

9-096A.20

10262

APR-06 1979

RECORDATION NO. .... Filed 1425

Date

Fee \$

50.00

Interstate Commerce Commission  
Washington, D.C.

APR 6 1979 - 10 35 AM

INTERSTATE COMMERCE COMMISSION

Washington, D.C.

Gentlemen:

Enclosed for recordation under the provisions of 49 USC 11303 are the original and 11 counterparts of an Equipment Lease dated as of January 1, 1979.

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

The names and addresses of the parties are:

Lessor: Gould Leasing Services, Inc.  
10 Gould Center  
Rolling Meadows, Illinois 60008

Lessee: William M. Gibbons, Trustee of  
the Property of Chicago, Rock  
Island and Pacific Railroad  
Company  
332 South Michigan Avenue  
Chicago, Illinois 60604

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

Please return the original and 10 counterparts of the Equipment Lease to Gary Green, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

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

Very truly yours,

GOULD LEASING SERVICES, INC.

By

*Walter H. ...*  
LESSOR AS AFORESAID

Enclosures

RECORDED

APR 9 1979

RECEIVED

*Chapman and Cutler*  
*ET. Kessler*

DESCRIPTION OF ITEMS OF EQUIPMENT

Manufacturer of Equipment: Greenville Steel Car Company

Description and Mark and Number of Items of Equipment: 280 100-ton Open-Top Hopper Cars Marked and Numbered ROCK 701020 to ROCK 701299, both inclusive

Maximum Purchase Price of Equipment: \$32,000 per Item

Maximum Aggregate Purchase Price of Equipment: \$8,960,000

Place of Delivery: Near Greenville, Pennsylvania

Outside Delivery Date: June 30, 1979

(CRI Trust No. 79-2)

SCHEDULE A

**Interstate Commerce Commission**  
**Washington, D.C. 20423**

4/6/79

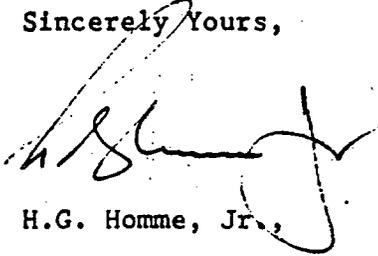
OFFICE OF THE SECRETARY

Gary Green, Esp  
Chapman and Cutler  
111 West Monroe Street  
Chicago, Illinois 60603

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on 4/6/79 at 10:35am and assigned recordation number(s) 10262 & 10263

Sincerely Yours,

  
H.G. Homme, Jr.,  
Secretary

Enclosure(s)

SE-30-T  
(2/78)

10262

RECORDATION NO. .... Filed 1425

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APR 6 1979 - 10 05 AM

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INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE

Dated as of January 15, 1979

BETWEEN

GOULD LEASING SERVICES, INC.

LESSOR

AND

WILLIAM M. GIBBONS, TRUSTEE OF THE PROPERTY OF  
CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY

LESSEE

---

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(CRI No. 79-2)  
(280 Open Top Hoppers)

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ATTACHMENTS TO EQUIPMENT LEASE:

Schedule A - Description of Items of Equipment

Schedule B - Certificate of Acceptance Under Equipment Lease

Schedule C - Schedule of Casualty Values

## EQUIPMENT LEASE

THIS EQUIPMENT LEASE ("this Lease" or "Equipment Lease") dated as of January 15, 1979 between GOULD LEASING SERVICES, INC. (the "Lessor"), and WILLIAM M. GIBBONS, TRUSTEE OF THE PROPERTY OF CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY, a Delaware corporation, as lessee (said William M. Gibbons, Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company, together with any additional successor Trustee or Trustees of such property, and upon assignment, transfer or succession to the interest therein by the reorganized debtor pursuant to Section 77 of the Federal Bankruptcy Act, such reorganized company and its successors and assigns, being hereinafter referred to as the "Lessee", and Chicago, Rock Island and Pacific Railroad Company in its individual corporate capacity being hereinafter sometimes referred to as "Rock Island Railroad");

### R E C I T A L S:

A. On March 17, 1975, Rock Island Railroad filed a Petition for Reorganization under Section 77 of the Federal Bankruptcy Act in the United States District Court for the Northern District of Illinois (the "Court"), such Petition was duly approved as properly filed by an order signed on said date by the Court (said Petition and any and all other proceedings with respect thereto filed with the Court being hereinafter called the "Reorganization Proceedings") and the Lessee was duly qualified as Trustee of the Property of Rock Island Railroad on April 4, 1975.

B. Pursuant to a Purchase Order Assignment dated as of January 15, 1979 (the "Purchase Order Assignment"), the Lessee has assigned to the Lessor its right to purchase the railroad equipment described in Schedule A attached hereto (collectively the "Equipment" and individually an "Item of Equipment").

C. The Lessee and the Lessor intend to enter into a Participation Agreement dated as of January 15, 1979 (the "Participation Agreement") with Mercantile-Safe Deposit and Trust Company, as security trustee (the "Security Trustee"), and the institutional investors named in Schedule 2 thereto (the "Note Purchasers") providing for (i) the commitment of the Lessor to advance funds equal to approximately 33.5% of the Purchase Price (as defined in the Participation Agreement) of each Item of Equipment and (ii) the commitment of the Note Purchasers to purchase the Secured Notes of the Lessor (the "Notes") on the Closing Dates specified therein to finance the balance of the Purchase Price of each Item of Equipment. It is contemplated that the Participation Agreement will provide that the Notes be secured by an assignment of the Lessor's right, title and interest in and to this Lease and in and to the Equipment pursuant to a Security Agreement-Trust Deed dated as of January

15, 1979 (the "Security Agreement") from the Lessor to the Security Trustee.

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT.

1.1. Intent to Lease and Hire. Upon execution and delivery of the Certificate of Acceptance (as hereinafter defined) for an Item of Equipment, the Lessor shall lease and let such Item of Equipment to the Lessee for the rental and on and subject to the terms and conditions herein set forth.

1.2. Delivery and Acceptance of Items. The Lessor shall authorize one or more employees of the Lessee, designated by the Lessee, as the authorized representative or representatives of the Lessor to accept delivery of the Items of Equipment pursuant to the Purchase Order Assignment. The Lessor will cause each Item of Equipment to be tendered to such authorized representative or representatives at the place of delivery set forth in Schedule A. Upon such tender the Lessee will cause such authorized representative or representatives to inspect each such Item of Equipment, and, if such Item of Equipment is found to be in good order, to accept delivery of such Item of Equipment on behalf of the Lessor and to execute and deliver to the Lessor and the manufacturer thereof (the "Manufacturer") a Certificate of Acceptance in the form attached hereto as Schedule B (the "Certificate of Acceptance") with respect to such Item of Equipment, such date hereinafter referred to as the "Delivery Date". Such acceptance of delivery by such authorized representative or representatives on behalf of the Lessor shall, without further act, irrevocably constitute acceptance by the Lessee of such Item of Equipment for all purposes of this Lease. The Lessee shall not accept on behalf of the Lessor and the Lessor shall have no obligation to lease to the Lessee (i) any Item of Equipment delivered after the Outside Delivery Date therefor set forth in Schedule A hereto, or (ii) any Item of Equipment with respect to which the payment therefor by the Lessor would cause the Purchase Price for such Item and all Items of Equipment previously delivered to and accepted on behalf of the Lessor to exceed \$8,960,000. The Lessee shall remain responsible for and shall be liable to the Lessor for any Item accepted by such inspector which is not actually in good order and in conformance with Section 1.3 hereof and the other requirements of this Lease relating to the condition or use of such Item.

1.3. Lessee's Satisfaction with Equipment; Conformance with Specifications and Requirements. The Lessee's execution and delivery of a Certificate of Acceptance with respect to each Item of Equipment pursuant to Section 1.2 hereof shall conclusively establish that such Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Item of Equipment is in good order and condition and appears to conform to the specifications applicable thereto and to all applicable United States Department

of Transportation and Interstate Commerce Commission requirements and specifications, if any, and to all standards required or recommended by the Association of American Railroads applicable to new railroad equipment qualified for interchange of the character of the Equipment as of the date of this Lease. By execution and delivery of such Certificate of Acceptance, the Lessee represents that it has no knowledge of any such defect.

