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RECORDATION NO. Filed & Recorded

DEC 1 1975 -2 03 PM

INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

dated as of November 26, 1975

between

ILLINOIS CENTRAL GULF RAILROAD COMPANY

and

UNITED STATES TRUST COMPANY OF NEW YORK,
as Owner Trustee under a Trust Agreement
dated as of November 26, 1975, with
General Electric Credit Corporation

LEASE OF RAILROAD EQUIPMENT dated as of November 26, 1975, between ILLINOIS CENTRAL GULF RAILROAD COMPANY (hereinafter called the Lessee), and UNITED STATES TRUST COMPANY OF NEW YORK, as owner trustee under a Trust Agreement dated as of the date hereof (hereinafter called the Trust Agreement) with GENERAL ELECTRIC CREDIT CORPORATION (said trust company, so acting, being hereinafter called the Lessor, and said corporation being hereinafter called the Owner).

WHEREAS the Lessor is entering into manufacturing agreements dated as of the date hereof (hereinafter respectively called the Schedule A Manufacturing Agreement and the Schedule B Manufacturing Agreement, and the Schedule A and Schedule B Manufacturing Agreements being hereinafter sometimes collectively called the Manufacturing Agreements) with the Lessee and General Motors Corporation (Electro-Motive Division), respectively (the Lessee and said Division, in such capacity, being hereinafter collectively called the Builders), wherein (a) the Lessee has agreed to act as an independent contractor on behalf of Lessor in the construction of the units of new, standard-gauge railroad equipment described in Schedule A hereto (hereinafter called the Schedule A Equipment) and (b) said Division has agreed to construct and sell to Lessor the units of new, standard-gauge railroad equipment described in Schedule B hereto (hereinafter called the Schedule B Equipment, and the Schedule A Equipment and the Schedule B Equipment being hereinafter sometimes collectively called the Equipment);

WHEREAS the Lessee desires to lease such number of units of the Equipment as are delivered and accepted and settled for under the Manufacturing Agreements (such units of Schedule A Equipment being hereinafter called the Schedule A Units, such units of Schedule B Equipment being hereinafter called the Schedule B Units, and the Schedule A Units and the Schedule B Units being hereinafter sometimes collectively called the Units) at the respective rentals and for the respective terms and upon the conditions hereinafter provided; and

WHEREAS the Lessor and Mercantile-Safe Deposit and Trust Company, as indenture trustee (hereinafter called the Indenture Trustee), are entering into the Trust Indenture and

Mortgage dated as of the date hereof (hereinafter called the Security Documentation) wherein the Lessor will convey and set over its interest in the Manufacturing Agreements, this Lease and the Equipment and all amounts of rent, insurance proceeds and requisition, indemnity or other payments with respect to the Equipment payable to the Lessor hereunder as security for the benefit of the Lenders (hereinafter called the Lenders) listed in Schedule A to the Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) among the Lessee, the Lessor, the Indenture Trustee, the Owner and the Lenders (the Owner and the Lenders being hereinafter sometimes collectively called the Investors);

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

§ 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor, the Indenture Trustee, the Owner or the Lenders or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now

have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the Manufacturing Agreements. The Lessor will cause each Unit to be delivered, subject to the conditions set forth in Article 2 of the applicable Manufacturing Agreement, on each Closing Date (in the case of the Schedule A Manufacturing Agreement) or Delivery Date (in the case of the Schedule B Manufacturing Agreement) to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the Manufacturing Agreements. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit on such Closing Date or Delivery Date and execute and deliver to the Lessor a certificate of acceptance (hereinafter called the Certificate of Acceptance) in accordance with the provisions of Article 2 of each of the Manufacturing Agreements, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on such Closing Date or Delivery Date and is marked in accordance with § 5 hereof, whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

§ 3. Rentals. (a) Schedule A Units. The Lessee agrees to pay to the Lessor, as rental for each Schedule A Unit subject to this Lease, one interim rental payment payable on January 15, 1976, and 80 consecutive quarterly payments payable on each January 15, April 15, July 15 and October 15 in each year, commencing April 15, 1976. The interim rental payment payable on January 15, 1976, shall be in an amount equal to .02795% of the Cost of Construction (as defined in the Schedule A Manufacturing Agreement) of each Schedule A Unit subject to this Lease, less the amount of such Cost of Construction provided from funds furnished by the Transferor (as defined in the Participation Agreement), for each day elapsed from the Closing Date (as defined in the Schedule A Manufacturing Agreement) for such Unit to and including the date of such payment. The next 80 rental payments shall each be in an amount equal to 2.51601% of the Cost of Construction of each Schedule A Unit then subject

to this Lease.

(b) Schedule B Units. The Lessee agrees to pay to the Lessor, as rental for each Schedule B Unit subject to this Lease, one interim rental payment payable on January 15, 1976, and 60 consecutive quarterly payments payable on each January 15, April 15, July 15 and October 15 in each year, commencing on April 15, 1976. The interim rental payment payable on January 15, 1976, shall be in an amount equal to .03299% of the Cost of Construction (as defined in the Schedule B Manufacturing Agreement) of each Schedule B Unit subject to this Lease, less the amount of such Cost of Construction provided from funds furnished by the Transferor, for each day elapsed from the Delivery Date (as defined in the Schedule B Manufacturing Agreement) for such Unit to and including the date of such payment. The next 60 rental payments shall each be in an amount equal to 2.96894% of the Cost of Construction of each Schedule B Unit then subject to this Lease.

