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INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of July 1, 1979

between

CASON CAR CORPORATION

and

SOUTHWESTERN ELECTRIC POWER COMPANY

363 ONE HUNDRED-TON
STEEL GONDOLA COAL CARS

LEASE OF RAILROAD EQUIPMENT

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LEASE OF RAILROAD EQUIPMENT dated as of July 1, 1979, between CASON CAR CORPORATION (hereinafter called the Lessor) and SOUTHWESTERN ELECTRIC POWER COMPANY (hereinafter called the Lessee).

WHEREAS, the Lessor and the Lessee have entered into a Conditional Sale Agreement dated as of the date hereof (hereinafter called the Conditional Sale Agreement) with Thrall Car Manufacturing Company (hereinafter called the Builder) covering the construction, sale and delivery, on the conditions therein set forth, by the Builder and the purchase by the Lessor of the railroad equipment described in Annex A hereto (hereinafter called the Equipment);

WHEREAS, the Builder and Mercantile-Safe Deposit and Trust Company, as Agent (hereinafter called the Assignee) under a Finance Agreement dated as of the date hereof (hereinafter called the Finance Agreement) with the Lessor, the Lessee and the Investors named therein, have entered into an Agreement and Assignment dated as of the date hereof (hereinafter called the Assignment) assigning to the Assignee the right, security title and interest of the Builder under the Conditional Sale Agreement as security for the payment of the Conditional Sale Indebtedness (as defined in the Conditional Sale Agreement);

WHEREAS, the Lessee desires to lease all the units of the Equipment (including any Replacement Units, as defined in the Conditional Sale Agreement), or such lesser number as are delivered, accepted and settled for under the Conditional Sale Agreement, at the rentals, for the terms and upon the conditions hereinafter stated (such number of units as are delivered, accepted and settled for under the Conditional Sale Agreement and any such Replacement Units being hereinafter called the Units); and

WHEREAS, in order to provide further security for the payment of the Conditional Sale Indebtedness and as an inducement to the Builder to construct and deliver the Equipment and to the Investors to invest in the Conditional Sale Indebtedness, the Lessor will, concurrently with its execution and delivery of this Lease, enter into an Assignment of Lease and Agreement dated as of the date hereof (hereinafter called the Lease Assignment) with the Assignee assigning for security purposes certain of its rights in, to and under this Lease to the Assignee;

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:

SECTION 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or set-off against rent, including, but not limited to, abatements, reductions or set-offs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the Conditional Sale Agreement, including the Lessee's rights of subrogation thereunder to the Builder or the Assignee 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 failure of title of the Lessor to any of the Units 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 taking or requisitioning of any of the Units by condemnation or otherwise, 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 the 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.

SECTION 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee as its agent for the inspection and acceptance of, and the approval of all invoices relating to, the Units pursuant to the Conditional Sale Agreement and the Assignment. Each Unit is to be delivered to the Lessee, acting as such agent of the Lessor, by the Builder under the Conditional Sale Agreement at the place of delivery designated in the Conditional Sale Agreement and in Annex A hereto. As provided in Article 3 of the Conditional Sale Agreement, each Unit is to be delivered, inspected and accepted concurrently with the settlement therefor on the Closing Date for such Unit pursuant to Article 4 of the

Conditional Sale Agreement, and any Replacement Units are to be delivered pursuant to Article 7 of the Conditional Sale Agreement. Upon such delivery on such Closing Date, the Lessee will cause an employee of the Lessee or an authorized representative 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 on behalf of the Lessor under the Conditional Sale Agreement and on its own behalf hereunder and execute and deliver to the Lessor and the Builder a certificate of acceptance (hereinafter called a Certificate of Acceptance), in accordance with the provisions of Article 3 of the Conditional Sale Agreement, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on such Closing Date and is marked in accordance with Section 5, whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall thereafter be subject to all the terms and conditions of this Lease, and the Lessee may, upon, but not prior to, completion of the settlement for such Unit in accordance with Article 4 of the Conditional Sale Agreement commence its use of such Unit pursuant to Section 13 hereof.

SECTION 3. Rentals. The Lessee agrees to pay to the Lessor, as rental for each Unit subject to this Lease,

(a) A payment on January 1, 1980 in an amount equal to .027083% of the Purchase Price (as defined in the Conditional Sale Agreement) of each Unit then subject to this Lease for each day (computed on the basis of a 360-day year of twelve 30-day months) elapsed from the Closing Date (as defined in the Conditional Sale Agreement) for such Unit to and including the date of such payment;

(b) 10 consecutive semi-annual payments on January 1 and July 1 of each year, commencing July 1, 1980 and ending on January 1, 1985, in each case in an amount equal to 4.875% of the Purchase Price of each Unit then subject to this Lease;

(c) 29 consecutive semi-annual payments on January 1 and July 1 of each year, commencing July 1, 1985 and ending July 1, 1999, in each case in an amount equal to 6.258972% of the Purchase Price of each Unit then subject to this Lease;

(d) a payment on January 1, 2000 in an amount equal to 16.258993% of the Purchase Price of each Unit then subject to this Lease;

(e) on any date in respect of which a Replacement Unit is to be purchased by the Lessor pursuant to Article 7 of the Conditional Sale Agreement, the amount by which the cost of such Replacement Unit exceeds the Casualty Value (plus any interest or appreciation and less any costs or losses with respect to any Investments thereof) paid to the Lessor in respect of the Unit suffering a Casualty Occurrence; and

(f) on any Prepayment Date, the Prepayment Price (both as defined in the Conditional Sale Agreement) required to be paid on such Date pursuant to Article 4 of the Conditional Sale Agreement.

The Lessee agrees that if for any reasons whatsoever (i) any rental or other moneys payable by the Lessee under this Lease (all such rentals and moneys being hereinafter in this paragraph collectively called Rents) shall be diminished or subject to any diminution for any reason, or shall be subject to withholding at the source by reason of any taxes, assessments or liabilities of any character, foreseen or unforeseen, incurred by or against any person, including the Lessor, or by reason of any claims, charges or liens of any nature, foreseen or unforeseen, incurred by any person, including the Lessor, so that the Rents would thereby be rendered unavailable or would be less in amount than contemplated by this Lease, (ii) the payment in full of the Rents when the same are due and payable under this Lease shall be delayed, hindered or prevented or in any way adversely affected, (iii) the use or application of the Rents by the Assignee shall be hindered, delayed or prevented or the right of the Assignee to use or apply the same shall in any way be adversely affected, (iv) the Assignee shall refuse to apply the Rents as provided in the Conditional Sale Agreement and the Finance Agreement because of a threatened or pending suit in any court as a result of which the Assignee in good faith considers it may have personal liability if it does so apply the Rents or (v) the holders of the Certificates of Interest issued by the Assignee under the Finance Agreement shall be subject to any liability or obligation to refund or pay over the Rents, then, in any such event, the Lessee will promptly pay as additional rent under this Lease, and take any action and incur any additional expense that may be necessary to the proper application of, an amount sufficient to (x) pay fully and discharge or otherwise eliminate or nullify the cause of such diminution or withholding, (y) eliminate or prevent any delay, hindrance or obstacle in the payment in full of the Rents when the same are due and payable under this Lease and in the use or application thereof by the Assignee and (z) protect fully the right of the Assignee to use or apply the Rents, indemnifying the

Assignee against any personal liability which may arise from the application of the Rents and such holders against any liability or obligation to repay, or any loss in repaying, any moneys received from the Assignee.