SECTION 2. RENTALS AND PAYMENT DATES.

2.1. Rent for Equipment. The Lessee agrees to pay the Lessor the following rent for each Item of Equipment:

(a) Interim Rental. (i) For each Item of Equipment, an amount per calendar day (the "Interim Rental") equal to 0.03333% of the Purchase Price thereof for the period, if any, from the Delivery Date for such Item, to but not including, January 1, 1980 (the "Term Lease Commencement Date"), the total amount of Interim Rental for all Items of Equipment included under this Lease shall not be less than 8.2873% of the Purchase Price of such Items of Equipment; and

(b) Fixed Rental. For each Item of Equipment, thirty semiannual installments of fixed rental (the "Fixed Rental"), payable in advance, each in an amount equal to 4.926317% of the Purchase Price thereof.

2.2. Rent Payment Dates. The Interim Rental for each such Item shall be paid on the first day of the month following the Delivery Date therefor and on the first day of each month thereafter with a final installment of Interim Rental to be paid on the Term Lease Commencement Date, which payment shall include the amount, if any, necessary to bring the total amount of Interim Rental to an amount equal to 8.2873% of the Purchase Price of the Items of Equipment included under the Lease; provided that if such Delivery Date shall occur on one of the final ten days in a month, then the first such installment of Interim Rental shall not be paid on the first day of said next following month but on the first day of the month thereafter. The first such installment shall include daily rentals for each calendar day from and including such Delivery Date to but not including such payment date, and each installment thereafter shall include daily rental from and including the prior payment date to but not including said payment date. The first installment of Fixed Rental for each Item of Equipment shall be due and payable on the Term Lease Commencement Date and the balance of said installments shall be payable at six month intervals thereafter with the final such installment payable fourteen and one-half years following the Term Lease Commencement Date. If any of the rent payment dates is not a business day, the rent payment otherwise payable on such date shall be payable on the next succeeding business day. For purposes of this Lease, the term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks

in the State of Illinois or Maryland are authorized or required to close.

2.3. Place of Rent Payment. The Lessor instructs the Lessee to make all payments due hereunder as follows:

(a) Each installment of Interim Rental shall be paid to the account of the Lessor by bank wire transfer (identifying the same as the payment of Interim Rental relating to CRI No. 79-2) to the address provided for payments in Section 20.1 hereof; provided that in the event either the Lessor or the Security Trustee shall notify the Lessee in writing that the right to receive payment of such installment shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment by wire transfer to the place designated in such notice or as otherwise designated from time to time in writing by such assignee; and provided further that in the event such notice shall direct the Lessee to divide such installment into not more than two portions and to pay each portion by wire transfer separately to not more than two parties, the Lessee agrees to do so;

(b) Each installment of Fixed Rental shall be paid to the account of the Lessor by wire transfer (identifying the same as a payment of Fixed Rental relating to CRI No. 79-2) to the address provided for payments in Section 20.1 hereof; provided that in the event either the Lessor or the Security Trustee shall notify the Lessee in writing that the right to receive payment of such installment shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment by wire transfer to the place designated in such notice or as otherwise designated from time to time in writing by such assignee; and provided further that in the event such notice shall direct the Lessee to divide such installment into not more than two portions and to pay each portion by wire transfer separately to not more than two parties, the Lessee agrees to do so;

(c) The entire amount of any payment of Casualty Value pursuant to Section 11 hereof shall be paid to the Lessor by a check drawn on a bank located in the continental United States (identifying the same as a payment of Casualty Value relating to CRI No. 79-2) and forwarded to the Lessor in the manner provided for payments in Section 20.1 hereof; provided that in the event either the Lessor or the Security Trustee shall notify the Lessee in writing that the right to receive payment of such Casualty Value shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment by such check

in the manner designated in such notice or as otherwise designated from time to time in writing by such assignee;

(d) The amount of any payment owing to the Lessor pursuant to Sections 6, 10.2 and 11.1 (with respect to public liability insurance) hereof shall be made directly to the party to receive the same without regard to the assignment of this Lease or the payments due hereunder pursuant to Section 16 hereof;

(e) The amount of any interest due in respect of the late payment of amounts pursuant to Section 20.2 hereof shall be paid to the party and in the manner herein provided to receive said rental or other amount; and

(f) All payments other than those above specified shall be made by the Lessee directly to the party to receive the same unless any such payment has previously been made by the Lessor or the Security Trustee, in which case the Lessee shall reimburse the Lessor or the Security Trustee, as the case may be, directly for such payment.

The Lessee agrees that it will make payments due hereunder by wire transfer where specified above at 10:00 A.M. on the due date of such payment of Federal or otherwise immediately available funds to the party to whom such payment is to be made, and otherwise by check of the Lessee drawn on a bank located in the continental United States and mailed to the party to receive the same at the address herein provided or at such other address as the Lessee shall have been provided in writing.

2.4. Net Lease. This Lease is a net lease and the Lessee's obligation to pay all Interim Rental and Fixed Rental and other amounts payable hereunder shall be absolute and unconditional under any and all circumstances and, without limiting the generality of the foregoing, the Lessee shall not be entitled to any abatement of rent or reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise or against any assignee of the Lessor pursuant to Section 16 hereof; nor except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessee be otherwise affected, by reason of any defect in or damage to or loss or destruction of all or any of the Equipment from whatsoever cause, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause whether similar or dissimilar to the foregoing, any

present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until, pursuant to Section 13 hereof, the Equipment has been returned to the possession of the Lessor (for all purposes of this Lease any Item of Equipment shall not be deemed to have been returned to the Lessor's possession until all of the Lessee's obligations with respect to the return, transportation and storage thereof have been performed). To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Items of Equipment except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor or any assignee pursuant to Section 16 hereof for any reason whatsoever.

2.5. Adjustment of Fixed Rental. In the event that the Delivery Dates are other than those contemplated by the Lessor, the Lessee agrees that the Fixed Rental payable hereunder shall be increased to such amount or amounts as shall, in the reasonable opinion of the Lessor, cause the Lessor's net after-tax return on and rate of recovery of investment and the annual cash flows (computed on the same assumptions as utilized by the Lessor in originally evaluating this transaction) to equal the net after-tax return on and rate of recovery of investments and annual cash flows that would have been realized by the Lessor if the Lessor had not been required to pay such losses, liabilities or expenses, including but not limited to, any such deficiency pursuant to Section 2.1(b) of the Participation Agreement.

### SECTION 3. TERM OF THE LEASE.

The term of this Lease as to each Item of Equipment shall begin on the Delivery Date of such Item of Equipment and, subject to the provisions of Sections 11, 14 and 18 hereof, shall terminate as to such Item of Equipment upon the earlier of (a) the date occurring 15 years following the Term Lease Commencement Date provided for in Section 2.1(a) hereof, or (b) in the event the Court orders the termination of this Lease as to all Items of Equipment then leased hereunder in connection with the discontinuance of substantially all service and/or the liquidation of the assets of the Rock Island Railroad (the "Early Termination Order") or (c) in the event that this Lease is disaffirmed or rejected (the "Early Termination Rejection") as to any or all Items of Equipment pursuant to a plan of reorganization confirmed by the Court; provided, however, that this Lease may not be so disaffirmed or rejected unless the Lessee files with the Court and delivers to the Lessor a Certificate of Lessee stating that (i) the Items of Equipment under this Lease to be subjected to such disaffirmance

or rejection are "economically surplus to the Lessee's needs" (which for this purpose shall mean that such Items of Equipment are surplus to Lessee's needs for its own service and that the realizable per diem applicable to such Items of Equipment (in the condition and maintained as required by the Lease) is inadequate to cover the Fixed Rental for such Items under this Lease), and (ii) that the number of Items of Equipment to be subjected to such disaffirmance or rejection expressed as a percentage of the total number of Items of Equipment then under this Lease does not exceed the percentage obtained by dividing the total number of all railcars under leases subjected to an early termination (any Early Termination Rejection substantially similar as set forth in Section 3 hereof) pursuant to a confirmed plan of reorganization by the total number of all railcars leased by Lessee under leases, which may be disaffirmed or rejected pursuant to a confirmed plan of reorganization (which Certificate shall support the above statements with such detailed information and computations as shall be reasonably satisfactory to the Lessor), the date of return pursuant to clause (b) or (c), as the case may be (the "Early Termination Date"), of such Item of Equipment by the Lessee in the manner contemplated by Section 13.2 hereof. Upon the return of an Item of Equipment to the Lessor pursuant to said Section 13.2, the obligation of the Lessee or the Reorganized Company (as defined in Section 14.1 hereof) to pay rentals in respect of such Item accruing subsequent to the Early Termination Date shall terminate and the Lessor shall have no claim against the Lessee, the estate of the Rock Island Railroad or the Reorganized Company for such unaccrued rental; provided that the Lessee shall thereafter continue to be liable in respect of any obligation which accrues hereunder prior to such termination until payment or performance of such obligation in full and the Lessee or the Reorganized Company shall in any event remain liable for each of its obligations under Section 13.2 hereof for the period provided therein, with such obligations to be determined in accordance with the following paragraph.

