first resorting to any such other rights of indemnification. In case any action, suit or proceeding is brought against any Indemnified Person in connection with any claim indemnified against hereunder, the Lessee may and upon such Indemnified Person's request, will at the Lessee's expense resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Lessee and reasonably approved by such Indemnified Person and, in the event of any failure by the Lessee to do so, the Lessee shall pay all reasonable costs and expenses (including without limitation attorneys' fees and expenses) incurred by such Indemnified Person in connection with such action, suit or proceeding. In the event the Lessee is required to make any payment under this §12.1, the Lessee shall pay directly to such Indemnified Person an amount which, after deduction of all taxes required to be paid by such Indemnified Person in respect of the receipt thereof under the laws of the United States or of any political subdivision thereof (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances

in respect of the payment of the expense indemnified against, and of any other such taxes as determined in the sole discretion of the Indemnified Person), shall be equal to the amount of such payment. The Lessee and the Owner-Trustee each agrees to give each other promptly upon obtaining knowledge thereof written notice of any claim or liability hereby indemnified against. Upon the payment in full of any indemnities as contained in this §12.1 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute such an Event of Default) shall have occurred and be continuing, the Lessee shall be subrogated to any right of such Indemnified Person (except against another Indemnified Person) in respect of the matter against which indemnity has been given. Any payments received by such Indemnified Person from any person (except the Lessee) as a result of any matter with respect to which such Indemnified Person has been indemnified by the Lessee pursuant to this §12.1 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made. Nothing in this §12.1 shall constitute a guaranty by the Lessee of the Indebtedness (as defined in § 4.3(b) of the CSA) of the Owner-Trustee under the CSA or a guaranty of the residual value of any Unit.

§12.2. Indemnification of the Builder. The Lessee further agrees to indemnify, protect and hold harmless the Builder as a third party beneficiary hereof from and against any and all liability, claims, costs, charges and expenses, including royalty payments and reasonable counsel fees, in any manner imposed upon or accruing against the Builder because of the use in or about the construction or operation of any Unit of any article or material specified by the Lessee and not manufactured by the Builder or of any design, system, process, formula or combination specified by the Lessee and not developed or purported to be developed by the Builder which infringes or is claimed to infringe on any patent or other right.

§12.3. Survival. The indemnities contained in this Article 12 shall survive the expiration or termination of this Lease with respect to all events, facts, conditions or other circumstances occurring or

existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any Indemnified Person. None of the indemnities in this Article 12 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee therefor, from or under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise.

ARTICLE 13. DEFAULT

§13.1. Events of Default; Remedies. If, during the continuance of this Lease or any extension or renewal thereof, one or more of the following events (each such event being herein sometimes called an Event of Default) shall occur:

A. default shall be made in payment of any amount provided for in Articles 3, 7, 12, 16 or 19 hereof or Paragraph 11 of the Participation Agreement, and such default shall continue for ten days;

B. the Lessee shall, for more than 45 days after the Vendor, either Owner or the Owner-Trustee shall have demanded in writing performance thereof, fail or refuse to comply with any other covenant, agreement, term or provision of this Lease or of the Participation Agreement on its part to be complied with or performed;

C. any representation or warranty made by the Lessee or by the Guarantor herein or in the Participation Agreement or in any certificate or statement furnished to the Owner-Trustee or either Owner pursuant to or in connection with any such agreements proves untrue in any material respect as of the date of issuance or making thereof;

D. a petition for reorganization under the Bankruptcy Act, as now constituted or as may hereafter be amended, shall be filed by or against the Lessee or the Guarantor, 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) within 60 days after such petition shall have been filed;

E. any other proceedings shall be commenced by or against the Lessee or the Guarantor for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder or under the Consent or the Guarantor under the Guaranty under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder or under the Consent or the Guarantor under the Guaranty, as the case may be) unless such proceedings shall be dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue) within 60 days after such proceedings shall have been commenced; or