If any of the semi-annual rental payment dates referred to in clauses (a), (b), (c) or (d) above is not a Business Day (as defined in Article 4 of the Conditional Sale Agreement) the semi-annual rental payment otherwise payable on such date shall be payable on the next following Business Day.

The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease at the principal office of the Assignee, for the account of the Lessor, in care of the Assignee, with instructions to the Assignee first to apply such payments to satisfy the obligations of the Lessor under the Conditional Sale Agreement known to the Assignee to be due and payable on the date such payments are due and payable hereunder and thereunder and second, so long as no event of default under the Conditional Sale Agreement shall have occurred and be continuing, to pay any balance by wire transfer of immediately available funds on the date so received to the Lessor at such address as may be specified by the Lessor to the Assignee in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph by 11:00 A.M., Baltimore Time, in Federal funds current in Baltimore, Maryland.

SECTION 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder in accordance with the provisions of Section 2 hereof and, subject to the provisions of Paragraph 18 of the Finance Agreement and Sections 7, 8, 11 and 20 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to Section 3.

Anything herein to the contrary notwithstanding, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Assignee under the Conditional Sale Agreement and the Assignment. Subject only to the rights of the Lessor against the Lessee referred to in Article 16 of the Conditional Sale Agreement, if an Event of Default shall occur and be continuing under the Conditional Sale Agreement, the Assignee may terminate this Lease (or rescind its termination), all as provided herein, unless the Lessee is not in default under this Lease.

SECTION 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with an identifying

number as set forth in Annex A hereto, or in the case of any Unit not there listed such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "Cason Car Corporation, Lessor, Subject to a Security Agreement Filed under the Interstate Commerce Act" or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by applicable rules, regulations and laws, including without limitation the rules and regulations of the Association of American Railroads, in order to protect the Lessor's and the Assignee's title to and property interest in such Unit and the rights of the Lessor under this Lease and of the Assignee under the Conditional Sale Agreement. In the event that the Lessor shall become obligated to change any markings on any Unit or to incur any cost in connection therewith pursuant to Article 15 of the Conditional Sale Agreement, the Lessee shall, at the request of the Lessor, make such marking changes and pay to the Lessor such additional amounts as will enable the Lessor to fulfill such obligations under said Article 15. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such markings shall have been made thereon and will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. The Lessee will not change the identifying 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 Assignee and the Lessor and filed, recorded, registered and deposited by the Lessee in all public offices where this Lease and the Conditional Sale Agreement shall have been filed, recorded, registered and deposited and (ii) the Lessee shall have furnished to the Assignee and the Lessor an opinion of counsel for the Lessee with respect thereto satisfactory to the Assignee and the Lessor.

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; provided, however, that the Units may be lettered with the names or initials or other insignia customarily used by the Lessee.

SECTION 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, Federal or foreign taxes, assessments, documentary stamp

taxes, or license fees and any charges, fines or penalties in connection therewith (hereinafter called collectively Impositions) now or hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use payment, shipment, delivery or transfer of title under the terms hereof or the Conditional Sale Agreement or any assignment hereof or thereof, all of which Impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all Impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any 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 advance opinion of the Lessor or the Assignee, adversely affect the title, property or rights of the Lessor hereunder or the rights of the Assignee under the Conditional Sale Agreement. If any Impositions shall have been charged or levied against the Lessor or the Assignee directly and paid by the Lessor, the Lessee shall reimburse the Lessor or the Assignee on presentation of an invoice therefor.

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

The amount which the Lessee shall be required to pay in accordance with this Section 6 shall be an amount sufficient to restore the Lessor to the same after-tax position, after considering the effect of the receipt of state or local income taxes or franchise taxes based on net income, that the Lessor would have been in had such taxes not been imposed.

In the event any reports with regard to Impositions are required to be made on the basis of individual Units or otherwise, the Lessee will, where permitted to do so under applicable rules or regulations, make and timely file such reports in such manner as to show the interests of the Lessor and the Builder or the Assignee in the Units as shall be satisfactory to the Lessor and the Assignee or, where not

so permitted, will notify the Lessor and the Assignee of such requirement and will prepare and deliver such reports to the Lessor and the Assignee within a reasonable time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor and the Assignee.

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

SECTION 7. Payment for Casualty Occurrences; Insurance. In the event that any Unit shall become lost, stolen, destroyed, irreparably damaged from any cause whatsoever or taken or requisitioned by condemnation or otherwise by the United States Government for a stated period which shall exceed the then remaining term of the Lease or for an indefinite period, but only in the case of an indefinite period after such taking or requisition continues for a period of one year, or by any other governmental entity resulting in loss of possession by the Lessee for a period of one year during the term of this Lease (such occurrences being hereinafter called Casualty Occurrences), the Lessee shall promptly and fully notify the Lessor and the Assignee with respect thereto. On the rental payment date next succeeding such notice, the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect to such Unit not theretofore paid and which are due and payable on or prior to 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 the schedule set out below. Upon payment by the Lessee to the Lessor of such Casualty Value and rental payment, Lessor's absolute right to the possession of, title to and property in such Unit shall vest in the Lessee, without further transfer or action on the part of the Lessor; however, the Lessor, if so requested by the Lessee, will execute and deliver to the Lessee, at the expense of the Lessee, a bill of sale for such Unit releasing the Lessor's interest therein, free of all liens, security interests and other encumbrances created or retained hereby or which result from claims against the Lessor not related to the ownership of the Unit, the performance of the Lessor's duties and responsibilities under this Lease or any instrument referred to herein or any other transaction pursuant to or contemplated by this Lease or any instrument referred to herein. Upon (but not prior to) the making of such payments by the Lessee in respect of any Unit, the rental for such Unit shall thereafter cease to accrue and the term of this Lease as to such Unit shall terminate; provided, however, that if the Lessee has directed

the Lessor to apply such Casualty Value toward the cost of a Replacement Unit, then the rental for the Unit suffering such Casualty Occurrence shall continue, and such Unit shall continue to be subject to this Lease until the Replacement Unit is purchased pursuant to Section 7 of the Conditional Sale Agreement and is subjected to this Lease. The Lessor hereby appoints the Lessee as 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. If the Lessee shall have previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale.