The amount due the Lessor under Section 13.2 shall be determined as follows:

(i) the number of days from and including the Early Termination Date to but not including the next rental payment date shall be multiplied by 0.0273684% of the Purchase Price of each Item of Equipment for all Items of Equipment subject to termination on the Early Termination Date.

(ii) if the resulting amount calculated in (i) above (the "Prepaid Rent") shall be greater than or equal to any amounts owed to the Lessor pursuant to Section 13.2 hereof, then the Lessee shall have no further obligation to the Lessor under Section 13.2, and the Lessor shall have no obligation to refund any prepaid rent;

(iii) if the Prepaid Rent shall be less than the amount due under Section 13.2, then the Lessee shall pay the Lessor the difference, five days following receipt

of notice from the Lessor of such difference, and the Lessee shall pay any other amounts due under Section 13.2 30 days following such initial payment and at 30-day intervals thereafter until all Items of Equipment are returned under Section 13.2.

#### SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.

4.1. Retention of Title. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title to the Equipment notwithstanding the delivery thereof to and possession and use thereof by the Lessee.

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

"Leased from Gould Leasing Services,  
Inc., as Owner, and Subject to a Security  
Interest Recorded with the I.C.C."

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 16 hereof. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, obliterated, defaced or destroyed. The Lessee will not change the road number of any Item of Equipment except in accordance with a statement of new road numbers to be substituted therefor, which statement previously shall have been delivered to the Lessor and the Security Trustee by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

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

#### SECTION 5. DISCLAIMER OF WARRANTIES.

THE LESSOR LEASES THE EQUIPMENT, AS-IS, IN WHATEVER CONDITION IT MAY BE, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATION,

EITHER EXPRESS OR IMPLIED, BY THE LESSOR EXPRESSLY DISCLAIMING ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT, (B) THE TITLE THERETO, OR THE LESSOR'S INTEREST THEREIN, (C) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, (D) THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR (E) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have against the Manufacturer, provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense (subject to an Early Termination Order or an Early Termination Rejection pursuant to Section 3 hereof), such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Item of Equipment or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Item of Equipment or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Item of Equipment.

## SECTION 6. LESSEE'S INDEMNITY.

6.1. Scope of Indemnity. The Lessee shall defend, indemnify and save harmless the Lessor, any assignee thereof pursuant to Section 16 hereof (including, without limitation, the Security Trustee) and their respective successors and assigns from and against:

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

(b) any claim, cause of action, damages, liability, cost or expense (including, without limitation, counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them (i) relating to any Item of Equipment or any part thereof, including, without limitation, the construction, purchase, delivery, acceptance, rejection, ownership, sale, leasing, return or storage of any Item of Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessee or any indemnified

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

The indemnities set forth in this Section 6.1 shall apply without regard to any negligence on the part of the Lessor or the Trustor. The indemnities and assumptions of liabilities set forth in this Section 6.1 do not guarantee a residual value in the Equipment nor do they guarantee the payment of the Notes or any interest accrued thereon.

#### 6.2. Continuation of Indemnities and Assumptions.

The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law, by exercise of the right to terminate pursuant to clause (b) or (c) of Section 3 hereof or otherwise; provided, however, that such indemnities and assumptions of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i), (ii) or (iv) of subsection (b) of Section 6.1 hereof, occurring after the termination of this Lease, except for any such matters occurring after the termination arising in connection with the Lessee's assembling, delivering, storing or transporting of the Equipment as provided in Section 13 or 15, as the case may be. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability.

### SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including, without limitation, the rules of the United States Department of Transportation, the Interstate Commerce Commission and the current Interchange Rules or supplements thereto of the Mechanical Division, Association of American Railroads as the same may be in effect from time to time) with respect to the use and maintenance of each Item of Equipment subject to this Lease. In case any equipment or appliance is required to be altered, added, replaced or modified on any Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such alterations, additions, replacements and/or modifications at its own expense and title thereto shall be immediately vested in the Lessor. The Lessee agrees that, within 30 days after the close of any calendar quarter in which the Lessee has made alterations, the Lessee will give written notice thereof to the Lessor describing, in reasonable detail, the alterations and specifying the cost thereof with respect to each Item of Equipment and the date or dates when made.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, qualified for use in interchange. Except as required by the provisions of Section 7 hereof, the Lessee shall not modify any Item of Equipment without the prior written authority and approval of the Lessor and any assignee pursuant to Section 16 hereof which shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Item of Equipment pursuant to Section 7 hereof or pursuant to its obligation to maintain and keep the Equipment in good order, condition and repair under this Section 8 shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor without cost or expense to the Lessor. The Lessee shall make no other additions or improvements to any Item of Equipment unless the same are readily removable without causing material damage to such Item of Equipment. Title to any such readily removable additions or improvements shall remain with the Lessee. If the Lessee shall at its cost cause such readily removable additions or improvements to be made to any Item of Equipment, the Lessee agrees that it will, prior to the return of such Item of Equipment to the Lessor hereunder, remove the same at its own expense without causing material damage to such Item of Equipment.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon any Item of Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, and any other liens or charges which arise by virtue of claims against, through or under any party other than the Lessor, but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor or the security interest or other rights of any assignee under Section 16 hereof in and to the Equipment. The Lessee's obligations under this Section 9 shall survive the termination of this Lease.

SECTION 10. FILING; PAYMENT OF STATE AND LOCAL TAXES.

10.1. Filing. The Lessee will, at its sole expense, cause this Lease and the Security Agreement to be duly filed, registered, recorded or deposited with the Interstate Commerce

Commission in accordance with 49 USC Section 11303(a) and in such other places within or without the United States as the Lessor or the Security Trustee may reasonably request and will furnish the Lessor and the Security Trustee proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, reregister or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Security Trustee, for the purpose of protecting the Lessor's title to, or the Security Trustee's security interest in, or the Lessor's leasehold estate in, any Item of Equipment to the satisfaction of the Lessor's or the Security Trustee's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor and the Security Trustee proof of such filings and an opinion of the Lessee's counsel that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, refile, recording and rerecording or depositing and redepositing of any such instruments or incident to the taking of such action and shall provide an opinion of counsel as to the proper recordation or filing of such instrument pursuant to Section 2.5 of the Security Agreement.