F. an event of default set forth in Article 16 of the CSA shall have occurred arising out of any default by the Lessee in performing any of its obligations hereunder or under the Consent;

then, in any such case, the Owner-Trustee, 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) upon 5 days' written notice to the Lessee terminate this 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 Owner-Trustee may by its agents enter upon the premises of the Lessee or other premises, in so far as the Lessee may be lawfully authorized so to permit, where any of the Units may be located, without judicial process if this can be done without breach of the peace and in accordance with due process of law, and take possession of all or any of 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 purposes whatever and without any duty to account to the Lessee with respect to such action or inaction or for any proceeds arising therefrom, and in connection therewith use and employ any available trackage and other facilities or means of the Lessee; but the Owner-Trustee shall, nevertheless, have a right to recover forthwith 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 the total number of days in such full rental period) and also to recover forthwith from the Lessee as liquidated damages for loss of the bargain and not as a penalty a sum, with respect to each Unit, which represents (i) whichever of the following amounts that the Owner-Trustee in its sole discretion shall specify: (x) the excess of the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Owner-Trustee reasonably estimates to be obtainable for each Unit during such period, such present value to be computed in each case on the basis of a 6% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated or, in the event the Owner-Trustee shall have sold such Unit, the net proceeds of the sale or (y) an amount equal to the excess, if any, of the Casualty Value as of the Casualty Payment Date on or next preceding the date of termination over either the amount the Owner-Trustee reasonably estimates to be the sales value of such Unit at such time or, in the event the Owner-Trustee shall have sold such Unit, the net proceeds of such sale, plus (ii) any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Owner-Trustee shall have sustained by reason of the breach of any covenant, representation or warranty in this Lease other than for the payment of rental.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Owner-Trustee's remedies with respect thereto, including, without limitation, all costs and expenses incurred in connection with the return of any Unit.

§13.2. Remedies Not Exclusive; Waiver. The remedies in this Lease provided in favor of the Owner-Trustee shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively and shall be in addition to all other remedies 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 not, at the time in question, prohibited by law.

§13.3. Failure to Exercise Rights is not Waiver. The failure of the Owner-Trustee 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.

§13.4. Notice of Event of Default. The Lessee also agrees to furnish the Owner-Trustee, each Owner and the Vendor, promptly upon any responsible officer's becoming aware of any condition which constituted or constitutes an Event of Default under this Lease or which, after notice or lapse of time or both, would constitute such an Event of Default, written notice thereof specifying such condition and the nature and status thereof. For the purposes of this §13.4, a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate officer of the Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

ARTICLE 14. RETURN OF UNITS UPON DEFAULT

§14.1. Return of Units. If this Lease shall terminate pursuant to §13.1 hereof or pursuant to Article 16 of the CSA, the Lessee shall forthwith deliver possession of the Units to the Owner-Trustee. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, shall be fit

for loading, shall meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction, shall have attached or affixed thereto any special device considered an accession thereto as provided in Article 11 hereof and shall have removed therefrom at the Lessee's expense any addition, modification or improvement which, as provided in said Article 11, is owned by the Lessee. For the purpose of delivering possession of any Unit or Units as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged or which may have possession thereof to return the Unit or Units) and promptly place such Units upon such storage tracks as the Owner-Trustee reasonably may designate;

(b) permit the Owner-Trustee to store such Units on such tracks at the risk of the Lessee without charge for insurance, rent or storage until all such Units have been sold, leased or otherwise disposed of by the Owner-Trustee; and

(c) cause the same to be transported to any reasonable place as directed by the Owner-Trustee.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee, and upon application to any court of equity having jurisdiction in the premises, the Owner-Trustee shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Units in good order and repair, continue to maintain property insurance in accordance with the provisions of §7.7(1) hereof and permit the Owner-Trustee or any person designated by it, including the authorized

representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of the negligence or willful misconduct 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 Owner-Trustee or any prospective purchaser, lessee or user, the right of inspection granted under this sentence. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Owner-Trustee and, if received by the Lessee, shall be promptly turned over to the Owner-Trustee. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, the Lessee shall in addition pay to the Owner-Trustee for each day thereafter an amount equal to the amount, if any, by which that percentage of the Purchase Price of such Unit for each such day obtained by dividing by 180 the average of the basic lease rates for such Units as set forth in §3.1 hereof for each semiannual payment for such Unit exceeds the actual earnings received by the Owner-Trustee on such Unit for each such day. Payment shall be made on the 15th day of each month for all moneys due under the preceding sentence.