The Casualty Value of each Unit as of the rental payment date on which payment is to be made as aforesaid shall be that percentage of the Purchase Price of such Unit as is set forth in the following schedule opposite such date:

<u>Rental Payment Date</u>	<u>Percentage</u>
January 1, 1980.....	100.000000%
July 1, 1980.....	100.000000
January 1, 1981.....	100.000000
July 1, 1981.....	100.000000
January 1, 1982.....	100.000000
July 1, 1982.....	100.000000
January 1, 1983.....	100.000000
July 1, 1983.....	100.000000
January 1, 1984.....	100.000000
July 1, 1984.....	100.000000
January 1, 1985.....	100.000000
July 1, 1985.....	98.616028
January 1, 1986.....	97.164587
July 1, 1986.....	95.642389
January 1, 1987.....	94.045983
July 1, 1987.....	92.371753
January 1, 1988.....	90.615904
July 1, 1988.....	88.774457
January 1, 1989.....	86.843240
July 1, 1989.....	84.817876
January 1, 1990.....	82.693775
July 1, 1990.....	80.466125
January 1, 1991.....	78.129877
July 1, 1991.....	75.679737
January 1, 1992.....	73.110152
July 1, 1992.....	70.415300
January 1, 1993.....	67.589074
July 1, 1993.....	64.625069
January 1, 1994.....	61.516569
July 1, 1994.....	58.256530
January 1, 1995.....	54.837564

July 1, 1995.....	51.251923
January 1, 1996.....	47.491482
July 1, 1996.....	43.547720
January 1, 1997.....	39.411699
July 1, 1997.....	35.074047
January 1, 1998.....	30.524935
July 1, 1998.....	25.754054
January 1, 1999.....	20.750592
July 1, 1999.....	15.503211
January 1, 2000.....	-0-

Except as hereinabove in this Section 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.

In the event of the requisition for use by the United States Government or any other governmental entity (hereinafter called the Government) of any Unit during the term of this Lease or any renewal thereof, all of the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except to the extent the Lessee's obligations are modified pursuant to the first paragraph of this Section 7 with respect to any such requisition which represents a Casualty Occurrence, as defined therein. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice, demand and/or lapse of time would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease shall be paid over to, or retained by the Lessee.

The Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained property insurance in respect of the Units at the amounts and against risks customarily insured against by companies owning property of a similar character and engaged in a business similar to that engaged in by the Lessee, and in any event in amounts and against risks comparable to those insured against by the Lessee on equipment similar to the Units which is owned by the Lessee; provided, however, that in the case of property insurance, the Lessee will be permitted to self-insure to the extent it self-insures property of a similar nature to the Units and to the extent consistent with prudent industry practice. Such insurance, except to the extent the Lessee is permitted to and does self-insure, shall be maintained with insurance companies,

underwriters or funds which shall be satisfactory to the Lessor and the Assignee and which shall be authorized to do business in the jurisdictions in which the Units may from time to time be located. All such policies of insurance shall provide that the same shall not be cancelled nor shall any material change in the coverage as provided be made without not less than 30 days' prior written notice of such cancellation or change in coverage to the Assignee and the Lessor. All such public liability insurance shall protect the Lessee, the Lessor and the Assignee in respect of risks arising out of the condition, maintenance, use, ownership or operation of the Units and shall provide that amounts payable thereunder shall be paid to the respective insureds as their interests may appear. All such property insurance shall cover the Lessee, the Lessor and the Assignee and shall provide that losses in respect of the Units shall be payable to such insureds as their respective interests may appear; provided that so long as any indebtedness under the Conditional Sale Agreement shall remain unpaid, losses under such property insurance shall be payable to the Assignee under a standard mortgage loss payable clause satisfactory to the Assignee. Any net property insurance proceeds resulting from insurance carried by the Lessee received by the Lessor in respect of Units suffering a Casualty Occurrence shall be deducted from the amounts payable by the Lessee to the Lessor in respect of Casualty Occurrences pursuant to this Section 7 and the amount, if any, by which such proceeds exceed such Casualty Value shall be paid to the Lessee so long as no Event of Default (or other event which after notice, demand and/or lapse of time would become an Event of Default) shall have occurred and be continuing. If the Lessor shall receive any such net property insurance proceeds or condemnation payments after the Lessee shall have made payments pursuant to this Section 7 without deduction for such net property insurance proceeds or such condemnation payments, the Lessor shall pay such net property insurance proceeds or condemnation payments to the Lessee unless an Event of Default or other event which, with notice, demand and/or lapse of time, would constitute such an Event of Default shall have occurred and be continuing, in which case the amount otherwise payable to the Lessee may be retained by the Lessor and applied to discharge the liabilities of the Lessee under Section 11. All net insurance proceeds received by the Lessor or the Lessee with respect to a Unit not suffering a Casualty Occurrence shall be applied in payment of the cost of repairing the damage to such Unit, and any balance remaining after the completion of such repairs shall be paid to the Lessee, and any condemnation payments received with respect to a Unit not suffering a Casualty Occurrence shall be the property of the Lessee, unless, in any such case, an Event of Default or other event which, with notice, demand and/or lapse of time, would

constitute an Event of Default shall have occurred and be continuing, in which case the amount otherwise payable to the Lessee may be retained by the Lessor and applied to discharge the liabilities of the Lessee under Section 11.

Copies of any insurance policies issued pursuant to the provisions of the preceding paragraph shall be delivered to the Assignee and the Lessor.

SECTION 8. Voluntary Termination. Unless an Event of Default or other event which, with notice, demand and/or lapse of time, would constitute an Event of Default shall have occurred and be continuing hereunder, the Lessee shall be entitled, at its option, upon at least 120 days' prior written notice to the Lessor and the Assignee, to terminate this Lease as to any Unit (hereinafter called a Terminated Unit) if the Lessee shall have made a good faith determination that such Terminated Unit has become obsolete or economically unserviceable to the Lessee's operations, which notice shall be accompanied by a certified copy of resolutions adopted by the Board of Directors of the Lessee making such determination and a written statement of the President or a Vice-President of the Lessee setting forth a summary of the basis for such determination; provided, however, that such termination shall become effective only on a rental payment date (hereinafter in this Section 8 called the Termination Date) and in no event prior to January 1, 1990; and provided further, that such termination shall not take effect unless the Lessee shall have fully complied with the succeeding paragraphs of this Section 8. For the purposes of this Section 8, interest rates or similar finance charges payable by the Lessee in connection with the acquisition of similar equipment under conditional sales contracts, leases or other arrangements for deferred payment of the purchase price thereof, shall be disregarded in the determination of economic obsolescence or unserviceability.