10.2. Payment of State and Local Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor and any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Note Purchaser) and their respective successors and assigns (the "Indemnitees") for collection or other charges and will be free of expense to the Indemnitees with respect to any Impositions as hereinafter defined. As used in this Section 10.2 "Impositions" shall mean the amount of any local, state, Federal or foreign taxes, assessments or license fees and any charges, fines or penalties in connection therewith which are imposed on or measured by this Lease or the receipt of sums pursuant hereto or any sale, rental, use, payment, shipment, delivery or transfer of title in respect of the Equipment under the terms hereof or the Security Agreement, including Impositions in respect of the receipt of indemnification payments pursuant to this Lease or payments pursuant to this Section 10.2, but excluding all such amounts related solely to a sale of Equipment by the Lessor following return of Equipment by the Lessor pursuant to Section 13 hereof; provided that except with respect to indemnification payments hereunder or payments pursuant to this Section 10.2, Impositions shall not include as to each respective Indemnitee: (i) United States Federal income tax liability and, to the extent that any respective Indemnitee receives credit therefor against its United States Federal income tax liability, any foreign income tax of such Indemnitee, payable by any respective Indemnitee in consequence of the receipt of payments provided herein; and (ii) the aggregate of all franchise and gross receipts taxes measured by net income based on such receipts, up to the amount in the aggregate of any such income and franchise taxes which would be payable to the state and city in which such

Indemnitee has its principal place of business without apportionment to any other state, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided. The Lessee agrees to pay, on demand, any and all Impositions. The Lessee will also pay promptly all Impositions which may be imposed upon any Item of Equipment or for the use or operation thereof or upon the earnings arising therefrom or upon any Indemnitee solely by reason of its interest with respect thereto and will keep at all times all and every part of such Item of Equipment free and clear of all Impositions which might in any way affect the interest of any Indemnitee therein or result in a lien upon any such Item of Equipment; provided, however, that the Lessee shall be under no obligation to pay any Impositions so long as it is contesting in good faith and by appropriate legal proceedings such Impositions and the nonpayment thereof does not, in the reasonable opinion of the Indemnitee, adversely affect the interest of any Indemnitee hereunder or under the Security Agreement. If any Impositions shall have been charged or levied against any Indemnitee directly and paid by such Indemnitee after such Indemnitee shall have given written notice thereof to the Lessee and the same shall have remained unpaid for a period of ten business days thereafter, the Lessee shall reimburse such Indemnitee on presentation of invoice therefor. Prior to making such payment, such Indemnitee shall promptly notify the Lessee of the Impositions charged or levied, and the Lessee shall have the opportunity to contest in good faith and by appropriate legal proceedings such Impositions, at its sole expense.

In the event any reports with respect to Impositions are required to be made on the basis of individual Items of Equipment, the Lessee will either prepare and file such reports in such manner as to show as required the interests of each Indemnitee in such Items of Equipment or, if it shall not be permitted to file the same, it will notify each Indemnitee of such reporting requirements, prepare such reports in such manner as shall be satisfactory to each Indemnitee and deliver the same to each Indemnitee within a reasonable period prior to the date the same is to be filed.

In the event that, during the continuance of this Lease, any Imposition accrues or becomes payable or is levied or assessed (or is attributable to the period of time during which this Lease is in existence) which the Lessee is or will be obligated to pay or reimburse, pursuant to this Section 10.2, such liability shall continue, notwithstanding the expiration or termination of this Lease for any reason whatsoever, until all such Impositions are paid or reimbursed by the Lessee.

#### SECTION 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE.

11.1. Insurance. The Lessee agrees that it will at all times during the term of this Lease and during any return and

storage period hereunder and at its own cost and expense keep each Item of Equipment insured against loss by fire, windstorm and explosion and with extended coverage and against such other risks as are customarily insured against by railroad companies at not less than the full insurable value (actual replacement value less actual physical depreciation) thereof and in any event not less than the Casualty Value of such Item of Equipment as of the next following date of payment thereof and will maintain general public liability insurance with respect to the Equipment against damage because of bodily injury, including death, or damage to property of others, such insurance to afford protection to the limit of not less than \$29,000,000 in the aggregate in any single occurrence. Any such property insurance may have deductible provisions to no greater extent than \$1,000,000 in the aggregate in any single occurrence, and any public liability insurance may have deductible provisions to no greater extent than \$2,000,000 in the aggregate in any single occurrence. All such insurance shall cover the interest of the Lessor, the Lessee and the Security Trustee in the Equipment or, as the case may be, shall protect the Lessor, the Lessee and the Security Trustee in respective risks arising out of the condition, maintenance, use, ownership and operation of the Equipment and shall provide that losses, if any, in respect to the Equipment shall be payable to the Lessee and the Lessor as their respective interests may appear; provided, however, that upon receipt by the Lessee of notice of the assignment of this Lease and the rents and other sums payable hereunder pursuant to Section 16 hereof the Lessee shall cause the property insurance on the Equipment to provide that the losses, if any, shall be payable (except as provided below) to the Security Trustee under a standard mortgage loss payable clause satisfactory to the Lessor, the Lessee and the Security Trustee. All policies of insurance maintained pursuant to this Section shall provide that 30 days' prior written notice of cancellation shall be given to the Security Trustee and the Lessor and that such insurance as to the interest of the Lessor or the Security Trustee therein shall not be invalidated by any act or neglect of the Lessor or the Lessee or by any foreclosure or other remedial proceedings or notices thereof relating to the Equipment or any interest therein nor by any change in the title or ownership of the Equipment or any interest therein or with respect thereto or by the use or operation of the Equipment for purposes more hazardous than is permitted by such policy. No such policy shall require co-insurance. The Lessee shall be deemed to have complied with the requirement to maintain property insurance as above set forth if it shall maintain a blanket policy covering all of the Items of Equipment then subject to this Lease for an aggregate amount of not less than \$10,000,000 per occurrence with deductible provisions to no greater extent than \$1,000,000 in the aggregate in any single occurrence, which policy may also insure all other rolling stock of the Lessee, so long as such blanket policy shall otherwise comply with the provisions of this Section 11.1. The loss, if any, shall be adjusted only with the approval of the Lessee, the Lessor and the Security Trustee. All such policies shall

provide that the loss, if any, thereunder shall be adjusted and paid as provided in this Lease. The Lessee shall further furnish the Lessor and the Security Trustee with certificates or other satisfactory evidence of maintenance of the insurance required hereunder and with respect to any renewal policy or policies shall furnish certificates evidencing such renewal prior to the expiration date of the original policy or policies. All insurance provided for in this Section shall be effective with insurance companies approved by the Lessor and the Security Trustee, which approval shall not be unreasonably withheld.

The proceeds of any property insurance received by the Lessor or the Security Trustee will be paid to the Lessee either (i) upon a written application signed by the Lessee for payment of, or to reimburse the Lessee for payment of, the costs of repairing, restoring, or replacing the Item of Equipment which has been lost, damaged or destroyed (which application shall be accompanied by satisfactory evidence of such cost and the completion of such repair, restoration or replacement) or (ii) if this Lease is terminated with respect to such Item of Equipment because of the destruction thereof promptly upon payment by the Lessee of the Casualty Value; provided that, if the Lessee is at the time of the application in default in the payment of any other liability of the Lessee to the Lessor hereunder, such proceeds may be applied against such liability.

11.2. Duty of Lessee to Notify Lessor. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or, in the reasonable opinion of the Lessee, irreparably damaged during the term of this Lease or thereafter while such Item of Equipment is in the possession of the Lessee pursuant to Section 13 or 15 hereof, or title or use thereof shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease for a stated period which exceeds the then remaining term of this Lease (any such occurrence being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor, any assignee thereof pursuant to Section 16 hereof (including, without limitation, the Security Trustee) in regard thereto and shall pay the Casualty Value (as defined in Section 11.6 hereof) of such Item in accordance with the terms of Section 11.3 hereof.

11.3. Sum Payable for Casualty Loss. Except as provided in Section 13.2 hereof, the Lessee, on the next succeeding rent payment date set forth in Schedule C hereto following its knowledge of a Casualty Occurrence with respect to any Item or Items of Equipment, shall pay to the Lessor the Interim or Fixed Rental installment due on such payment date for such Item or Items of Equipment plus any rentals or other sums due on or prior to such date then remaining unpaid plus a sum equal to the Casualty Value of such Item or Items of Equipment as of the date of such payment.

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

11.5. Disposition of Equipment. The Lessee shall, as agent for the Lessor, dispose of such Item or Items of Equipment having suffered a Casualty Occurrence as soon as it is able to do so for the fair market value thereof. Any such disposition shall be on an "as-is", "where-is" basis without representation or warranty, express or implied. As to each separate Item of Equipment so disposed of, upon payment of the appropriate Casualty Value, the Lessee may, so long as no Event of Default shall have occurred and be continuing hereunder, retain all amounts arising from such disposition plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence plus any requisition or condemnation or awards up to the Casualty Value attributable thereto and actually paid by the Lessee as herein provided and shall remit the excess, if any, to the Lessor. In disposing of such Item of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item of Equipment.

11.6. Casualty Value. Except as provided in Section 13.2 hereof, the Casualty Value of each Item of Equipment shall be an amount determined as of the date the Casualty Value is paid as provided in this Section 11 (and not the date of the Casualty Occurrence) equal to that percentage of the Purchase Price (as defined in the Participation Agreement) of such Item of Equipment set forth in the Schedule of Casualty Value attached hereto as Schedule C opposite such date of payment.