§14.2. Owner-Trustee Appointed Agent of Lessee.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of §14.1, the Lessee hereby irrevocably appoints the Owner-Trustee as the agent and attorney of the Lessee, with full power and authority at any time while the Lessee is obligated to deliver possession of any Unit to the Owner-Trustee, 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.

ARTICLE 15. ASSIGNMENT, POSSESSION AND USE

§15.1. Assignment; Consent. The Owner-Trustee shall not assign its rights under this Lease, in whole or in part, without the prior written consent of the Lessee, which consent shall not be unreasonably withheld. As more fully set forth in the Consent, the Lessee hereby consents to the assignment of this Lease pursuant to the Lease Assignment.

§15.2. Lessee's Rights To Use the Units, To Permit Use Thereof by Others and To Sublease the Units.

(1) Without the prior written consent of the Owner-Trustee and the Vendor, which consent shall not be unreasonably withheld, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them except as provided in §15.2(2) hereof; and the Lessee shall not, without the prior written consent of the Owner-Trustee and the Vendor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of said § 15.2(2). The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, would become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Owner-Trustee, either Owner or the Vendor or resulting from claims against the Owner-Trustee, either Owner or the Vendor not related to the ownership of the Units, other than any encumbrance on the leasehold estate of the Lessee and other than liens for taxes, assessments or governmental charges or levies, either not due and delinquent or being contested in accordance with §6.2 hereof or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, either not delinquent or which shall have been bonded or the enforcement of which shall have been suspended (but only for the duration of such suspension)) upon or with respect to any Unit, including any accession thereto, or the interest of the Owner-Trustee, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises.

(2) So long as no Event of Default exists hereunder, the Lessee shall be entitled to the quiet enjoyment and possession of the Units and to the use of the Units by it or any affiliate (including, without limitation, any direct or indirect domestic subsidiary of Occidental Petroleum Corporation) upon lines of railroad owned or operated by it 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 shall be entitled to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements and to assign its rights under the Lease or to sublease the Units to any such affiliate (or, with prior written notice to the Owner-Trustee, to any other solvent corporation in the United States for nonconsecutive periods of one year or less), but only upon and subject to all the terms and conditions of this Lease and the CSA; provided, however, that the Lessee shall not assign or sublease, or permit the assignment, sublease or use of, any Unit predominantly outside the United States of America within the meaning of Section 48(a) of the Internal Revenue Code of 1954, as amended to the date hereof, nor shall the Lessee assign or sublease to, or permit the sublease or use of the Units by, any person in whose hands such Units would not qualify as "section 38 property" within the meaning of said Code. The Lessee may receive and retain compensation for the use of any of the Units from other railroads so using such Units. Any sublease permitted by this paragraph may provide that the sublessee, so long as it shall not be in default under such sublease, shall be entitled to the possession and use of the Units included in such sublease; provided, however, that every such sublease shall by its express provisions be subject to the rights and remedies of the Owner-Trustee under this Lease in respect of the Units covered by such sublease upon the occurrence of an Event of Default hereunder.

The Lessee agrees that, if any proceeding shall be brought for the sale or foreclosure of the Owner-Trustee's interest under the CSA, and if the Owner-Trustee's interest in the Equipment shall be sold pursuant to the CSA, the Lessee will, in the event that this Lease shall not, prior to such sale, have been terminated or have expired in accordance with its terms, attorn to the purchaser upon any such sale at foreclosure or otherwise, including the Vendor if it should be the purchaser thereof, and will recognize such purchaser as the lessor under this Lease, and this Lease shall continue in full force and effect as a direct lease between the Lessee and such purchaser upon and subject to all the terms, covenants, conditions and agreements set forth in this Lease, if (i) such purchaser shall have assumed and agreed to perform

all obligations required to be performed by the original lessor under this Lease in respect of periods after such purchase, and (ii) such purchase shall have been made expressly subject to the rights of the Lessee under this Lease. The Lessee agrees that, upon compliance with clauses (i) and (ii) of the preceding sentence, it will execute and deliver, at any time and from time to time, upon the request of the Vendor or any such purchaser, any agreement, instrument or other document which, in the judgment of the party making such request, may be necessary or appropriate in any such foreclosure proceeding, or otherwise, to evidence such attornment.