During the period from the giving of such notice to the Termination Date, the Lessee, as agent for the Lessor, shall use its best efforts to obtain bids for the purchase of the Terminated Unit on an "as is, where is" basis, and the Lessee shall certify to the Lessor in writing the amount of each bid received and the name and address of the person (who shall not be the Lessee or any person, firm or corporation which is an affiliate of the Lessee) submitting such bid. An "affiliate" of the Lessee shall mean any person which possesses, directly or indirectly, the right to vote at least 20% of the voting securities of the Lessee, or any person which, directly or indirectly, controls or is controlled by or is under common control with the Lessee, and "control" (including "controlled by" and "under common control with"), as used with respect to any person, shall

mean the possession, directly or indirectly, of the power to direct or control the direction of the management and policies of such person, whether through the ownership of voting securities, by contract or otherwise. On the Termination Date, the Lessor shall, without recourse or warranty, sell the Terminated Unit for cash to whosoever shall have submitted the highest bid therefor prior to the Termination Date, and thereupon the Lessee shall cause to be delivered the Terminated Unit to the Lessor in accordance with the terms of Section 14. If the sale of the Terminated Unit shall not occur on the Termination Date, the Lessee shall not cause such delivery of the Terminated Unit to the Lessor; and this Lease shall continue in full force and effect. The Lessor shall be under no duty to (but may) solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action in connection with any such sale other than as expressly provided in this Section 8.

The total sale price realized at any such sale of the Terminated Unit shall be retained by the Lessee, and the Lessee shall pay to the Lessor an amount equal to the Casualty Value of the Terminated Unit computed as of the Termination Date. The Lessee shall also be obligated to pay the Lessor any and all rentals and other sums due hereunder with respect to the Terminated Unit accrued up to and including the Termination Date. In the event of such sale and compliance by the Lessee with all the provisions of this Section 8, the obligations of the Lessee to pay rental hereunder for the Terminated Unit on all rental payment dates commencing after the Termination Date shall terminate.

SECTION 9. Reports. On or before March 31 in each year, commencing with the year 1980, the Lessee will furnish to the Lessor and the Assignee 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 Conditional Sale Agreement, the amount, description and numbers of all Units that have suffered a Casualty Occurrence or are then undergoing repairs (other than running repairs) or have been withdrawn from use pending repairs (other than running repairs) during the preceding calendar year and such other information regarding the condition and state of repair of the Units as the Lessor or the Assignee may reasonably request and (b) stating that, in the case of all Replacement Units and Units repaired or repainted during the period covered by such statement, the numbers and markings required by Section 5 and the Conditional Sale Agreement have been preserved or replaced. The Lessor and/or its duly appointed agents shall have the right to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the term of this Lease.

The Lessee will promptly furnish to the Lessor and the Assignee (i) as soon as available, and in any event within 120 days after the end of each fiscal year, copies of its Form 10-K Annual Report to the Securities and Exchange Commission for such fiscal year (or any other comparable report substituted therefor which includes certified annual financial information); (ii) as soon as available, and in any event within 55 days after the end of each of the first three quarterly periods of each such fiscal year, copies of its Form 10-Q Reports to the Securities and Exchange Commission for such quarterly periods (or any other comparable report substituted therefor which includes quarterly financial information), (iii) as soon as available, copies of reports which it furnishes to its preferred shareholders; and (iv) such other information as the Lessor or the Assignee may from time to time reasonably request.

Within 120 days after the end of each of its fiscal years, the Lessee will deliver to the Lessor and the Assignee a certificate signed by the President, any Vice President, the Treasurer or any Assistant Treasurer of the Lessee stating that a review of the activities of the Lessee during the fiscal year then ended has been made under his supervision with a view to determining whether the Lessee has kept, observed, performed and fulfilled all of its covenants and obligations under this Lease and the Conditional Sale Agreement and that, to the best of his knowledge, the Lessee during such period has kept, observed, performed and fulfilled each and every covenant and obligation contained herein and in the Conditional Sale Agreement, or if an Event of Default under this Lease or the Conditional Sale Agreement shall exist, existed or if an event has occurred which, with notice, demand and/or lapse of time, would constitute such an Event of Default, specifying such Event of Default or such event and the nature and status thereof.

SECTION 10. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, NOR 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 and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee as its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and

for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Article 14 of the Conditional Sale Agreement; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor or its successors and assigns may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Unit 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 Unit or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages of any person; 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 and the Lessor that the Units described therein are in all of the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

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

The Lessee agrees that, at its own cost and expense, it will be responsible for ordinary maintenance and repairs required to maintain and keep each Unit which is subject to this Lease in good operating order, repair and condition.

Any and all additions to any Unit, and any and all parts installed on and additions and replacements made to any Unit, shall constitute accessions to such Unit and ownership thereof, free from any lien, charge, security interest or encumbrance (except for those created by the Conditional Sale Agreement or this Lease), shall immediately be vested in the Lessor and the Assignee as their respective interests appear in such Unit.

The Lessee agrees to indemnify, protect and hold harmless the Lessor and the Assignee, and their respective successors, assigns, agents and servants, from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of the Conditional Sale Agreement or this Lease, including without limitation, those in any way relating to or arising or alleged to arise out of: (i) the manufacture, construction, financing, purchase, acceptance, rejection, ownership, delivery, nondelivery, lease, possession, sublease, transport, storage, use, operation, condition, maintenance, sale, 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 concerned with, or alleged to grow out of or be connected with, the ownership, use, replacement, adaptation or maintenance of the Units or of any other equipment in connection with the Units, resulting or allegedly resulting from the condition of any thereof, and (vi) any violation or alleged violation, of any provision of this Lease or of any agreement, law, rule, regulation, ordinance or restriction, affecting or applicable to the Units or the lease, ownership, use, replacement, adaptation or maintenance thereof. In the event that the Lessor shall become obligated to make any payment to the Builder pursuant to Article 14 of the Conditional Sale Agreement not covered by the foregoing sentence, the Lessee shall pay such additional amounts to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said Article 14. The amount which the Lessee shall be required to pay with respect to any indemnification under this Section 10 shall be an amount sufficient to restore the indemnified party to the same net after-tax position, after considering the net after-tax effect of the receipt of such indemnification by the indemnified party on its United States Federal, state and local income taxes or franchise taxes based on net income, that the indemnified

party would have been in had such taxes not been imposed. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the termination of this Lease or any renewal term hereof.