11.7. Risk of Loss. The Lessee shall bear the risk of loss and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment from and after the date hereof and continuing until payment of the Casualty Value and all rental installments and other sums due on and prior to the date of payment of such Casualty Value in respect of such Item of Equipment has been made, such Item or the salvage thereof has been disposed of by the Lessee and the title to such Item or the salvage thereof and all risk of loss and liabilities incident to ownership have been transferred to the purchaser of such Item or the salvage thereof.

11.8. Eminent Domain. In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the term of this Lease, the Lessee's obligation to pay all installments of rental and other sums shall

continue for the duration of such requisitioning or taking. So long as no Event of Default, or event which with lapse of time or giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession. If at the end of the then current term of this Lease any Item of Equipment is then held by any governmental authority under the power of eminent domain or otherwise and this Lease shall not then be renewed pursuant to Section 18 hereof, from and after such date the Lessor shall be entitled to receive and retain all sums payable by such governmental authority as compensation for requisition or taking of possession.

## SECTION 12. ANNUAL REPORTS.

12.1. Duty of Lessee to Furnish. On or before the first April 1 which occurs more than four months following the date of this Lease and annually thereafter, the Lessee will furnish to the Lessor, any assignee thereof pursuant to Section 16 hereof (including, without limitation, the Security Trustee) an accurate statement, as of the preceding December 31 (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the 12 months ending on such December 31 (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as the Lessor or any such assignee may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof shall have been preserved or replaced.

12.2. Lessor's Inspection Rights. The Lessor, any assignee thereof pursuant to Section 16 hereof (including without limitation, the Security Trustee and each of the Note Purchasers) each shall have the right, at their respective sole cost and expense, by their respective authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such time as shall be reasonably necessary to confirm thereto the existence and proper maintenance of the Equipment during the continuance of this Lease.

## SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM OR EARLY TERMINATION.

13.1. Return upon Expiration of Term. Upon the expiration of the term of this Lease with respect to any Item of Equipment, the Lessee will, at its own cost and expense, deliver possession of such Item of Equipment to the Lessor upon such storage tracks of the Lessee as the Lessor may

designate, or in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Item of Equipment on such tracks for a period not exceeding 90 days and transport the same at any time within such 90-day period to any reasonable place on any railroad lines operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee. All movement and storage of each such Item is to be at the risk and expense of the Lessee and in the event any Item of Equipment shall suffer a Casualty Occurrence during any such period of movement and storage the Lessee shall pay the Lessor the Casualty Value therefor set forth in Section 11.6. During any such period of movement and storage the Lessee will continue to maintain the insurance coverage required pursuant to Section 11.1 hereof. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence.

Each Item of Equipment returned to the Lessor pursuant to this Section 13.1 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, (ii) have attached or affixed thereto any part, addition or improvement title to which is vested in the Lessor pursuant to Section 7 or Section 8 hereof and have removed therefrom, at the expense of the Lessee, any readily removable addition or improvement title to which is vested in the Lessee pursuant to Section 8 hereof, and (iii) meet the applicable standards then in effect for such Item of Equipment under all governmental laws, regulations, requirements and rules (including, without limitation, rules of the United States Department of Transportation, the Interstate Commerce Commission and interchange rules or supplements thereto of the Association of American Railroads). At any time within 90 days after the Lessor receives written notice from the Lessee of the return of all Items of Equipment, the Lessor may retain an independent inspector, selected by the Lessor, to inspect the Equipment and to determine whether the Equipment has been subject only to ordinary wear and tear such as could be reasonably expected for cars not used in unit train service and meets all the applicable standards required under clause (iii) of the immediately preceding sentence. Should such inspector determine that any Item of Equipment has been subject to excessive wear and tear due to any reason, including extensive high mileage usage, or that any Item does not meet such applicable standards, the Lessee shall, at its own cost and expense, repair, recondition, rehabilitate, or perform such other similar work necessary to put the Equipment in the condition that it would have been in had it

been subject only to ordinary wear and tear and in compliance with all such applicable standards. The obligations of the Lessee pursuant to the immediately preceding sentence do not guarantee a residual value in the Equipment.

Until the earlier of (i) the date on which an Item of Equipment is assembled, delivered and stored as hereinabove provided or (ii) the 30th day after the date of the expiration of the term of this Lease or the Early Termination Date, the Lessee shall pay the Lessor an amount per calendar day equal to 0.03333% of the Purchase Price of each such Item. If any such Item of Equipment is not assembled, delivered and stored as hereinabove provided within 30 days after the date of the expiration of the term of this Lease or the Early Termination Date, the Lessee shall, in addition, pay the Lessor the greater of an amount equal to (i) 0.03333% of the Purchase Price of such Item from said 30th day to the date of its assembly, delivery or storage as hereinabove provided or (ii) all rental, per diem or other similar charges for the Equipment received therefor until such date of assembly, delivery and storage.

13.2. Return in Connection with Early Termination. In the event the Court shall enter an Early Termination Order, or an Early Termination Rejection shall occur, the Lessee will, at its own cost and expense, deliver possession of each Item of Equipment to the Lessor upon such storage tracks of the Lessee as the Lessor may designate, or in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Item of Equipment on such tracks for a period not exceeding 180 days and transport the same at any time within such 180-day period to any reasonable place on any railroad lines operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee. All movement and storage of each such Item is to be at the risk and expense of the Lessee. During any such period of movement and storage the Lessee will continue to maintain the insurance coverage required pursuant to Section 11.1 hereof. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence.

Each Item of Equipment returned to the Lessor pursuant to this Section 13.2 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, (ii) have attached or affixed thereto any part, addition or improvement title to which is vested in the Lessor pursuant to Section 7 or Section 8 hereof and have removed therefrom, at the expense of the Lessee, any readily removable addition or improvement title to which is vested in the Lessee pursuant to Section 8 hereof,

and (iii) meet the applicable standards then in effect for such Item of Equipment under all governmental laws, regulations, requirements and rules (including, without limitation, rules of the United States Department of Transportation, the Interstate Commerce Commission and interchange rules or supplements thereto of the Association of American Railroads). At any time within 90 days after the Lessor receives written notice from the Lessee of the return of all Items of Equipment, the Lessor may retain an independent inspector, selected by the Lessor, to inspect the Equipment and to determine whether the Equipment has been subject only to ordinary wear and tear such as could be reasonably expected for cars not used in unit train service and meets all the applicable standards required under clause (iii) of the immediately preceding sentence. Should such inspector determine that any Item of Equipment has been subject to excessive wear and tear due to any reason, including extensive high mileage usage, or that any Item does not meet such applicable standards, the Lessee shall, at its own cost and expense, repair, recondition, rehabilitate, or perform such other similar work necessary to put the Equipment in the condition that it would have been in had it been subject only to ordinary wear and tear and in compliance with all such applicable standards. The obligations of the Lessee pursuant to the immediately preceding sentence do not guarantee a residual value in the Equipment.

If any such Item of Equipment is not assembled, delivered and stored as hereinabove provided within 30 days after the date of the entry by the Court of the Early Termination Order, or the occurrence of the Early Termination Rejection, the Lessee shall, in addition, pay the Lessor the greater of an amount equal to (i) 0.0273684% of the Purchase Price of such Item for each calendar day from said 30th day to the date of its assembly, delivery or storage as hereinabove provided, or (ii) all rental, per diem or other similar charges for the Equipment received therefor until such date of assembly, delivery and storage.

In the event any Item of Equipment shall suffer a Casualty Occurrence while being returned or stored pursuant to this Section 13.2, the Lessee shall pay to the Lessor, on the payment date hereinafter provided, the sum of (i) an amount equal to 0.0273684% of the Purchase Price for such Item of Equipment for the period from and including the rent payment date next preceding the effective date of the Early Termination Order or the occurrence of the Early Termination Rejection to but not including such payment date and (ii) the Casualty Value of such Item of Equipment as of the rent payment date next preceding the effective date of the Early Termination Order or the occurrence of the Early Termination Rejection. Such amounts shall be payable on the first day of the calendar month next following the Lessee's knowledge of such Casualty Occurrence.

13.3. Specific Performance. The assembling, delivery, storage and transporting of the Equipment as provided in Sections 13.1 and 13.2 hereof are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises,

the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

SECTION 14. DEFAULT.