(c) Additional Interim Rental Payment. In addition to the interim rental payments payable on January 15, 1976, pursuant to § 3(a) and § 3(b) hereof, the Lessee shall pay to the Lessor, on January 15, 1976, as additional interim rental hereunder, an amount equal to the respective amounts required to be paid by the Lessor pursuant to the last paragraph of Paragraph 6 of the Participation Agreement.

The Lessee further agrees that each rental payment pursuant to this § 3 shall be accompanied by a certificate of the Lessee signed by a financial officer of the Lessee to the effect that the signer does not have knowledge of the existence as at such date of any condition or event which constitutes an Event of Default or which, after notice or lapse of time or both, would constitute an Event of Default.

The Lessee agrees that it will not take any action or omit to take any action which would result in a delay or hindrance in or prohibition of the orderly flow of rental payments as contemplated by this § 3 and the Consent of the Lessee annexed hereto.

If any of the rental payment dates referred to above is not a business day, the rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Baltimore, Maryland, New York, New York, or Chicago, Illinois, are authorized or obligated to remain closed.

The Lessee agrees to make all the payments provided for in this Lease for the account of the Lessor at its address set forth in § 17 hereof, on or before 11:00 a.m., Baltimore time, or as the Lessor shall otherwise direct, on the date upon which such payments are due and payable. The Lessor hereby directs the Lessee to make all payments payable to the Lessor provided for in this Lease to the Indenture Trustee at its address set forth in § 17 hereof. The Lessee agrees to make each such payment provided for herein as contemplated by this paragraph in immediately available funds at the place of payment.

§ 4. Term of Lease. The term of this Lease as to each Schedule A Unit shall begin on the date of delivery and acceptance of such Schedule A Unit hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3(a) hereof. The term of this Lease as to each Schedule B Unit shall begin on the date of delivery and acceptance of such Schedule B Unit and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3(b) hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 6, 7, 9, 11 and 14 hereof) shall commence on the date hereof and shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Lessor, the Indenture Trustee and the Investors under the Trust Agreement and the Security Documentation.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the road number set forth in Schedule A or Schedule B hereto, or in the case of any Unit not there listed such road number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "Owned by a Bank or Trust Company under a Security Agreement Filed under the Interstate Commerce Act, Section 20c", or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's title to and property in such Unit, the rights

of the Lessor under this Lease, the rights of the Owner under the Trust Agreement and the rights of the Lenders under the Security Documentation. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace promptly any such words which may be removed, defaced, obliterated or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Lessor and the Indenture Trustee and filed, recorded and deposited by the Lessee in all public offices where this Lease, the Trust Agreement and the Security Documentation shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Lessor and the Indenture Trustee an opinion of counsel to that effect and to the further effect that no further filing, recording or deposit (or giving of notice) with any other Federal, state or local government or agency thereof is necessary in order to protect the interests of the Lessor, the Indenture Trustee or the Investors in and to the Units in the United States of America. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

§ 6. Taxes. Whether or not any of the transactions contemplated hereby are consummated, the Lessee agrees to pay, and to indemnify and hold the Lessor, the Owner, the Indenture Trustee and the Lenders harmless from, all taxes, assessments, fees and charges of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon, howsoever imposed, whether levied or imposed upon the Lessor, the Owner, the Indenture Trustee, the Lenders, the Lessee, the Trust Estate (as defined in the Security Documentation) or otherwise, by any Federal, state or local government or governmental subdivision in the United States or by any foreign country or subdivision thereof, upon or with respect to: any Unit or any part thereof; the purchase, ownership, delivery, leasing, possession, use, operation, transfer of title, return or other disposition thereof; the rentals, receipts or earnings arising therefrom; or this Lease, the Trust Agreement, the Participation Agreement, the Security Documentation, any payment made pursuant to any such

agreement, or the property, the income or other proceeds received with respect to property held in trust by the Lessor under the Trust Agreement (all such taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed as aforesaid being hereinafter called "Taxes"); excluding, however: (i) Taxes of the United States or of any state or political subdivision thereof and (if and to the extent that any person indemnified hereunder is entitled to a credit therefor against its United States Federal income taxes or is indemnified by the Lessee pursuant to Paragraph 13 of the Participation Agreement) of any foreign country or subdivision thereof, imposed on or measured solely by the net income or excess profits of the Lessor (in its individual capacity), the Owner, the Lenders, or the Indenture Trustee, other than Taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Lease, provided that such Taxes of any foreign country or subdivision thereof incurred as a result of the indemnified party being taxed by such foreign country or jurisdiction on its worldwide income without regard to the transactions contemplated by this Lease shall be excluded whether or not the indemnified party is entitled to a credit against its United States Federal income taxes; (ii) any Taxes imposed as a direct result of a voluntary transfer or other voluntary disposition (other than any transfer following a Casualty Occurrence with respect to a Unit or the occurrence of an Event of Default) by the Lessor or the Owner or any transfer or disposition by the Lessor or the Owner resulting from bankruptcy or other proceedings for the relief of creditors in which the Lessor or the Owner is the debtor, whether voluntary or involuntary, of any interest in any Unit or interest in rentals under this Lease; (iii) any Taxes imposed on or measured by any fees or compensation received by the Lessor or the Indenture Trustee; and (iv) Taxes which are imposed on or measured solely by the net income of the Lessor, the Lenders or the Indenture Trustee if and to the extent that such Taxes are in substitution for or reduce the Taxes payable by any other person which the Lessee has not agreed to pay or indemnify against pursuant to this § 6; provided, however, that the Lessee shall not be required to pay any Taxes during the period it may be contesting the same in the manner provided in the next succeeding paragraph. The Lessee further agrees to pay on or before the time or times prescribed by law any tax imposed on or measured solely by the net income of the Lessee (or the affiliated group, within the meaning of section 1504 of the Internal Revenue Code of 1954, as amended, of which the Lessee is a member) under the laws of the United