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

SECTION 11. Default. If during the continuance of this Lease or any renewal term hereof one or more of the following events (each such event being hereinafter sometimes called an Event of Default) shall occur:

(A) default shall be made in payment of any part of the rental provided in Section 3, and such default shall continue for ten days;

(B) default shall be made in payment of any amount required to be paid by the Lessee hereunder, other than the rental provided in Section 3, and such default shall continue for ten days after written notice from the Lessor to the Lessee specifying such failure of payment and demanding that the same be paid;

(C) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of possession of the Units, or any thereof;

(D) the Lessee shall fail to maintain insurance in accordance with Section 7;

(E) 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 in this Lease, in the Conditional Sale Agreement or in any other agreement entered into concurrently herewith relating to the financing or leasing of the Units, and such default shall continue for 20 days after written notice from the Lessor to the Lessee and the Assignee specifying such default and demanding that the same be remedied;

(F) any proceedings shall be commenced by or against the Lessee for any relief under any bankruptcy or insolvency law, or any law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extension, and, if such proceedings have been commenced against the Lessee, such proceedings shall not have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue) within 60 days after such proceedings shall have been commenced, or the Lessee shall make a general assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due; or

(G) any representations or warranties made by the Lessee herein or in any other agreement, statement or certificate furnished to the Lessor or the Assignee in connection with this Lease or the transactions contemplated hereby, proves untrue in any material respect as of the date of issuance thereof;

then, in any such case, the Lessor, at its option, may:

(1) 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

(2) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the possession and use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessor may, by its agents, enter upon the premises of the Lessee or any other premises where any of the Units may be located and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatsoever; 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 (a) as damages for loss of the bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value of such Unit 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 thereof at such time, together with the prepayment premium which would be payable if a prepayment were then being made pursuant to Article 4 of the Conditional Sale Agreement; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to this clause (a) with respect thereto, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value of such Unit, together with the prepayment premium which would be payable if a prepayment were then being made pursuant to Article 4 of the Conditional Sale Agreement, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale; and (b) any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of rental.

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

The failure of the Lessor to exercise any of 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.

The Lessor or the Lessee shall each give notice to the other and to the Assignee of any Event of Default of which the Lessor or the Lessee shall have knowledge.

In every case where there shall have occurred an Event of Default or other event which, with notice, demand and/or lapse of time, would constitute an Event of Default, any amounts payable to the Lessee or title to Units conveyable to the Lessee may be retained by the Lessor and applied to discharge the liabilities of the Lessee under this Section 11.

The foregoing provisions of this Section 11 are subject in all respects to all mandatory requirements of law at the time in force and applicable thereto.

SECTION 12. Return of Units upon Default. If this Lease shall terminate pursuant to Section 11, 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, ordinary wear and tear excepted, and shall meet all applicable standards of the Department of Transportation and comply with the applicable Interchange Rules of the Mechanical Division of the Association of American Railroads. For the purpose of delivering possession of any Unit or Units as above required, the Lessee shall at its own cost, expense and risk:

(a) place the Unit or Units in the standard of condition as specified above;

(b) forthwith place such Units upon such storage tracks as the Lessor reasonably may designate;

(c) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(d) cause the same to be delivered to any carrier for shipment as directed by the Lessor.

The assembling, delivery, storage and transporting of the Units as in this Section 12 provided shall be at the expense and risk of the Lessee for a period of nine months following such termination 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 same. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Units 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 thirty days after such termination, the Lessee shall, in addition to any amounts payable by the Lessee in accordance with Section 11, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .027083% of the Purchase Price of such 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 obligations of the Lessee under the foregoing provisions of this Section 12, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whosoever shall be in possession of such Unit at the time.

SECTION 13. Assignment; Possession and Use; Liens.

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. Such rights and obligations of the Lessor hereunder as shall be so assigned shall inure to the benefit of the Lessor's assigns. Whenever the term "Lessor" is used in this Lease, it shall apply and refer to the Lessor and each assignee of the Lessor.

The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any person which, if unpaid, might become a lien, charge, security interest or other encumbrance on or with respect to any Unit, including any accession thereto, or the interest of the Lessor, the Assignee or the Lessee therein, and will promptly discharge

any such lien, charge, security interest or other encumbrance which arises; provided, however, that the Lessee shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the title of the Lessor in or to the Units or otherwise adversely affect its rights or the rights of the Assignee under this Lease or the Conditional Sale Agreement; and provided further, that this covenant will not be breached by reason of the existence of liens for taxes, assessments or governmental charges or levies, in each case so long as not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent. Nothing in this paragraph shall be deemed to prohibit any lien attaching to the leasehold interest of the Lessee under this Lease by reason of the existence of an after-acquired property clause in any mortgage to which the Lessee is a party covering substantially all of its utility property.

So long as the Lessee shall not be in default under this Lease or under the Conditional Sale Agreement, the Lessee shall be entitled to the possession and use of the Units only for use in unit train service to haul coal or other commodities in bulk within the United States of America. 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; provided, however, that the Lessee may, upon notice to the Lessor, assign its interest in this Lease or sublease the Units (in groups of not less than 50 Units) for use as one or more unit trains as herein provided; provided that such assignment or sublease shall not affect the Lessee's obligations or liabilities hereunder.

SECTION 14. Disposition of Units upon Expiration of Term. Upon the expiration of the term of this Lease and the discharge of all the Lessee's obligations hereunder and under the Finance Agreement and the Conditional Sale Agreement, Lessor's absolute right to the possession of, title to and property in all Units then subject hereto shall vest in the Lessee, without further transfer or action on the part of the Lessor; however, the Lessor, if so requested by the Lessee, will execute and deliver to the Lessee, at the expense of the Lessee, a bill of sale for all such Units releasing the Lessor's interest therein, free of all liens, security interests and other encumbrances created or retained hereby or which result from claims against the Lessor not related to the ownership of the Units, the performance of the Lessor's duties and responsibilities under this Lease or

any instrument referred to herein or any other transaction pursuant to or contemplated by this Lease or any instrument referred to herein.

SECTION 15. Opinion of Counsel. On each Closing Date under the Conditional Sale Agreement, the Lessee will deliver to the Lessor the written opinion of counsel for the Lessee, addressed to the Lessor, to the effect provided in subparagraph (f) of the first paragraph of Section 5 of the Assignment. The Lessee will furnish the Lessor all documents to permit the Lessor to purchase any Replacement Units under the Conditional Sale Agreement.

SECTION 16. Recording. The Lessee, at its own expense, will cause this Lease, the Lease Assignment, the Conditional Sale Agreement and the Assignment, and any amendments or supplements hereto or thereto, and any further assignments hereof and thereof, to be filed and recorded in accordance with 49 U.S.C. §11303 (1978), and the Lessee will undertake the filing, registering, depositing and recording required of the Lessor under the Conditional Sale Agreement and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record (and will refile, re-register, re-deposit or re-record whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Assignee for the purpose of proper protection, to their satisfaction, of the Lessor's and the Assignee's respective interests in the Units, or for the purpose of carrying out the intention of and their respective rights under this Lease, the Lease Assignment, the Conditional Sale Agreement and the Assignment; and the Lessee will promptly furnish to the Lessor and the Assignee evidences of all such filing, registering, depositing and recording and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Lessor and the Assignee and their respective counsel. This Lease and the Conditional Sale Agreement shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

SECTION 17. Interest on Overdue Rentals. Anything herein to the contrary 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 the greater of (i) 10 3/4% per annum, or (ii) 3% per annum in excess of the per annum rate charged by Continental Illinois National Bank and Trust Company of Chicago from time to time to its largest and most credit-worthy commercial borrowers on 90-day commercial loans, on the overdue rentals and other obligations for the period of time during which they are

overdue (computed in each case on the basis of a 360-day year of twelve 30-day months) or such lesser amount as may be legally enforceable.