§15.3. Transfers by Lessee Through Merger, Acquisition or Consolidation. Nothing in this Article 15 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder and under the Consent) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

ARTICLE 16. RENEWAL OPTION; PURCHASE OPTION;
FAIR MARKET VALUE AND FAIR MARKET RENTAL
VALUE

§16.1 Renewal Option. Upon 120 days' prior written notice and provided no Event of Default, or event which, but for the lapse of time or the giving of notice or both, would be an Event of Default, shall have occurred and be continuing, the Lessee shall be entitled at the end of the original term of this Lease to renew this Lease with respect to any or all Units for a term of not less than five nor more than seven years from the end of the original term for a rental equal to the Fair Market Rental Value (as defined in §16.3 hereof) thereof payable semiannually in arrears on March 30 and September 30 of

each year, with Termination Values for the period of renewal, including March 30, 1997, determined in a manner consistent with the original calculations of the prior Termination Values, and otherwise on the same terms and conditions as provided herein.

Notwithstanding the foregoing, at any time at least 90 days prior to any such end of the term of this Lease, the Lessee may elect by written notice to rescind its notice to renew, whereupon the Lessee shall pay the Owner-Trustee's reasonable out-of-pocket costs and expenses incurred in anticipation of the notice to renew which was rescinded.

§ 16.2 Purchase Option. Upon 120 days' prior written notice and provided no Event of Default, or event which, but for the lapse of time or the giving of notice or both, would be an Event of Default, shall have occurred and be continuing, the Lessee shall be entitled at the end of the original term or any renewal term of this Lease to purchase any or all Units at the Fair Market Value (as defined in §16.3 hereof) thereof at the time of such purchase on an "as is" basis.

Notwithstanding the foregoing, at any time at least ~~ninety (90)~~ days prior to any such end of the term of this Lease, the Lessee may elect by written notice to rescind its notice to purchase whereupon the Lessee shall pay the Owner-Trustee's reasonable out-of-pocket costs and expenses incurred in anticipation of the notice to purchase which was rescinded.

§ 16.3 Fair Market Rental Value and Fair Market Value; Definition; Determination. For the purposes of this Lease, the Fair Market Rental Value of any Unit shall be equal to the rent of such Unit in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession or a used equipment dealer) and an informed and willing lessor under no compulsion to lease, and the Fair Market Value of any Unit shall be equal to the value of such Unit on an "as is" basis in an arm's-length transaction between an informed and willing buyer-user (other than a lessee currently in possession or a used equipment dealer) and an informed and willing seller under no compulsion to sell. Costs of removal from the location of current use shall not be a deduction in determining either of the above-mentioned values.

The Lessee and the Owner-Trustee agree to negotiate in good faith the Fair Market Rental Value or the Fair Market Value, as the case may be, and, in the event such agreement cannot be reached at least 90 days prior to any such end of the term of this Lease, shall, at the Lessee's or the Owner-Trustee's option, submit the question of value to independent appraisers in the manner specified below in this §16.3. The Lessee and the Owner-Trustee agree to be bound by the determination of such independent appraisers. In no event shall a Unit be sold or leased pursuant to this Article 16 for less than its Fair Market Value or Fair Market Rental Value, as the case may be.

If either party hereto shall have given written notice to the other requesting determination of the Fair Market Value or the Fair Market Rental Value, the parties shall attempt to determine such value, and, failing such agreement within 20 days after the giving of such notice, the parties shall consult for the purpose of appointing one qualified independent appraiser by mutual agreement. If no such appraiser shall be so appointed within 30 days after such notice shall have been given, each party shall appoint an independent appraiser (which shall not be the manufacturer of such property) within 35 days after such notice shall have been given, and the two appraisers so appointed shall within 40 days after such notice shall have been given appoint a third independent appraiser (which shall not be the manufacturer of such property). If no such third appraiser shall be so appointed within 40 days after such notice shall have been given, either party may apply to the American Arbitration Association (or any successor thereto) for the appointment of an arbitrator in Lexington, Kentucky, or such other city as shall be agreed upon by the parties, and both parties shall be bound by any appointment made by such association. Each appraiser appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Value or the Fair Market Rental Value, as the case may be, of the property in question within 30 days after his appointment. If the parties shall have appointed a single appraiser, his determination of value shall be final and binding as the Fair Market Value or the Fair Market Rental Value, as the case may be. If three appraisers shall have been appointed as hereinabove set forth, the values determined by the three appraisers shall be averaged, the