14.1. Events of Default. Any of the following events shall constitute an Event of Default hereunder:

(a) Default shall be made in the payment of any part of the rental or Casualty Value provided in Section 2 or 11 hereof and such default shall continue for five days;

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

(c) Default shall be made in the observance or performance of any of the covenants, conditions and agreements on the part of the Lessee or any Reorganized Company contained in Section 11.1 of this Lease;

(d) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee or any Reorganized Company contained herein or in the Purchase Order Assignment or in the Participation Agreement and such default shall continue for 20 days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied;

(e) Any representation or warranty made by the Lessee herein or in the Purchase Order Assignment or in the Participation Agreement or in any statement or certificate furnished to the Lessor, the Security Trustee or any Note Purchaser pursuant to or in connection with this Lease, the Participation Agreement or the Purchase Order Assignment is untrue in any material respect as of the date of issuance or making thereof;

(f) Any provision of this Lease is revised, modified, amended, terminated or superseded in any respect in connection with the Reorganization Proceedings or, in the event any plan of reorganization is adopted in connection with the Reorganization Proceedings, said plan shall fail to provide for the payment of the Lessee's obligations hereunder as an expense of administration or shall afford any other equipment obligation, whether entered into

prior to the commencement of the Reorganization Proceedings or during the pendency thereof, any priority in right of payment or otherwise over the Lessee's obligations under this Lease and the rights of the Lessor or any assignee thereof pursuant to Section 16 hereof (including, without limitation, the Security Trustee) except as to the right of termination expressed in Section 3 hereof;

(g) The Court shall dismiss the Reorganization Proceedings without any plan of reorganization having been adopted in connection therewith, and, prior to such dismissal, this Lease shall not have been terminated pursuant to clause (b) of Section 3 hereof;

(h) A petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may be hereafter amended, shall be filed by or against any Reorganized Company (as hereinafter defined), and all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings or otherwise given a status comparable to the obligations incurred by such trustee or trustees within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier;

(i) Any other proceedings shall be commenced by or against the Reorganized Company for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the indebtedness payable hereunder) and all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Reorganized Company or for the property of the Reorganized Company in connection with any such proceedings or otherwise given a status comparable to obligations incurred by such trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier;

(j) Any of the Lessee's obligations hereunder shall not be accorded first priority for expenses of administration in the Reorganization Proceedings or the order of the Court entered in the Reorganization Proceedings authorizing the execution and delivery of this Lease shall otherwise not be effected in

accordance with its terms or be revised, modified, amended, terminated or superseded in any respect (other than a termination of this Lease pursuant to the Early Termination Order or the Early Termination Rejection) which would involve the possibility of materially and adversely affecting the rights, powers, privileges or remedies of the Lessor or any assignee thereof pursuant to Section 16 hereof (including, without limitation, the Security Trustee) under this Lease; or

(k) Any Reorganized Company shall be in default under any material obligation for the payment of borrowed money or for the deferred purchase price of, or for the payment of any rent under any lease agreement covering material real or personal property, and the applicable grace period with respect thereto shall have expired.

The term "Reorganized Company" as used in this Lease shall mean any corporation and its successors and assigns, including, without limitation, Rock Island Railroad, which holds, acquires or otherwise succeeds to all or substantially all of the property and business of Rock Island Railroad upon adoption of a plan of reorganization with respect to Rock Island Railroad and the termination of the Reorganization Proceedings.

14.2. Remedies. If any Event of Default has occurred and is continuing, the Lessor or, in the event this Lease shall be assigned to an assignee pursuant to Section 16 hereof, such assignee, at its option, may:

(a) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof, including reasonable attorneys' fees; or

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor or such assignee, as the case may be, may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of the Items of Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use such Items for any purpose whatever, but the Lessor, or such assignee, as the case may be, shall nevertheless have a right to recover from the Lessee any and all amounts which may have accrued to the date of such

termination (computing the rental for any number of days less than a full rental period by 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 (i) as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor or such assignee, as the case may be, in its sole discretion, shall specify: (x) a sum with respect to each Item of Equipment which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then Fair Rental Value of such Item for such period computed by discounting from the end of such term to the date of such termination, such present worth to be computed in each case on a basis of a 5% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, or (y) an amount equal to the excess if any of the Casualty Value of such Item of Equipment as of the rent payment date on or immediately preceding the date of termination over the Fair Market Value thereof at such time; provided, however, that in the event the Lessor or such assignee, as the case may be, shall have sold any Item of Equipment, such party, in lieu of collecting any amounts payable thereto by the Lessee pursuant to the preceding clauses (x) and (y) of this part (i) with respect thereto may, if it shall so elect, demand that the Lessee pay such party and the Lessee shall pay to such party, on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value of such Item of Equipment as of the rent payment date on or immediately preceding the date of termination over the net proceeds of such sale, and (ii) any damages and expenses, other than for a failure to pay rental, in addition thereto, including reasonable attorneys' fees, which the Lessor or such assignee, as the case may be, shall have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of rental.

For purposes of this Section 14.2, the Fair Rental Value and Fair Market Value for any Item of Equipment shall be determined in the manner provided for appraisal arrangements specified in Section 18.2(b) hereof; provided that any sale in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Market Value of such Item and any rental in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Rental Value of such Item.

14.3. Cumulative Remedies. The remedies in this Lease provided in favor of the Lessor or any assignee pursuant to Section 16 hereof, as the case may be, shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any offset against the rent payments due hereunder, and agrees to make the rent payments regardless of any offset or claim which may be asserted by the Lessee on its behalf in connection with the lease of the Equipment.

14.4. Failure to Exercise Rights. The failure of the Lessor or any assignee, pursuant to Section 16 hereof as the case may be, to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

14.5. Notice of Event of Default. The Lessee also agrees to furnish to the Lessor, any assignee thereof pursuant to Section 16 hereof (including, without limitation, the Security Trustee), promptly upon any responsible officer 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 specifying such condition and the nature and status thereof and indicating the intention or expectation of the Lessee as to the disposition thereof. For the purposes of this Section 14.5 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 Rock Island Railroad who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto and William M. Gibbons, as Trustee of the Property of the Rock Island Railroad.

## SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. Lessee's Duty to Return. If the Lessor or any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Security Trustee) shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith place such Equipment in such reasonable storage place on the Lessee's lines of railroad as the Lessor may designate or, in the

4

absence of such designation, as the Lessee may select; provided that, in the event the Lessor shall designate storage tracks which are then unavailable either because such tracks are then being used to store equipment owned by a third party pursuant to a contractual obligation of the Lessee to provide storage therefor or because the storage of the Items of Equipment on such tracks would materially impair the ability of the Lessee to meet its obligations to perform services as a common carrier to the public, then the Lessee agrees to so store the Items of Equipment upon such other storage tracks as shall then be so available and nearest to such storage tracks designated by the Lessor;

(b) Permit the Lessor to store such Equipment in such reasonable storage place on the Lessee's lines of railroad without charge for insurance, rent or storage until such Equipment has been sold, leased or otherwise disposed of by the Lessor and during such period of storage the Lessee shall continue to maintain all insurance required by Section 11.1 hereof; and

(c) Transport the Equipment to any place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as the Lessor may direct in writing.

Each Item of Equipment returned to the Lessor pursuant to this Section 15 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, (ii) have attached or affixed thereto any part, addition or improvement title to which is vested in the Lessor pursuant to Section 7 or Section 8 hereof and have removed therefrom, at the expense of the Lessee, any readily removable addition or improvement title to which is vested in the Lessee pursuant to Section 8 hereof; and (iii) meet the applicable standards then in effect for such Item of Equipment under all governmental laws, regulations, requirements and rules (including, without limitation, rules of the United States Department of Transportation, the Interstate Commerce Commission and interchange rules or supplements thereto of the Association of American Railroads). At any time within 90 days after the Lessor receives written notice from the Lessee of the return of all Items of Equipment, the Lessor may retain an independent inspector, selected by the Lessor, to inspect the Equipment and to determine whether the Equipment has been subject only to ordinary wear and tear such as could be reasonably expected for cars not used in unit train service and meets all the applicable standards required under clause (iii) of the immediately preceding sentence. Should such inspector determine that any Item of Equipment has been subject to excessive wear and tear due to any reason, including extensive high mileage usage, or that any Item does not meet such applicable standards, the Lessee shall, at its own cost

and expense, repair, recondition, rehabilitate, or perform such other similar work necessary to put the Equipment in the condition that it would have been in had it been subject only to ordinary wear and tear and in compliance with all such applicable standards. The obligations of the Lessee pursuant to the immediately preceding sentence do not guarantee a residual value in the Equipment.