SECTION 18. Intended Tax Benefits. In entering into this transaction and the transactions contemplated by the Finance Agreement, it is the intention of the Lessor and the Lessee that such transactions will result in the Lessee being treated as the owner of the Units for Federal and (to the extent applicable) state and local tax purposes and that the Lessee shall be entitled to any investment tax credit allowed under Section 38 and related sections of the Internal Revenue Code of 1954, as amended to the date hereof (the "Code"), with respect to the Units, to depreciation deductions authorized by Section 167 of the Code with respect to the Units and to interest deductions authorized by Section 163 of the Code on interest paid to the Assignee on the Conditional Sale Indebtedness. The Lessor agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action or file any returns, certificates or other documents inconsistent with the foregoing, and that the Lessor will, at the request of the Lessee, execute such documents and keep and make available for copying by the Lessee such records as may be reasonable and necessary to facilitate accomplishment of the intent hereof.

SECTION 19. Notices. Any notice hereunder to any of the persons designated below shall be deemed to have been properly served if delivered personally or if mailed, when mailed registered mail postage prepaid, at the following specified addresses:

(a) To the Lessor, c/o The Corporation Trust Company, P.O. Box 631, 100 West Tenth Street, Wilmington, Delaware 19801, attention of Joseph A. Barbera;

(b) To the Lessee, 428 Travis Street, P.O. Box 21106, Shreveport, Louisiana 71156, attention of Treasurer;

(c) To the Assignee, P.O. Box 2258, Baltimore, Maryland 21203, attention of Corporate Trust Department;

or to such other address as may have been furnished in writing by such person to the other parties to this Agreement.

SECTION 20. Severability; Effect and Modification of Lease. Any provision of this Lease prohibited or unenforceable by any applicable law of any jurisdiction shall as to such jurisdiction be 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. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Lessee to the full extent permitted by law, to the end that this Lease shall be enforced as written.

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 officers of the Lessor and of the Lessee.

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

SECTION 21. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. §11303 (1978) and such additional rights arising out of the filing, recording, registering or depositing, if any, of this Lease and the Lease Assignment as shall be conferred by the laws of the several jurisdictions in which this Lease or the Lease Assignment shall be filed, recorded, registered or deposited.

SECTION 22. Execution. This Lease may be executed in any number of counterparts, but the counterpart delivered to the Assignee shall be deemed to be the original counterpart. Although this Lease is dated as of July 1, 1979 for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this Lease to be signed in their respective corporate names by duly

authorized officers and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

CASON CAR CORPORATION

By *J. B. Barber*
President

(Corporate Seal)

Attest:

David K. Pennington
Assistant Secretary

SOUTHWESTERN ELECTRIC POWER
COMPANY

By *C. E. Cook*
Vice President

(Corporate Seal)

Attest:

W. Henry Jackson
Secretary

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 29th day of August, 1979, before me personally appeared J. A. Barbera, to me personally known, who, being by me duly sworn, said that he is President of Cason Car Corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Stephanie T. Pesce
Notary Public

(Notarial Seal)

My commission expires

STEPHANIE T. PESCE
Notary Public, State of New York
No. 01 PE 4689218
Qualified in Kings County
Commission Expires March 30, 1981

STATE OF ILLINOIS)
)SS
COUNTY OF COOK)

On this 28th day of August, 1979, before me personally appeared C. E. Cook, to me personally known, who, being by me duly sworn, said that he is a Vice President of Southwestern Electric Power Company, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Robert W. Klemm
Notary Public

(Notarial Seal)

My commission expires

6/27/83

Annex A
Lease of Railroad Equipment

<u>Type</u>	<u>Quantity</u>	<u>Estimated Time and Place of Delivery</u>
100-ton (4,000 cu. ft.) high side steel gondola cars with swivel couplers	363	October 1 - Decem- ber 19, 1979, near Alliance, Nebraska

SEPX Car Numbers

Annex A (cont'd)

108537	108901	109282	109657	110027	110396	110761	111139	111503	111872
108545	108910	109291	109665	110035	110400	110779	111147	111511	111881
108553	108928	109304	109673	110043	110418	110787	111155	111520	111899
108561	108936	109312	109681	110051	110426	110795	111163	111538	111902
108570	108944	109321	109690	110060	110434	110809	111171	111546	111911
108588	108952	109339	109703	110078	110442	110817	111180	111554	111929
108596	108961	109347	109711	110086	110451	110825	111198	111562	111937
108600	108979	109355	109720	110094	110469	110833	111201	111571	111945
108618	108987	109363	109738	110108	110477	110841	111210	111589	111953
108626	108995	109371	109746	110116	110485	110850	111228	111597	111961
108634	109002	109380	109754	110124	110493	110868	111236	111601	111970
108642	109011	109398	109762	110132	110507	110876	111244	111619	111988
108651	109029	109401	109771	110141	110515	110884	111252	111627	111996
108669	109037	109410	109789	110159	110523	110892	111261	111635	112003
108677	109045	109428	109797	110167	110531	110906	111279	111643	112011
108685	109053	109436	109801	110175	110540	110914	111287	111651	112020
108693	109061	109444	109819	110183	110558	110922	111295	111660	112038
108707	109070	109452	109827	110191	110566	110931	111309	111678	112046
108715	109088	109461	109835	110205	110574	110949	111317	111686	112054
108723	109096	109479	109843	110213	110582	110957	111325	111694	112062
108731	109100	109487	109851	110221	110591	110965	111333	111708	112071
108740	109118	109495	109860	110230	110604	110973	111341	111716	112089
108758	109126	109509	109878	110248	110612	110981	111350	111724	112097
108766	109134	109517	109886	110256	110621	110990	111358	111732	112101
108774	109142	109525	109894	110264	110639	111007	111376	111741	112119
108782	109151	109533	109908	110272	110647	111015	111384	111759	112127
108791	109169	109541	109916	110281	110655	111023	111392	111767	112135
108804	109177	109550	109924	110289	110663	111031	111406	111775	112143
108812	109185	109568	109932	110302	110671	111040	111414	111783	112151
108821	109193	109576	109941	110311	110680	111058	111422	111791	
108839	109207	109584	109959	110329	110698	111066	111431	111805	
108847	109215	109592	109967	110337	110701	111074	111449	111813	
108855	109223	109606	109975	110345	110710	111082	111457	111821	
108863	109231	109614	109983	110353	110728	111091	111465	111830	
108871	109240	109622	109991	110361	110736	111104	111473	111848	
108880	109258	109631	110001	110370	110744	111112	111481	111856	
108898	109266	109649	110019	110388	110752	111121	111490	111864	
109274									