States or of any state or political subdivision thereof, or of any foreign country or subdivision thereof which, if unpaid, might result in a lien or other encumbrance upon any Unit; provided, however, that the Lessee shall not be required to pay any such tax during the period it may be contesting the same.

If claim is made against the Lessor, the Owner, the Lenders or the Indenture Trustee for any Taxes indemnified against under this § 6, such party shall promptly notify the Lessee. If reasonably requested by the Lessee in writing, the Lessor, the Lenders or the Indenture Trustee, as the case may be, shall, upon receipt of any indemnity satisfactory to it and to the Owner for all costs, expenses, losses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Lessee, contest in good faith the validity, applicability or amount of such Taxes by (a) resisting payment thereof if possible, (b) not paying the same except under protest, if protest is necessary and proper, and (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. The Lessee may also contest, at its own expense, the validity, applicability or amount of such Taxes in the name of the Lessor, the Owner, the Lenders or the Indenture Trustee; provided that no proceeding or actions relating to such contest shall be commenced (nor shall any pleading, motion, brief or other paper be submitted or filed in the name of the Lessor, the Owner, the Lenders, or the Indenture Trustee in any such proceeding or action) without the prior written consent of the Lessor, the Owner, the Lenders or the Indenture Trustee, as the case may be. If the Lessor, the Owner, the Lenders or the Indenture Trustee shall obtain a refund of all or any part of such Taxes previously reimbursed by the Lessee in connection with any such contest or an amount representing interest thereon, the Lessor, the Lenders or the Indenture Trustee, as the case may be, or the Owner shall pay to the Lessee the amount of such refund or interest net of expenses; provided, however, that no Event of Default and no event which with notice or lapse of time or both would constitute an Event of Default shall have occurred and be continuing.

In case any report or return is required to be made with respect to any obligation of the Lessee under this § 6 or arising out of this § 6, except obligations resulting from the second sentence of the first paragraph of this § 6, the Lessee shall either make such report or return in

such manner as will show the interests of the Lessor in the Units, or shall promptly notify the Lessor, the Owner and the Indenture Trustee of such requirement and shall make such report or return in such manner as shall be satisfactory to the Lessor and the Indenture Trustee. All costs and expenses (including legal and accountants' fees) of preparing any such return or report shall be borne by the Lessee.

All the obligations of the Lessee under this § 6 shall survive and continue, but only with respect to periods included in the term of this Lease, notwithstanding payment in full of all amounts due under the Security Documentation or the termination of this Lease. Payments due from the Lessee to the Lessor, the Owner, the Lenders, or the Indenture Trustee under this § 6 shall be made directly to the party indemnified.

To the extent that the Lessee may be prohibited by law from performing in its own name the duties required by this § 6, the Lessor hereby authorizes the Lessee to act in its own name and on its behalf; provided, however, that the Lessee shall indemnify and shall hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities, incurred in connection therewith as a result of, or incident to, any action or failure to act by the Lessee pursuant to this authorization.

For purposes of this § 6, the term "Unit" shall include all materials at any time acquired and owned by the Lessor, or purchased by the Lessee as an independent contractor on behalf of the Lessor and owned by the Lessor, as contemplated by the Manufacturing Agreement between the Lessor and the Lessee, as independent contractor.

The Lessee shall, whenever requested by the Lessor, the Indenture Trustee or the Owner, submit to the Lessor and the Indenture Trustee copies of the returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor, the Indenture Trustee and the Owner, of the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as the Lessor, the Indenture Trustee or the Owner reasonably may require to permit the Lessor's, the Indenture Trustee's and the Owner's compliance with the requirements of taxing jurisdictions.

§ 7. Maintenance; Casualty Occurrences; Insurance.

The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit (including any parts installed on or replacements made to any Unit which are considered an accession thereto as provided in the third paragraph of § 9) which is subject to this Lease in good operating order, repair and condition.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise (such occurrences being hereinafter called Casualty Occurrences), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto. On the rental payment date next succeeding such Casualty Occurrence, the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with Schedule C (in the case of each Schedule A Unit) or Schedule D (in the case of each Schedule B Unit) attached hereto and shall pay to the persons entitled thereto any other amounts then due and payable by Lessee hereunder, under the Schedule A or Schedule B Manufacturing Agreement or under the Participation Agreement. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, and any other amounts then due hereunder, under the Schedule A or Schedule B Manufacturing Agreement or under the Participation Agreement to the persons entitled thereto, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

The Casualty Value of each Schedule A Unit as of the payment date on which payment is to be made as aforesaid shall be that percentage of the Cost of Construction of such Schedule A Unit as is set forth in Schedule C hereto. The Casualty Value of each Schedule B Unit as of the payment date on which payment is to be made as aforesaid shall be that

percentage of the Cost of Construction of such Schedule B Unit as is set forth in Schedule D hereto.