determination which shall differ most from such average shall be disregarded, the remaining two determinations shall be averaged, and such average shall be final and binding as the Fair Market Value or the Fair Market Rental Value, as the case may be. The Lessee and the Owner-Trustee shall equally bear all expenses of such appraisers, provided that if three appraisers are chosen, the Owner-Trustee and the Lessee shall each bear all expenses of its chosen appraiser, and further provided that if an Event of Default has occurred and is continuing, all expenses of such appraisers shall be borne by the Lessee.

ARTICLE 17. RETURN OF UNITS UPON EXPIRATION
OF TERM

As soon as practicable after the expiration of the original or extended term of this Lease with respect to any Unit and in any event not later than 90 days thereafter, the Lessee will, at its own cost and expense, at the request of the Owner-Trustee, deliver possession of such Unit to the Owner-Trustee upon such storage tracks within the States of Virginia and West Virginia and the Commonwealths of Kentucky and Pennsylvania as the Lessee may reasonably designate or, in the absence of such designation, as the Owner-Trustee may select, and permit the Owner-Trustee to store such Unit on such tracks for a period not exceeding 30 days and transport the same upon disposition of the Units, at any time within such 30-day period, to any connecting carrier for shipment, all as directed by the Owner-Trustee, the movement and storage of such Units to be at the expense and risk of the Lessee. During any such storage period the Lessee will permit the Owner-Trustee or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence or willful misconduct 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 Owner-Trustee or any prospective purchaser, lessee or user, the

rights of inspection granted under this sentence. Each Unit returned to the Owner-Trustee pursuant to this Article 17 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, (ii) be fit for loading, (iii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction and (iv) have attached or affixed thereto any special device considered an accession thereto as provided in Article 11 hereof and have removed therefrom any such device not so considered an accession. During any such storage period the Lessee shall (i) maintain the Units in such manner as the Lessee normally maintains similar units of railroad equipment owned or leased by it in similar storage circumstances and (ii) continue to carry and maintain insurance as required pursuant to §7.7 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee, and upon application to any court of equity having jurisdiction in the premises, the Owner-Trustee shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Owner-Trustee and, if received by the Lessee, shall be promptly turned over to the Owner-Trustee. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 90 days after such termination, the Lessee shall in addition pay to the Owner-Trustee for each day thereafter an amount equal to the amount, if any, by which that percentage of the Purchase Price of such Unit for each such day obtained by dividing by 180 the average of the basic lease rates for such Units as set forth in § 3.1 hereof for each semiannual payment for such Unit exceeds the actual earnings received by the Owner-Trustee on such Unit for each such day. Payment shall be made on the 15th day of each month for all moneys due under the preceding sentence.

ARTICLE 18. RECORDING

The Lessee, at its own expense, will cause this Lease, the CSA, the Assignment and the Lease Assignment to be filed with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will undertake the filing, registering, deposit and recording required of the Owner-Trustee under the CSA. The Lessee in addition will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record (and will refile, reregister, redeposit and rerecord whenever required) any and all further instruments required by law or reasonably requested by the Owner-Trustee or the Vendor for the purpose of proper protection, to their reasonable satisfaction, of the Vendor's and the Owner-Trustee's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the CSA, the Assignment and the Lease Assignment; and the Lessee will promptly furnish to the Vendor and the Owner-Trustee evidence of all such filings, registrations, deposits and recordings, and an opinion or opinions of counsel for the Lessee with respect thereto reasonably satisfactory to the Vendor and the Owner-Trustee. This Lease, the CSA, the Assignment and the Lease Assignment shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

ARTICLE 19. INTEREST ON OVERDUE RENTALS

Any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to interest at 10% per annum, or at such lesser maximum rate permitted by law, on the overdue rentals and other obligations for the period of time during which they are overdue.