RECORDATION NO. 10777
Filed 1979

AUG 30 1979 - 10 20 AM

INTERSTATE COMMERCE COMMISSION

ASSIGNMENT OF LEASE AND AGREEMENT

Dated as of July 1, 1979

between

CASON CAR CORPORATION

and

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY,

as Agent

363 ONE HUNDRED-TON
STEEL GONDOLA COAL CARS

ASSIGNMENT OF LEASE AND AGREEMENT

Dated as of July 1, 1979

between

CASON CAR CORPORATION

and

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY,

as Agent

363 ONE HUNDRED-TON
STEEL GONDOLA COAL CARS

ASSIGNMENT OF LEASE AND AGREEMENT dated as of July 1, 1979 (hereinafter called Assignment) between CASON CAR CORPORATION (hereinafter called the Vendee) and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent (hereinafter called the Assignee) under a Finance Agreement dated as of the date hereof (hereinafter called the Finance Agreement).

WHEREAS, the Vendee, THRALL CAR MANUFACTURING COMPANY (hereinafter called the Builder) and SOUTHWESTERN ELECTRIC POWER COMPANY (hereinafter called the Lessee) have entered into a Conditional Sale Agreement dated as of the date hereof (hereinafter called the Conditional Sale Agreement) covering the construction, sale and delivery, on the conditions therein set forth, by the Builder and the purchase by the Vendee of the railroad equipment described in Annex A to the Conditional Sale Agreement (hereinafter, together with any Replacement Units [as defined in the Conditional Sale Agreement], called the Equipment);

WHEREAS, the Builder and the Assignee have entered into an Agreement and Assignment dated as of the date hereof (hereinafter called the Conditional Sale Assignment) assigning to the Assignee the right, security title and interest of the Builder under the Conditional Sale Agreement as security for the payment of the Conditional Sale Indebtedness (as defined in the Conditional Sale Agreement);

WHEREAS, the Vendee and the Lessee have entered into a Lease of Railroad Equipment dated as of the date hereof (hereinafter called the Lease) providing for the lease to the Lessee of the Equipment; and

WHEREAS, in order to provide further security for the payment of the Conditional Sale Indebtedness and as an inducement to the Builder to construct and deliver the Equipment listed in Annex A to the Conditional Sale Agreement and to the Investors (as defined in the Finance Agreement) to invest in the Conditional Sale Indebtedness, the Vendee has agreed to assign for security purposes certain of its rights in, to and under the Lease to the Assignee;

NOW, THEREFORE, in consideration of the sum of One Dollar and other good and valuable consideration paid by the Assignee to the Vendee, the receipt of which is hereby acknowledged, as well as of the mutual covenants herein contained, the parties hereto do hereby agree as follows:

SECTION 1. The Vendee hereby assigns, transfers and sets over unto the Assignee, its successors and assigns, as collateral security for the payment and performance of the obligations of the Vendee under the Conditional Sale

Agreement, all the Vendee's right, title and interest as lessor under the Lease, including without limitation, the immediate right to receive and collect all rentals and other sums payable to or receivable by the Vendee under or pursuant to the provisions of the Lease, whether as rent, casualty payment, termination payment, indemnity, liquidated damages or otherwise (such moneys being hereinafter called the Payments), it being expressly understood and agreed by the Assignee that such assignment of the Payments shall not thereby increase the amount of funds applicable to the payment or prepayment of the Conditional Sale Indebtedness or interest or premium, if any, thereon as provided in the last paragraph of Article 4 of the Conditional Sale Agreement; and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease and to do any and all other things whatsoever which the Vendee as lessor is or may become entitled to do under the Lease; provided, however, that the term Payments shall not include and no assignment is made hereby of the right of the Vendee to receive from the Lessee the reimbursements for taxes and other items pursuant to Section 6 of the Lease or the indemnification payments pursuant to the fifth paragraph of Section 10 of the Lease. In furtherance of the foregoing assignment and transfer, the Vendee hereby authorizes and empowers the Assignee, in the Assignee's own name or in the name of the Assignee's nominee, or in the name of or as attorney hereby irrevocably constituted for the Vendee as lessor, to ask, demand, sue for, collect, receive and enforce any and all sums to which the Assignee is or may become entitled under this Assignment and compliance by the Lessee with the terms and agreements on its part to be performed under the Lease.

The Assignee agrees to accept any Payments made by the Lessee for the account of the Vendee as lessor pursuant to the Lease and to acknowledge receipt of such payments. To the extent received, the Assignee will apply such Payments to satisfy the obligations of the Vendee under the Conditional Sale Agreement, subject to the limitations contained in the last paragraph of Article 4 of the Conditional Sale Agreement. If the Assignee shall not receive any rental payment under the first paragraph of Section 3 of the Lease when due, the Assignee shall notify the Vendee at the addresses set forth in the Lease.

SECTION 2. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Assignee to, or transfer, or pass, or in any way affect or modify, the liability of the Vendee under the Lease, it being understood and agreed that, notwithstanding this Assignment, or any subsequent

assignment, all obligations, if any, of the Vendee to the Lessee shall be and remain enforceable by the Lessee only against the Vendee or persons other than the Assignee.

SECTION 3: To protect the security afforded by this Assignment, the Vendee further agrees as follows:

(a) the Vendee will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which the Lease provides are to be performed by the Vendee (other than any act or omission in respect of which the Lessee has assumed responsibility under the Lease); and, without the express written consent of the Assignee, the Vendee will not anticipate the rents under the Lease or waive, excuse, condone, forgive, or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rentals in the manner and at the times and place specified therein, or enter into any agreement amending, modifying or terminating the Lease; and the Vendee agrees that any amendment, modification or termination thereof without such consent shall be void;

(b) at the Vendee's sole cost and expense (subject to Articles 4 and 22 of the Conditional Sale Agreement), the Vendee will appear in and defend every action or proceeding arising under, growing out of or in any manner connected with the obligations, duties or liabilities of the Vendee under the Lease if such action or proceeding shall arise out of the willful misconduct or gross negligence of the Vendee;

(c) should the Vendee fail to make any payment or to do any act which this Assignment requires the Vendee to make or do, then the Assignee may (but shall not be obligated), after first making written demand upon the Vendee and affording the Vendee a reasonable period of time within which to make such payment or do such act, and without releasing the Vendee from any obligation hereunder or under the Lease, make such payment or do such act in such manner and to such extent as the Assignee may deem necessary to protect the security hereof, including, without limitation, the right to appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of the Assignee and

also the right to perform and discharge each and every obligation, covenant and agreement of the Vendee contained in the Lease. In exercising any such powers, the Assignee may pay necessary costs and expenses, employ counsel and incur and pay reasonable attorneys' fees, and the Vendee will reimburse the Assignee for such costs, expenses and fees; and

(d) in the event of the occurrence of any of the events described in Section 11(F) of the Lease, the Vendee will take such actions as may be reasonably requested by the Assignee to permit the realization of the remedies provided for in the Lease and the Conditional Sale Agreement.