Whenever any Unit shall suffer a Casualty Occurrence after termination of this Lease and before such Unit shall have been returned in the manner provided in § 14 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to the greater of the Fair Market Value of such Unit (determined as provided in § 13 hereof) or 20% of the Cost of Construction of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit.

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

The Lessee will, at all times prior to the return of the Units to the Lessor, at its own expense, cause to be carried and maintained property insurance in respect of the Units at the time subject hereto, and public liability insurance, in amounts and against risks customarily insured against by the Lessee and others in the industry similarly situated in respect of similar owned equipment. If the Lessor shall receive any net insurance proceeds as the result of insurance carried by the Lessee or any condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee having made payment of the Casualty Value in respect of such Unit and payment of any other amounts then due hereunder, under the Schedule A or Schedule B Manufacturing Agreement and under the Participation Agreement, (a) in the case of Schedule A Units, pay such proceeds or condemnation payments to the Lessee, up to an amount equal to the Casualty Value with respect to such Unit paid by the Lessee, and any balance of such proceeds or condemnation payments shall remain the property of the Lessor; and (b) in the case of Schedule B Units, pay such proceeds or condemnation payments to the Lessee. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect

of which such proceeds were paid has been fully repaired.

§ 8. Reports. On or before March 31 in each year, commencing with the calendar year 1976, the Lessee will furnish to the Lessor and the Indenture Trustee an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the Trust Agreement and the Security Documentation, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the Manufacturing Agreements have been preserved or replaced. The Lessor, the Indenture Trustee and the Owner shall have the right, by their agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor, the Indenture Trustee or the Owner may request during the continuance of this Lease.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR, THE INDENTURE TRUSTEE AND THE INVESTORS MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR, THE INDENTURE TRUSTEE AND THE INVESTORS MAKE NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor, the Indenture Trustee, the Investors and the Lessee, are to be borne by the Lessee. Without limiting the generality of the foregoing or anything else contained in this Lease, the Lessor, the Indenture Trustee and the Investors 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 Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection

therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee, the Investors, the Indenture Trustee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor, the Indenture Trustee or the Investors based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor, the Indenture Trustee and the Investors, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that such laws or rules require any alteration, replacement or addition of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor and the Indenture Trustee, adversely affect the property or rights of the Lessor, the Indenture Trustee or the Investors under this Lease, the Trust Agreement or the Security Documentation.

The Lessee, at its own cost and expense, may from time to time make such alterations, modifications and additions (including, without limitation, any special devices, racks or assemblies at any time attached or affixed to any Unit, the cost of which is not included in the Cost of Construction of such Unit and which are not required for the operation or use of such Unit by the Interstate Commerce Commission, the United States Department of Transportation or any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over such Unit) (hereinafter collectively called Additions) to the Units in addition to altera-

tions, modifications and additions in compliance with the first sentence of § 7 hereof as the Lessee may deem desirable in the proper conduct of its business so long as such Additions shall not be inconsistent with the continuing operation of the Units in accordance with their original conventional purpose and shall not diminish the value, utility or condition of the Units below the value, utility and condition thereof immediately prior to the making of such Additions assuming the Units were then in the condition required to be maintained by the terms of this Lease; provided, however, that no such Addition shall be made if it is not readily removable from the Unit to which it relates without material damage thereto and without causing material damage to the Unit or diminishing or impairing the value or utility which the Unit would have had at such time had such Addition not been made.

Title to all Parts (as hereinbelow defined) incorporated in or installed as part of the Units shall without further act vest in the Lessor and be subject to a valid first lien and prior perfected security interest under the Security Documentation in the following cases: (i) such Part is in replacement of or in substitution for, and not in addition to, any Part originally incorporated in or installed as part of a Unit at the time of the acceptance thereof hereunder or any Part in replacement of, or in substitution for any such original Part, (ii) such Part is required to be incorporated in or installed as part of the Units pursuant to the terms of the first sentence of § 7 hereof or the second paragraph of this § 9, and (iii) notwithstanding the provisions of the third paragraph of this § 9 such Part cannot be readily removed from the Unit to which it relates without material damage thereto and without diminishing or impairing the value or utility which such Unit shall have had at such time had such alteration or addition not occurred. In all other cases, if no Event of Default under § 10 hereof (or other event which after lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, title to Parts incorporated in or installed as parts of the Units as a result of such alterations or additions shall vest in the Lessee. The term Part for the purposes of this paragraph shall include any appliance, part, instrument, accessory, furnishing or other equipment of any nature which may from time to time be incorporated in or installed as part of any Unit.