ARTICLE 20. OWNER-TRUSTEE'S RIGHT TO PERFORM FOR THE LESSEE

If the Lessee fails to perform or comply with any of its agreements contained herein, the Owner-Trustee may, upon notice to the Lessee, itself perform or comply

with such agreement, and the amount of the reasonable out-of-pocket costs and expenses of the Owner-Trustee incurred in connection with such performance or compliance, together with interest on such amount at the rate per annum which Bank of America National Trust and Savings Association charges for unsecured 90-day loans to large corporate borrowers at the time in effect, or at such lesser maximum rate permitted by law, shall be payable by the Lessee upon demand except as otherwise provided in this Lease. No such performance or compliance by the Owner-Trustee shall be deemed a waiver of the rights and remedies of the Owner-Trustee or any assignee of the Owner-Trustee against the Lessee hereunder.

ARTICLE 21. NOTICES

Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first class, postage prepaid, addressed as follows:

(a) if to the Owner-Trustee, at 130 South LaSalle, Street, Chicago, Illinois 60690, Attention: Vice President, and

(b) if to the Lessee, at P.O. Box 11430, Lexington, Kentucky 40575, Attention: Vice President-Finance, with a copy to Occidental Petroleum Corporation, 10889 Wilshire Boulevard, Suite 1500, Los Angeles, California 90024, Attention: Associate Director-Finance,

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

ARTICLE 22. SEVERABILITY

Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such

prohibition or enforceability 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.

ARTICLE 23. EFFECT AND MODIFICATION OF LEASE

Except for the Participation Agreement, the Guaranty, the Lease Assignment and the Consent, this Lease exclusively and completely states the rights of the Owner-Trustee and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Owner-Trustee and the Lessee.

ARTICLE 24. THIRD PARTY BENEFICIARIES

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

ARTICLE 25. EXECUTION

This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart marked Original Counterpart delivered to the Vendor pursuant to the Lease Assignment shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, 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.

ARTICLE 26. LAW GOVERNING

The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Kentucky; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

ARTICLE 27. IMMUNITIES; NO RECOURSE

(1) No recourse shall be had in respect of any obligation due under this Lease against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto or against the Owners, whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision or statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Lease.

(2) It is expressly agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, undertakings and agreements herein made on the part of the Owner-Trustee are each and every one of them made and intended not as personal representations, undertakings and agreements by Exchange National Bank of Chicago, including its successors and assigns, or for the purpose or with the intention of binding said institution personally, but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by said institution solely in the exercise of the powers expressly conferred upon said institution as trustee under the Trust Agreement; and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said institution on account of any representation, undertaking or agreement herein of the said institution, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee.

ARTICLE 28. AGREEMENTS FOR BENEFIT OF OWNER-TRUSTEE'S ASSIGNS

All rights and remedies of the Owner-Trustee hereunder (including, but not limited to, its rights under Articles 6, 7, 9, 12, 13, 14 and 17 and the right to receive the rentals payable under this Lease) shall inure to the benefit of the Owner-Trustee's assigns (including the Vendor).

ARTICLE 29. TERM OWNER-TRUSTEE

Whenever the term Owner-Trustee is used in this Lease it shall apply and refer to the Owner-Trustee and any assignee of the Owner-Trustee (including, so long as any Indebtedness under the CSA or interest thereon shall remain unpaid or any other obligation thereunder be continuing, the Vendor).

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

ISLAND CREEK COAL COMPANY

[corporate seal]
Attest:

by R.B. Casriel
R.B. Casriel, Treasurer

Paul C. Hebner
Paul C. Hebner, Vice
President and Secretary

EXCHANGE NATIONAL BANK OF
CHICAGO, not in its
individual capacity but
solely as Owner-Trustee

[seal]
Attest:

by _____
Vice President

Authorized Officer

STATE OF CALIFORNIA)
) ss:
COUNTY OF LOS ANGELES)

On this 15th day of February, 1979, before me personally appeared R. B. Casriel, to me personally known, who being by me duly sworn, says that he is the Treasurer of Island Creek Coal Company, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Jacqueline Land

Notary Public

[Notarial Seal]

My Commission Expires April 26, 1981

APPENDIX A TO LEASE

Type: 100-ton, open-top hopper cars, class H-12, manufactured in the shops of Norfolk and Western Railway Company in Roanoke, Virginia.