Until the earlier of (i) the date on which an Item of Equipment is assembled, delivered and stored as hereinabove provided or (ii) the 30th day after the date of the termination of this Lease pursuant to Section 14 hereof, the Lessee shall pay the Lessor an amount per calendar day equal to 0.03333% of the Purchase Price of each such Item. If any such Item of Equipment is not assembled, delivered and stored as hereinabove provided within 30 days after the termination of this Lease pursuant to Section 14 hereof, the Lessee shall, in addition, pay the Lessor the greater of an amount equal to (1) 0.03333% of the Purchase Price of such Item for each calendar day from said 30th day to the date of its assembly, delivery or storage as hereinabove provided or (ii) all rental, per diem or other similar charges for the Equipment received therefor until such date of assembly, delivery and storage.

15.2. Specific Performance. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

15.3. Lessor Appointed Lessee's Agent. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to the Lessor, to demand and take possession of such Item in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Item.

#### SECTION 16. ASSIGNMENTS BY LESSOR.

This Lease and all rent and all other sums due or to become due hereunder may be assigned in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor, except upon written notice of such assignment from the Lessor. Upon notice to the Lessee of any such assignment, the rent and other sums payable by the Lessee which are the subject matter of the assignment shall be paid to or upon the written order of such assignee. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of any such assignee in and to the sums payable by the Lessee under any provision of this Lease shall not be subject

to any abatement whatsoever and shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever whether by reason of failure of or defect in the Lessor's title, or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of such assignee, the Lessee shall be unconditionally and absolutely obligated to pay such assignee all of the rents and other sums which are the subject matter of the assignment, (ii) said assignee, shall, if an Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of said assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor (except those rights, privileges and remedies relating to amounts payable to the Lessor pursuant to Sections 6, 10.2, 11.1 [with respect to public liability insurance] and 20.2 hereof which shall remain enforceable by the Lessor), but if no Event of Default or event which with the lapse of time or giving of notice, or both, would constitute an Event of Default, shall have occurred and be continuing, said assignee and the Lessor may each exercise their respective rights, privileges and remedies stated in this Lease to be provided for their respective benefits, and (iii) all obligations of the Lessor to the Lessee under this Lease shall be and remain enforceable by the Lessee against, and only against, the Lessor.

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION.

17.1. Lessee's Rights to the Equipment. So long as no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, and, in the event this Lease has been assigned to an assignee pursuant to Section 16 hereof, such assignee, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment. The Lessee shall not, without the prior written consent of the Lessor, and, in the Event this Lease has been assigned to an assignee pursuant to Section 16 hereof, such Assignee, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of Section 17.2 hereof.

17.2. Use and Possession on Lines Other Than Lessee's Own. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the

Equipment and to the use thereof upon the lines of railroad owned or operated by it (either alone or jointly) or by any corporation, a majority of whose voting stock (i.e., having ordinary voting power for the election of a majority of its Board of Directors) is owned directly or indirectly by the Lessee, or upon lines of railroad over which the Lessee or such corporation has trackage or other operating rights or over which equipment of the Lessee is regularly operated pursuant to contract and also to permit the use of any Item of Equipment upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease. Notwithstanding the foregoing, the Lessee shall at no time throughout the term of this Lease assign or permit the assignment of any Item of Equipment to service (including, without limitation, the regular operation or maintenance thereof) outside the continental United States. The Lessee further agrees that, anything in this Section 17.2 to the contrary notwithstanding, the use of the Equipment outside the continental United States shall be de minimus. No assignment or sublease entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligation hereunder which shall be and remain those of a principal and not a surety.

17.3. Merger, Consolidation or Acquisition of Lessee.  
Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to (i) any corporation into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all of the lines of railroad of the Lessee, provided that such assignees, successors or transferees shall have duly assumed the obligations of the Lessee hereunder and that they will not, upon the effectiveness of such merger or consolidation or acquisition of properties and the assumption of such obligations, be in default under any provision of this Lease and that such merger or consolidation or acquisition of properties shall not alter in any way the Lessee's obligations to the Lessor hereunder which shall be and remain those of a principal and not a guarantor, and (ii) any railroad corporation organized under the laws of the United States or any state thereof which, at the time such assignment or transfer thereto shall become effective (1) qualifies as a Class I railroad under the rules and regulations of the Interstate Commerce Commission, and (2) has outstanding at such time equipment obligations rated "A" (or the equivalent thereof) or better by Moody's Investors Service or Standard & Poor's Corporation or a successor thereto, which rating shall have been provided thereby during the year preceding such assignment or transfer either in connection with a sale of equipment obligations or by a private letter; provided that the right of assignment and transfer set forth in this clause (ii) will not result in a default by the assuming or transferee railroad under any instrument or agreement to which it is a party, and may be exercised only by William M. Gibbons, Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company, or a successor trustee under the Reorganization Proceedings. Upon the due assumption of the obligations of the Lessee hereunder by said qualifying railroad pursuant to the preceding clause (ii),

William M. Gibbons, Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company, Debtor, shall be relieved of all obligations to pay rental hereunder accruing from and after the date of such assignment or transfer and all other such obligations hereunder as shall arise after said date of assignment or transfer.

SECTION 18. PURCHASE AND RENEWAL RIGHT.

18.1. Right of First Refusal. Unless an Event of Default, or any event which with the lapse of time or giving of notice, or both, would constitute an Event of Default, shall have occurred and be continuing, the Lessor shall not, at any time prior to six months after the end of the original term of this Lease (or, if the Lessee has renewed this Lease for a renewal term pursuant to Section 18.2 hereof, prior to six months after the end of such renewal term) sell, transfer or otherwise dispose of an Item of Equipment unless:

(a) the Lessor shall have received from a responsible purchaser or purchasers a bona fide offer or offers in writing to purchase such Item of Equipment;

(b) the Lessor shall have given the Lessee notice (i) setting forth in detail the identity of such purchaser or purchasers, the Item or Items of Equipment to be purchased, the proposed purchase price or prices, the proposed date of purchase and all other material terms and conditions of such purchase, including, without limitation, any arrangements for the financing of such purchase known to the Lessor, and (ii) offering to sell such Item of Equipment to the Lessee upon the same terms and conditions as those set forth in such notice; provided that in the event such proposal is in respect of more than one Item of Equipment, the Lessee must purchase all such Items of Equipment as a group; and

(c) the Lessee shall not have notified the Lessor, within 15 days following receipt of such notice, of its election to purchase such Item or Items of Equipment upon such terms and conditions.

If the Lessee shall not have so elected to purchase such Item or Items of Equipment, the Lessor may sell such Item or Items of Equipment at a price and upon other terms and conditions no less favorable to the Lessor than those specified in such notice. Notwithstanding the foregoing provisions of this Section 18.1, the Lessor may, if the Lessee has not renewed this Lease pursuant to Section 18.2 hereof, lease any or all Items of Equipment at any time after the end of the original term of this Lease (or, if the Lessee has renewed this Lease for a renewal term pursuant to Section 18.2 hereof, at the end of such renewal term) without first offering to lease the Equipment to the Lessee.