Except as otherwise provided in § 14 of this Lease, the Lessee shall pay, and shall protect, indemnify and hold the Lessor (in its individual and in its trust capacities),

the Owner, the Indenture Trustee and the Lenders, and their respective successors, assigns, agents and servants (hereinafter called Indemnified Persons), harmless from and against any and all causes of action, suits, penalties, claims, demands or judgments, of any nature whatsoever which may be imposed on, incurred by or asserted against any Indemnified Person (including any or all liabilities, obligations, damages, costs, disbursements, expenses [including, without limitation, attorneys' fees and expenses of any Indemnified Person] relating thereto) in any way relating to or arising, or alleged to arise out of this Lease or the Units, including, without limitation, those in any way relating to or arising or alleged to arise out of (i) the manufacture, construction, purchase, acceptance, rejection, ownership, delivery, nondelivery, lease, possession, use, operation, condition, sale (other than any disposition by the Lessor or the Owner of the Equipment at or subsequent to the termination of this Lease), return or other disposition of any Unit or portion thereof; (ii) any latent and other defects, whether or not discoverable by the Lessor or the Lessee; (iii) any claim for patent, trademark or copyright infringement; (iv) any claims based on strict liability in tort; (v) any injury to or the death of any person or any damage to or loss of property on or near the Units or in any manner growing out of or connected with, or alleged to grow out of or be connected with, the ownership, use, replacement, adaptation or maintenance of the Units or of any other equipment or materials in connection with the Units prior to or during the term of this Lease (or subsequent thereto to the extent provided in §§ 11 and 14 of this Lease) (whether owned or under the control of the Lessor, the Lessee or any other person) or resulting or alleged to result from the condition of any thereof; (vi) any violation, or alleged violation, of any provision of this Lease (except by the Lessor) or of any agreement, law, rule, regulation, ordinance or restriction, affecting or applicable to the Units or the leasing, ownership, use, replacement, adaptation or maintenance thereof; (vii) any claim against the Lessor arising out of any of the Lessor's obligations under the Security Documentation or the Participation Agreement, except to the extent such claim arises from an act or omission of the Lessor; or (viii) any claim arising out of the Indenture Trustee's holding a security interest under the Security Documentation; provided, however, that the foregoing indemnity with respect to any Indemnified Person shall not extend to any loss, damage, injury, liability, claim or demand resulting from the wilful misconduct or gross negligence of such Indemnified Person, the inaccuracy of

any representation or warranty made by such Indemnified Person in connection with the transactions contemplated hereby or the breach of any covenant or agreement by such Indemnified Person in connection with the transactions contemplated hereby. All payments hereunder shall be made directly to the indemnified party. The Lessee shall be obligated under this § 9, irrespective of whether any Indemnified Person shall also be indemnified with respect to the same matter under any other agreement by any other person except if such Indemnified Person is indemnified by the Lessee under the Participation Agreement or the Manufacturing Agreements, and the Indemnified Person seeking to enforce the indemnification may proceed directly against the Lessee under this § 9 without first resorting to any such other rights of indemnification. In case any action, suit or proceeding is brought against any Indemnified Person in connection with any claim indemnified against hereunder, the Lessee may and, upon such Indemnified Person's request, will at the Lessee's expense resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Lessee and approved by such Indemnified Person, as the case may be, and, in the event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including, without limitation, attorneys' fees and expenses) incurred by such Indemnified Person in connection with such action, suit or proceeding. In the event the Lessee is required to make any payment under this § 9, the Lessee shall pay such Indemnified Person an amount which, after deduction of all taxes required to be paid by such Indemnified Person in respect of the receipt thereof under the laws of the United States or of any political subdivision thereof (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the expense indemnified against, and of any other such taxes as determined in the sole discretion of the Indemnified Person), shall be equal to the gross amount of such payment. The Lessee and the Lessor each agrees to give each other promptly upon obtaining knowledge thereof written notice of any claim or liability hereby indemnified against. Upon the payment in full of any indemnities as contained in this § 9 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, the Lessee shall be subrogated to any right of such Indemnified Person in respect of the matter against which indemnity has been given. Any payments received by such Indemnified Person from any person (except the Lessee) as a result of any matter with respect

to which such Indemnified Person has been indemnified by the Lessee pursuant to this § 9 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made.

The Lessee further agrees to indemnify, protect and hold harmless the Lenders and the Indenture Trustee as third party beneficiaries hereof from and against any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Lenders, the Indenture Trustee, the Owner or the Lessor because of the use in or about the construction or operation of any of the Units of any article or material specified by the Lessee and not manufactured by the Builders or either of them or of any design, system, process, formula or combination specified by the Lessee and not developed or purported to be developed by the Builders or either of them which infringes or is claimed to infringe on any patent or other right. The Lessee will give notice to General Motors Corporation (Electro-Motive Division) of any claim known to the Lessee from which liability may be charged against said Division hereunder.

The indemnities contained in this § 9 shall survive the expiration or termination of this Lease with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any Indemnified Person. None of the indemnities in this § 9 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee therefor, from or under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise.