A.A.R. Mechanical Designation: HT.

Builder's Specifications: The Units shall be built in accordance with N & W Bills of Materials 612 and 622, N & W General Arrangement Drawing J-51780 and related drawings (except that stenciling drawing shall be D-52088, rather than D-51801) and Brake Arrangement Drawing J-51802, all of which are incorporated herein by reference and made a part hereof, and shall be equipped with Stucki HS-7 stabilizers; and shall be painted with "direct-to-metal" Evans #2 yellow paint and stenciled with reporting marks and car numbers in Pruitt Shaffer #11926 royal blue paint as set forth in drawing D-52088.

Quantity: 236 (Groups of 100, 70 and 66).

Unit Base Price: \$34,750.

Total Base Price: \$8,201,000.

Road (Serial) Numbers: ICRX 30,000 - 30,235, inclusive.

Estimated Times of Delivery:

February 14, 1979 (100 cars),
February 28, 1979 (70 cars)
and March 20, 1979 (66 cars).

Place of Delivery:

Fies Mine, Hopkins County,
Kentucky.

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- * This Appendix A sets forth a description of the Units having a total base price of \$8,201,000. It is understood, however, that certain of the Units may be delivered to and accepted by the Lessee prior to the execution and delivery of this Lease, in which case any Unit so delivered and accepted will be excluded from this Appendix A by an appropriate supplement hereto. After delivery of all of the Units covered by the CSA, this Appendix A will be appropriately amended, if necessary, to describe only those units covered by this Lease.

APPENDIX B TO LEASE

Casualty

<u>Casualty Payment Dates</u>	<u>Percentage of Purchase Price*</u>
September 30, 1979	86.9730%
March 30, 1980	89.5567%
September 30, 1980	89.1001%
March 30, 1981	90.7549%
September 30, 1981	90.2849%
March 30, 1982	90.8553%
September 30, 1982	90.6655%
March 30, 1983	91.0662%
September 30, 1983	90.2893%
March 30, 1984	90.0433%
September 30, 1984	89.1993%
March 30, 1985	88.5940%
September 30, 1985	87.4434%
March 30, 1986	86.4355%
September 30, 1986	85.0903%
March 30, 1987	83.8861%
September 30, 1987	82.8321%
March 30, 1988	80.9868%
September 30, 1988	78.5523%
March 30, 1989	76.0717%
September 30, 1989	73.4454%
March 30, 1990	70.7041%
September 30, 1990	67.8295%
March 30, 1991	64.8231%
September 30, 1991	61.7805%
March 30, 1992	58.6706%
September 30, 1992	55.5370%
March 30, 1993	52.5452%
September 30, 1993	49.2596%
March 30, 1994	46.1532%
September 30, 1994	42.7305%
March 30, 1995	39.4420%
September 30, 1995	35.8755%
March 30, 1996	32.3962%
September 30, 1996	28.6940%
March 30, 1997 and thereafter	25.0000%

* As defined in the Lease

APPENDIX C TO LEASE

TerminationTermination DatesPercentage of
Purchase Price*

March 30, 1986	86.4355%
September 30, 1986	85.0903%
March 30, 1987	83.8861%
September 30, 1987	82.8321%
March 30, 1988	80.9868%
September 30, 1988	78.5523%
March 30, 1989	76.0717%
September 30, 1989	73.4454%
March 30, 1990	70.7041%
September 30, 1990	67.8295%
March 30, 1991	64.8231%
September 30, 1991	61.7805%
March 30, 1992	58.6706%
September 30, 1992	55.5370%
March 30, 1993	52.5452%
September 30, 1993	49.2596%
March 30, 1994	46.1532%
September 30, 1994	42.7305%
March 30, 1995	39.4420%
September 30, 1995	35.8755%
March 30, 1996	32.3962%
September 30, 1996	28.6940%
March 30, 1997	-0-

* As defined in the Lease