18.2. Renewal Options. Provided that no Event of Default, or any event which with the lapse of time or the giving

of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall have the following renewal options:

(a) The Lessee shall have the option to renew and extend this Lease as to all, but not less than all, of the Items of Equipment then leased hereunder for two additional renewal terms of two years, each upon and subject to the terms and conditions herein contained for the original term of this Lease; provided that the Fixed Rental payable for and during any such renewal term shall be an amount equal to the Fair Rental Value (as hereinafter defined) of such Items of Equipment and that the Casualty Value payable for and during any such renewal term in respect of any Item of Equipment suffering a Casualty Occurrence during such term shall be an amount equal to the higher of (i) the Fair Market Value of such Item of Equipment as of the beginning of such renewal term, or (ii) an amount equal to 20% of the Purchase Price of such Item of Equipment. Each renewal term shall commence immediately upon the expiration of the preceding term. The Lessee shall give the Lessor written notice of its intention to renew, which election shall be irrevocable (subject to a satisfactory determination of the amount of the rental to be payable as hereinbelow provided) 270 days prior to the commencement of any renewal term provided for in this Section 18.2. In the event it shall become necessary for an Appraiser to determine Fair Rental Value pursuant to Section 18.2(b) hereof, then the Lessee may revoke its election to renew by written notice to the Lessor given at any time on or prior to the tenth day following the giving of notice by the Appraiser of the determination of Fair Rental Value or the notification that agreement has not been reached by the independent appraisers selected by the Lessee and the Lessor and before selection of an appraiser by the American Arbitration Association; and

(b) The Fair Rental Value or Fair Market Value, as the case may be, of the Items of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee or buyer, as the case may be (other than a lessee or buyer, as the case may be, currently in possession) and an informed and willing lessor or seller, as the case may be, under no compulsion to lease or sell, as the case may be. If on or before 210 days prior to the date of commencement of the renewal term elected by the Lessee, the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value or the Fair Market Value of such Items of Equipment, such value shall be

determined in accordance with the foregoing definition by a qualified independent Appraiser. The term "Appraiser" shall mean any independent appraiser mutually agreed upon by the Lessor and the Lessee or if no such mutual agreement is reached within 15 days after the beginning of such 210-day period, two independent appraisers, one chosen by the Lessor and one chosen by the Lessee, or, if such appraisers cannot agree on the amount of such value within 150 days prior to the date of commencement of the renewal term elected by the Lessee, an independent appraiser to be chosen by the American Arbitration Association promptly thereafter. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both the Lessor and the Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee.

18.3. Delivery of Equipment. Unless the Lessee has elected to purchase the Items of Equipment then leased hereunder or to renew this Lease in respect of such Items of Equipment as provided in this Section 18, all of such Items of Equipment shall be returned to the Lessor at the end of the original term, or the then current renewal term, as the case may be, in accordance with Section 13 hereof.

#### SECTION 19. INTEREST ON OVERDUE RENTALS.

Anything to the contrary herein contained notwithstanding any nonpayment of rent due hereunder, shall result in the additional obligation on the part of the Lessee to pay also an amount equal to 12% per annum (or the lawful rate, whichever is less) on the overdue rentals for the period of time during which they are overdue.

#### SECTION 20. MISCELLANEOUS.

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

If to the Lessor: Gould Leasing Services, Inc.  
10 Gould Center  
Rolling Meadows, Illinois 60008  
Attention: Controller

If to the Lessee: William M. Gibbons, Trustee of the  
Property of Chicago, Rock Island  
and Pacific Railroad Company  
332 South Michigan Avenue  
Chicago, Illinois 60604  
Attention: Chief Financial Officer

If to the Security  
Trustee: Mercantile-Safe Deposit and Trust  
Company  
Two Hopkins Plaza  
P. O. Box 2258  
Baltimore, Maryland 21203  
Attention: Corporate Trust Department

or addressed to any such party at such other address as such party shall hereafter furnish to such other parties in writing.

20.2. Right of Lessor to Perform. If the Lessee shall fail to comply with any of its covenants herein contained, either the Lessor or, in the case of an assignment by the Lessor pursuant to Section 16 hereof, the assignee thereunder may, but shall not be obligated to, make advances to perform the same and to take all such action as may be necessary to obtain such performance. Any payment so made by any such party and all cost and expense (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection therewith shall be payable by the Lessee to the party making the same upon demand as additional rent hereunder, with interest at the rate of 12% per annum.

20.3. Execution in Counterparts. This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

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

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

20.6. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be as to such jurisdiction ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

20.7. Survival. All warranties, representations and covenants made by the Lessee herein or in any certificate or



STATE OF ILLINOIS            )  
  ) SS  
COUNTY OF COOK            )

On this 3<sup>rd</sup> day of April, 1979, before me personally appeared Walter L. Crowley, to me personally known, who, being by me duly sworn, says that he is an authorized officer of GOULD LEASING SERVICES, INC., that said instrument was signed 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.

Andrea R. Zahour  
Notary Public

[NOTARIAL SEAL]

My commission expires:  
May 16, 1979

STATE OF ILLINOIS            )  
  ) SS  
COUNTY OF COOK            )

On this 3<sup>rd</sup> day of April, 1979, before me personally appeared WILLIAM M. GIBBONS, to me personally known, who, being by me duly sworn, says that he is Trustee of the Property of CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY, and that the foregoing instrument was signed by him as Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company pursuant to specific orders of the United States District Court for the Northern District of Illinois in Proceedings bearing No. 75B2697.

John H. Purio  
Notary Public

[NOTARIAL SEAL]

My commission expires:  
Oct. 26, 1981

DESCRIPTION OF ITEMS OF EQUIPMENT

Manufacturer of Equipment: Greenville Steel Car Company

Description and Mark and Number of Items of Equipment: 280 100-ton Open-Top Hopper Cars Marked and Numbered ROCK 701020 to ROCK 701299, both inclusive

Maximum Purchase Price of Equipment: \$32,000 per Item

Maximum Aggregate Purchase Price of Equipment: \$8,960,000

Place of Delivery: Near Greenville, Pennsylvania

Outside Delivery Date: June 30, 1979

(CRI Trust No. 79-2)

SCHEDULE A  
(to Equipment Lease)

CERTIFICATE OF ACCEPTANCE  
UNDER EQUIPMENT LEASE

TO: Gould Leasing Services, Inc.  
(the "Lessor")

Greenville Steel Car Company  
(the "Manufacturer")

I, a duly appointed and authorized representative of the Lessor and of William M. Gibbons, Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company (the "Lessee") under the Equipment Lease dated as of June 1, 1978 between the Lessor and the Lessee, do hereby certify that I have inspected, received, approved and accepted delivery on behalf of the Lessor under the Purchase Order Assignment and under said Equipment Lease of the following Items of Equipment:

TYPE OF EQUIPMENT: 100-ton Open-Top Hopper Cars

MANUFACTURER: Greenville Steel Car Company

PLACE ACCEPTED:

DATE ACCEPTED:

NUMBER OF ITEMS:

MARKED AND NUMBERED:

I do further certify on behalf of the Lessee that the foregoing Items of Equipment are in good order and condition, and appear to conform to the specifications applicable thereto, that the Lessee has no knowledge of any defect in any of the foregoing Items of Equipment with respect to design, manufacture, condition or in any other respect, and that each Item has been labeled by means of a plate or a stencil printed in contrasting colors upon each side of the Item in letters not less than one inch in height as follows:

"Leased from Gould Leasing Services,  
Inc., as Owner, and Subject to a Security  
Interest Recorded with the I.C.C."

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

Dated: \_\_\_\_\_, 19\_\_

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Inspector and Authorized  
Representative of the Lessee

SCHEDULE OF CASUALTY VALUES

The Casualty Value for an Item of Equipment payable on any payment date for Interim Rental or any Fixed Rental payment date thereafter shall mean an amount equal to the percent of the Purchase Price of such Item set forth opposite such date in the following schedule:

TABLE I

<u>Fixed Rental Payment Date on which Casualty Value is Paid</u>	<u>Percentage of Purchase Price Payable as Casualty Value</u>
Any payment date for interim rental or First Fixed Rental Payment Date	103.499318
7-1-80	104.371739
1-1-81	105.029436
7-1-81	105.472550
1-1-82	105.651404
7-1-82	99.243002
1-1-83	98.873891
7-1-83	98.234012
1-1-84	97.329966
7-1-84	89.852364
1-1-85	88.430591
7-1-85	86.756132
1-1-86	84.838884
7-1-86	76.371450
1-1-87	73.987062
7-1-87	71.453098
1-1-88	68.812375
7-1-88	66.059020
1-1-89	63.186837
7-1-89	60.189293
1-1-90	57.059491
7-1-90	53.790159
1-1-91	50.373621
7-1-91	46.801782
1-1-92	43.073148
7-1-92	39.254738
1-1-93	35.399961
7-1-93	31.838125
1-1-94	28.434911
7-1-94	24.926314
At the end of the Lease term and thereafter	20.000000

(CRI No. 79-2)