For purposes of this § 9, the term "Unit" shall include all materials at any time acquired and owned by the Lessor, or purchased by the Lessee as an independent contractor on behalf of the Lessor and owned by the Lessor, as contemplated by the Manufacturing Agreement between the Lessor and the Lessee, as independent contractor.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) required to be filed by the Lessor with any Federal, state or

other regulatory authority by reason of the ownership by the Lessor of the Units or the leasing thereof to the Lessee.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an Event of Default) shall occur:

(A) default shall be made in payment of any amount provided for in §§ 3, 7 or 13 hereof, and such default shall continue for seven days;

(B) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof;

(C) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Manufacturing Agreements or either of them or the Participation Agreement, and such default shall continue for 30 days after written notice from the Lessor to the Lessee specifying the default and demanding that the same be remedied;

(D) a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease, the Manufacturing Agreements and the Participation Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as 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; or

(E) any other proceedings shall be commenced by

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

then, in any such case, the Lessor, at its option, may declare this Lease to be in default by notice in writing to the Lessee and may:

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

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor, subject to the applicable provisions of law, may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes

whatever and without any duty to account to the Lessee with respect to such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of a bargain and not as a penalty, in lieu of the rental for such Units which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Units, whichever of the following amounts the Lessor, in its sole discretion, shall specify in such notice of termination: (x) an amount equal to the excess, if any, of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Units which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Units over the then present value of the rental which the Lessor reasonably estimates to be obtainable for such Units during such period, such present value to be computed in each case on the basis of a 8-1/2% per annum discount, compounded quarterly, from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall sell any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this subparagraph (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, in lieu of the rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental

payment date on or next preceding the date of termination, over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

Notwithstanding the foregoing, if the Lessee defaults in the payment of any amount required to be paid hereunder, the Owner may itself make such payment and the amount of such payment and the reasonable costs and expenses of the Owner incurred in connection with such payment shall be payable by the Lessee to the Owner upon demand; provided, however, that the Owner shall not be entitled to make such payment with respect to rental provided in § 3 hereunder with respect to more than two consecutive defaults in the payment of such rental by the Lessee unless the Owner, concurrently with the making of such payment, executes and delivers to the Indenture Trustee and the Lenders an agreement of the Owner, in form and substance satisfactory to the Indenture Trustee and the Lenders, guaranteeing the performance by the Lessee of its obligations contained in the first sentence of § 7 of this Lease.

§ 11. Return of Units Upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged to return the Unit or Units so interchanged) and at the usual speed place such Units upon such storage tracks of the Lessee or any of its affiliates as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units for a period of time, which shall not exceed 18 months, on such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and 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, insure and transport the Units. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of any such Unit, to inspect the same.

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

turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .02795% of the Cost of Construction of such Unit (if such Unit is a Schedule A Unit) or .03299% of the Cost of Construction of such Unit (if such Unit is a Schedule B Unit) for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, 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 Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder shall inure to the benefit of the Lessor's assigns. The Lessee recognizes that the Lessor has agreed in the Trust Indenture, among other things, to assign to the Indenture Trustee this Lease and the rights, benefits and advantages of the Lessor hereunder, and to mortgage in favor of the Indenture Trustee the Units, subject to the reservations and conditions therein set forth.

So long as the Lessee shall not be in default under this Lease and subject to the security interest of the Lenders under the Security Documentation, the Lessee shall be entitled to the uninterrupted and undisturbed possession and full use of the Units in accordance with the terms of this Lease and the Security Documentation, but, without the prior written consent of the Lessor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by, or liabilities in favor of, any party which, if unpaid, might diminish the amount of rent due and payable under § 3 hereof or might become a lien, charge, security interest or other

encumbrance (other than an encumbrance created by the Lessor or resulting from claims against the Lessor not related to the ownership or leasing of the Units unless the Lessor shall have failed to satisfy such encumbrance promptly) upon or with respect to any Unit or any other part of the Trust Estate, or the interest of the Lessor, the Indenture Trustee, the Investors or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises; provided, however, that the Lessee shall not be required to discharge any such lien, claim, security interest or other encumbrance which attaches solely to the leasehold interest of the Lessee under this Lease in and to the Equipment unless any such lien, security interest or encumbrance would, in the reasonable opinion of the Owner, adversely affect the interests of the Lessor and the Owner in the Equipment or in this Lease. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph.

So long as the Lessee shall not be in default under this Lease and subject to the security interest of the Lenders under the Security Documentation, the Lessee shall be entitled to the possession of the Units and to the use of the Units by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, and also to permit the use of the Units 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, and to all rights of the Lessor, the Indenture Trustee and the Investors under the Trust Agreement and the Security Documentation. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units. The Lessee represents and warrants to the Lessor, the Indenture Trustee and the Investors that the Units will be used, and are intended for use, in connection with interstate commerce.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the

Units to any railroad corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

§ 13. Renewal Option. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than 120 days prior to the end of the original term or any extended term of this Lease, as the case may be, with respect to Schedule A or Schedule B Units, as the case may be, elect to extend the term of this Lease in respect of all but not fewer than all the Schedule A Units or Schedule B Units, as the case may be, then covered by this Lease for an additional two-year period commencing on the scheduled expiration of the original term or any extended term of this Lease, as the case may be, in respect of such Units, provided that no such extended term shall extend beyond four years from the date of expiration of the original term of this Lease in respect of such Units. Rentals during any renewal term shall be at an amount equal to "Fair Market Rental" of the Schedule A Units or Schedule B Units, as the case may be, then covered by this Lease, payable in arrears in four quarterly payments for each one-year period, such payments to be made on the quarterly anniversary of the termination of the original term of this Lease in respect of such Schedule A Units or Schedule B Units.