SECTION 4. Upon the full discharge and satisfaction of all the Vendee's obligations under the Conditional Sale Agreement and the Lessee's obligations under the Lease, this Assignment and all rights herein assigned to the Assignee shall terminate, and all estate, right, title and interest of the Assignee in and to the Lease shall revert to the Vendee. The Assignee hereby agrees that it will, at the request of the Vendee or its successors or assigns, make, execute and deliver all such instruments of assignment, transfer, assurance and do such further acts and things as may be necessary and appropriate to give effect to the terms of this Assignment and the reversion of all estate, right, title and interest of the Assignee in and to the Lease.

SECTION 5. The Vendee represents and warrants that (a) the Conditional Sale Agreement, the Conditional Sale Assignment, the Lease and this Assignment have each been duly authorized, executed and delivered by the Vendee and, assuming the due authorization, execution and delivery by each of the other party or parties hereto and thereto, each is and will remain the valid and binding obligation of the Vendee enforceable in accordance with its respective terms, subject only to limitations as to enforceability imposed by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally; (b) the Vendee has not executed any other assignment of the Conditional Sale Agreement or the Lease and its right to receive all payments under the Lease is and will continue to be free and clear of any and all liens, charges, security interests or other encumbrances (except this Assignment) created, incurred, assumed or suffered as a result of any act or omission on the part of the Vendee (other than any act or omission in respect of which the Lessee has assumed responsibility under the Lease), and the Vendee has not received any advance rental payment under the Lease; and (c) to the best knowledge of the Vendee, it has

performed all obligations on its part to be performed under the Lease on or prior to the date hereof and there has not occurred on or prior to the date hereof any Event of Default as defined in the Lease or any event which, with notice, demand or lapse of time would constitute an Event of Default.

SECTION 6. The Assignee may, in accordance with the provisions of the Finance Agreement, assign all or any of its rights under the Lease, including the right to receive any Payments due or to become due thereunder. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, and upon giving by the Assignee of written notice of such assignment to the Vendee and by the Vendee of the written notice required in Section 13 of the Lease, enjoy all the rights and privileges and be subject to all the obligations of the Assignee hereunder.

SECTION 7. The Vendee hereby agrees that it will from time to time and at all times, at the request of the Assignee or its successors or assigns, make, execute and deliver all such further instruments of assignment, transfer and assurance and do such further acts and things as may be necessary and appropriate in the premises to give effect to the provisions hereinabove set forth and more perfectly to confirm the rights, titles and interests hereby assigned and transferred to the Assignee or intended so to be, including the execution and acknowledgment of any instrument necessary or appropriate to file, record, register or deposit this Assignment or notice hereof.

SECTION 8. The Vendee shall cause copies of all notices received in connection with the Lease to be promptly delivered to the Assignee at its address set forth in Article 21 of the Conditional Sale Agreement, or at such other address as the Assignee shall designate in writing. The Assignee shall give immediate notice by telegram, promptly confirmed in writing, to the Vendee of any default by the Lessee described in clauses (A) and (B) of Section 11 of the Lease and of any other default by the Lessee described in such Section 11 of which the Assignee has actual knowledge.

SECTION 9. The terms of this Assignment and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. §11303 (1978) and such additional rights arising out of the filing, recording, registering or depositing, if any, of the Lease or this Assignment as shall be conferred by the laws of the several jurisdictions in which the Lease or this Assignment shall be filed, recorded, registered or deposited.

SECTION 10. The Assignee hereby agrees with the Vendee that the Assignee will not, so long as no event of default under the Conditional Sale Agreement or Event of Default under the Lease, or any event which with notice, demand or lapse of time could constitute an event of default under the Conditional Sale Agreement or an Event of Default under the Lease, has occurred and is continuing, exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits assigned and transferred by the Vendee to the Assignee by this Assignment, except the right to receive and apply the Payments as provided in Section 1 hereof, and that, subject to the terms of the Lease and the Conditional Sale Agreement, the Vendee may, so long as no event of default under the Conditional Sale Agreement or Event of Default under the Lease has occurred and is continuing, exercise or enforce, or seek to exercise or enforce or avail itself of, such rights, powers, privileges, authorizations or benefits.

SECTION 11. Notwithstanding any other provision of this Assignment, the terms of this Assignment shall not in any way limit the effect of the last paragraph of Article 4 of the Conditional Sale Agreement.

SECTION 12. This Assignment may be executed in any number of counterparts, but the counterpart delivered to the Assignee shall be deemed to be the original counterpart. Although this Assignment is dated as of July 1, 1979 for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this Assignment to be signed in their respective corporate names by duly authorized officers and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

CASON CAR CORPORATION

(Corporate Seal)

Attest:

David K. Pennington
Assistant Secretary

By

J. B. Binkley
President

MERCANTILE-SAFE DEPOSIT AND
TRUST COMPANY, as Agent

(Corporate Seal)

Attest:

F. H. Gilbert
Corporate Trust Officer

By

R. E. Binkley
Assistant Vice President

STATE OF NEW YORK)
) SS.
COUNTY OF NEW YORK)

On this 29th day of August, 1979, before me personally appeared J. A. Barbera, to me personally known, who, being by me duly sworn, said that he is President of Cason Car Corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Stephanie T. Pesce
Notary Public

(Notarial Seal)

My commission expires
STEPHANIE T. PESCE
Notary Public, State of New York
No. 01 PE 4689218
Qualified in Kings County
Commission Expires March 30, 1981

STATE OF MARYLAND)
) SS.
CITY OF BALTIMORE)

On this 24th day of August, 1979, before me personally appeared R. E. SCHREIBER, to me personally known, who, being by me duly sworn, said that he is an Assistant Vice President of Mercantile-Safe Deposit and Trust Company, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Patricia A. Shilow
Notary Public

(Notarial Seal)

My commission expires
7-1-82

ACKNOWLEDGMENT OF NOTICE OF ASSIGNMENT

Receipt of a copy of, and due notice of the assignment made by, the foregoing Assignment of Lease and Agreement is hereby acknowledged as of July 1, 1979.

SOUTHWESTERN ELECTRIC POWER
COMPANY

By



Vice President