Fair Market Rental during each extended term of this Lease shall be determined on the basis of, and shall be equal in amount to, the rental which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental. If, after 30 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease, the Owner and the Lessee are unable to agree upon a determination of the Fair Market Rental of the applicable Units, such rental shall be determined in accordance with the foregoing definition by the following procedure: If either party to such

determination shall have given written notice to the other requesting determination of such value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 10 business days after such notice is given, each party shall appoint an independent appraiser within 15 business days after such notice is given, and the two appraisers so appointed shall within 25 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 25 business days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental of the applicable Units subject to the proposed extended term within 60 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of Fair Market Rental of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as the Fair Market Rental. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne equally by the Lessee and the Owner in the event the Lease is renewed pursuant to this § 13. Otherwise such expense shall be paid entirely by the Lessee.

Notwithstanding the foregoing, the Casualty Value of each Unit as of any rental payment date during any extended term provided for in this § 13 shall mean a sum equal to (i) in the case of the initial extended term, the greater of (a) 20% of the Cost of Construction of such Unit or (b) the sum of (1) the "Fair Market Value" of such Unit as of the last day of such initial extended term (determined

as of the first day of such initial extended term as provided in this § 13) plus (2) an amount determined by multiplying (x) an amount equal to the excess of the Fair Market Value of such Unit as of the first day of such initial extended term (determined as of such first day as provided in this § 13) over such Fair Market Value as of the last day of such initial extended term by (y) a fraction of which the numerator shall be the number of days in such extended term following such date and of which the denominator shall be the total number of days in such initial extended term (it being understood that such Fair Market Value shall be determined as provided in this § 13 concurrently with the determination of Fair Market Rental hereunder, provided that for such purpose, "value" and "Value" shall be substituted for, respectively, "rental" and "Rental"; "buyer" shall be substituted for "lessee"; "seller" shall be substituted for "lessor"; and "sell" shall be substituted for "lease", in each case in which each such substituted term appears in the second paragraph of this § 13); or (ii) subsequent to the last day of such initial extended term, the sum of (1) and (2) in clause (b) above (computed, in the case of a subsequent extended term, using the dates and number of days in such subsequent extended term rather than the initial extended term).

§ 14. Return of Units upon Expiration of Term.

As soon as practicable on or after the expiration of the original or extended term of this Lease with respect to any Unit, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee or any of its affiliates as the Lessor may designate, or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Unit on such tracks for a period not exceeding 180 days and transport the same, at any time within such 180-day period, to any reasonable place on the lines of railroad operated by the Lessee or any of its affiliates, or to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Units to be at the expense and risk of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising,

either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. All amounts earned in respect of any Units after the date of termination of this Lease with respect to such Units shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .02795% of the Cost of Construction of such Unit (if such Unit is a Schedule A Unit) or .03299% of the Cost of Construction of such Unit (if such Unit is a Schedule B Unit) for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the Manufacturing Agreements, the Trust Agreement, the Security Documentation and any assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor, the Indenture Trustee, the Lenders or the Owner for the purpose of proper protection, to their satisfaction, of the Lessor's, the Indenture Trustee's, the Lenders' and the Owner's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the Trust Agreement and the Security Documentation; and the Lessee will promptly furnish

to the Lessor and the Indenture Trustee evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Lessor and the Indenture Trustee. This Lease, the Manufacturing Agreements, the Trust Agreement and the Security Documentation shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

§ 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to 11-1/2% per annum on the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

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

(a) if to the Lessor, at 130 John Street, New York, New York 10038, attention of Corporate Trust and Agency Division, with a copy to the Owner, at P. O. Box 8300, Stamford, Connecticut 06904, attention of Manager-Operations, Leasing and Industrial Loans and attention of Loan Officer-Rail; and

(b) if to the Indenture Trustee, at Two Hopkins Plaza, P. O. Box 2258, Baltimore, Maryland 21203, attention of Corporate Trust Department; and

(c) if to the Lessee, at 233 North Michigan Avenue, Chicago, Illinois 60601, attention of the Treasurer,

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

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

This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee and approved in writing by the Indenture Trustee.

§ 19. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Lessor shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

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

§ 21. Immunities; No Recourse. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, undertakings and agreements by United States Trust Company of New York or for the purpose or with the intention of binding said trust company personally, but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by said trust company solely in the exercise of the powers expressly conferred upon said trust company as trustee under the Trust Agreement; and except in the case of gross negligence or wilful misconduct no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said trust company, or on account of any representation, undertaking or agreement of the Lessor, either expressed or implied, all such personal liability, if any, being expressly waived and released by the

Lessee and by all persons claiming by, through or under the Lessee.

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

UNITED STATES TRUST COMPANY
OF NEW YORK, as Owner Trustee,

by René B. Socca
Asst. Vice President

Attest: Joseph D. Rogge
Assistant Secretary

ILLINOIS CENTRAL GULF
RAILROAD COMPANY,

by J. B. Goodil
Treasurer

Attest: J. D. Grady
Assistant Secretary

SCHEDULE A TO LEASE

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Road Numbers (Both Inclusive)</u>
70-ton, 50' box cars	283	ICG 580717-580999

SCHEDULE B TO LEASE

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Road Numbers (Both Inclusive)</u>
SD 40-2 locomotives	4	ICG 6030-6033

SCHEDULE C TO LEASE
CASUALTY VALUE TABLE
(BOXCARS)

<u>Payment Number</u>	<u>Percentage</u>	<u>Payment Number</u>	<u>Percentage</u>
1	103.12%	42	83.61%
2	103.54	43	82.46
3	103.91	44	81.28
4	104.22	45	80.08
5	104.48	46	78.85
6	104.68	47	77.60
7	104.83	48	76.33
8	104.93	49	75.04
9	104.98	50	73.73
10	104.97	51	72.39
11	104.92	52	71.03
12	104.82	53	69.65
13	104.67	54	68.25
14	104.47	55	66.83
15	104.22	56	65.38
16	103.93	57	63.91
17	103.59	58	62.41
18	103.20	59	60.88
19	102.77	60	59.34
20	102.29	61	57.76
21	101.77	62	56.16
22	101.20	63	54.53
23	100.60	64	52.88
24	99.96	65	51.20
25	99.29	66	49.49
26	98.59	67	47.75
27	97.86	68	45.98
28	97.11	69	44.18
29	96.32	70	42.35
30	95.50	71	40.48
31	94.66	72	38.59
32	93.79	73	36.66
33	92.89	74	34.70
34	91.96	75	32.71
35	91.01	76	30.68
36	90.03	77	28.62
37	89.02	78	26.52
38	87.99	79	24.38
39	86.93	80	22.21
40	85.85	81 and	20.00
41	84.74	thereafter	

SCHEDULE D TO LEASE
CASUALTY VALUE TABLE
(LOCOMOTIVES)

<u>Payment Number</u>	<u>Percentage</u>	<u>Payment Number</u>	<u>Percentage</u>
1	102.99%	32	78.72%
2	102.83	33	77.21
3	102.81	34	75.67
4	102.73	35	74.09
5	102.59	36	72.47
6	102.39	37	70.81
7	102.13	38	69.12
8	102.82	39	67.39
9	101.45	40	65.62
10	101.02	41	63.82
11	100.54	42	61.98
12	100.00	43	60.10
13	99.41	44	58.19
14	98.76	45	56.24
15	98.06	46	54.25
16	97.31	47	52.23
17	96.50	48	50.17
18	95.64	49	48.08
19	94.72	50	45.95
20	93.76	51	43.79
21	92.75	52	41.59
22	91.68	53	39.35
23	90.56	54	37.07
24	89.40	55	34.76
25	88.20	56	32.40
26	86.96	57	30.01
27	85.69	58	27.57
28	84.37	59	25.09
29	83.01	60	22.57
30	81.62	61 and	20.00
31	80.19	thereafter	

CONSENT

The undersigned, ILLINOIS CENTRAL GULF RAILROAD COMPANY, a Delaware corporation, the Lessee named in the foregoing Lease, hereby acknowledges receipt of copies of the Trust Agreement and the Trust Indenture referred to in said Lease, consents to all the terms and conditions of the Trust Agreement and the Trust Indenture and acknowledges that in order to secure its obligations set forth in the Trust Indenture to the Lenders, as such term is used in said Lease, UNITED STATES TRUST COMPANY OF NEW YORK, as Owner Trustee, has conveyed and set over to MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Indenture Trustee, its right, title and interest in the Trust Estate (as defined in said Trust Indenture), including the Lease and all rent and other sums payable hereunder.

The Lessee hereby agrees that:

(1) it will pay all rentals, casualty payments, liquidated damages, indemnities (other than indemnities payable directly to the indemnified party under the Lease) and other moneys provided for in the Lease (which moneys are hereinafter called the Payments) due and to become due under the Lease or otherwise in respect of the Units leased thereunder, directly in immediately available funds to the Indenture Trustee at Two Hopkins Plaza, P. O. Box 2258, Baltimore, Maryland 20203 (or at such other address as may be furnished in writing to the Lessee by the Indenture Trustee);

(2) the Indenture Trustee shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the Lessee under the Lease as though the Indenture Trustee were named therein as the Lessor;

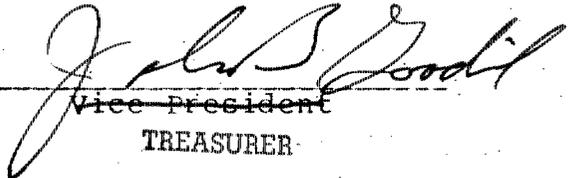
(3) the Indenture Trustee shall not, by virtue of the Trust Indenture, be or become subject to any liability or obligation under the Lease or otherwise;

(4) the Lease shall not, without the prior written consent of the Indenture Trustee, be terminated or modified, nor shall any action be taken or omitted by the Lessee the taking or omission of which might result in an alternation or impairment of the Lease, the Trust Indenture or this consent and agreement or of any of the rights created by any thereof; and

(5) the rentals provided in § 3 of the Lease and the casualty payments provided in § 7 of the Lease have been calculated so as to be sufficient to pay in full any payments required to be made to the Lenders on account of principal and interest pursuant to the Trust Indenture.

ILLINOIS CENTRAL GULF RAILROAD
COMPANY,

by


Vice President

TREASURER