CRAVATH, SWAINE & MOORE

ONE CHASE MANHATTAN PLAZA

NEW YORK, N.Y. 10005

212 HANOVER 2-3000

TELEX
RCA 233663
WUD 125547
WUI 620976

MAURICE T. MOORE
BRUCE BROMLEY
WILLIAM B. MARSHALL
RALPH L. McAFEE
ROYALL VICTOR
ALLEN H. MERRILL
HENRY W. DE KOSMIAN
ALLEN F. MAULSBY
STEWARD R. BROSS, JR.
HENRY P. RIORDAN
JOHN R. HUPPER
SAMUEL C. BUTLER
WILLIAM J. SCHRENK, JR.
BENJAMIN F. CRANE
FRANCIS F. RANDOLPH, JR.
JOHN F. HUNT
GEORGE J. GILLESPIE, III
RICHARD S. SIMMONS
WAYNE E. CHAPMAN
THOMAS D. BARR
MELVIN L. BEDRICK
GEORGE T. LOWY
ROBERT ROSENMAN
JAMES H. DUFFY

ALAN J. HRUSKA
JOHN E. YOUNG
JAMES M. EDWARDS
DAVID G. ORMSBY
DAVID L. SCHWARTZ
RICHARD J. HIEGEL
FREDERICK A. O. SCHWARZ, JR.
CHRISTINE BESHAR
ROBERT S. RIFKIND
DAVID BOIES
DAVID O. BROWNWOOD
PAUL M. DODYK
RICHARD M. ALLEN
THOMAS R. BROME
ROBERT D. JOFFE
ROBERT F. MULLEN
ALLEN FINKELSON
RONALD S. ROLFE
JOSEPH R. SAHID
PAUL C. SAUNDERS
MARTIN L. SENZEL
DOUGLAS D. BROADWATER
ALAN C. STEPHENSON

COUNSEL
ROSWELL L. GILPATRIC
CARLYLE E. MAW
ALBERT R. CONNELLY
FRANK H. DETWEILER
GEORGE G. TYLER

J. R. BRESLIN, JR.
GEORGE B. TURNER
JOHN H. MORSE
HAROLD R. MEDINA, JR.
CHARLES R. LINTON

PLACE DE LA CONCORDE
75008 PARIS, FRANCE
TELEPHONE: 265-81-54
TELEX: 290530

33 THROGMORTON STREET
LONDON, EC2N 2BR, ENGLAND
TELEPHONE 01-606-1421
TELEX: 8814901

CABLE ADDRESSES
CRAVATH, N.Y.
CRAVATH, PARIS
CRAVATH, LONDON E.C. 2

10671
RECORDATION NO. ..... Filed 1425
JUL 25 1979 -3 15 PM
INTERSTATE COMMERCE COMMISSION

9-206A080
JUL 25 1979
Date
Fee $ 100.00
CC Washington, D

10671 A
RECORDATION NO. ..... Filed 1425
JUL 25 1979 -3 15 PM
INTERSTATE COMMERCE COMMISSION

10671
RECORDATION NO. ..... Filed 1425
JUL 25 1979 -3 15 PM
INTERSTATE COMMERCE COMMISSION

July 25, 1979

Chicago and North Western Transportation Company
Lease Financing Dated as of July 1, 1979
10-1/4% Conditional Sale Indebtedness
Due October 1, 1996
[CS&M Ref.: 2043-902]

10671 C
RECORDATION NO. ..... Filed 1425
JUL 25 1979 -3 15 PM
INTERSTATE COMMERCE COMMISSION

Dear Sir:

Pursuant to 49 U.S.C. § 11303(a), I enclose herewith on behalf of Chicago and North Western Transportation Company for filing and recordation counterparts of the following documents:

New Number

1. (a) Conditional Sale Agreement dated as of July 1, 1979, between First Security State Bank, as Trustee, and Pullman Incorporated (Pullman Standard Division), as Builder; and

— A

(b) Agreement and Assignment dated as of July 1, 1979, between Pullman Incorporated (Pullman Standard Division), as Builder, and First Security Bank of Utah, National Association, as Agent..

— B

2. (a) Lease of Railroad Equipment dated as of July 1, 1979, between Chicago and North Western Transportation Company and First Security State Bank, as Trustee; and

I.C.C.
FEE OPERATION BR.
JUL 25 3 06 PM '79
RECEIVED

Counterpart

(b) Assignment of Lease and Agreement dated as of July 1, 1979, between First Security State Bank, as Trustee, and First Security Bank of Utah, National Association, as Agent.

The names and addresses of the parties to the aforementioned Agreements are as follows:

(1) Agent-Vendor:

First Security Bank of Utah, N.A.
79 South Main Street (Suite 310)
Salt Lake City, Utah 84111.

(2) Trustee:

First Security State Bank
79 South Main Street (Suite 310)
Salt Lake City, Utah 84111

(3) Builder-Vendor:

Pullman Incorporated (Pullman Standard Division)
200 South Michigan Avenue
Chicago, Illinois 60604

(4) Lessee:

Chicago and North Western
Transportation Company
400 West Madison Street
Chicago, Illinois 60606

Please file and record the documents referred to in this letter and cross-index them under the names of Agent-Vendor, Trustee, Builder-Vendor and Lessee.

The equipment covered by the aforementioned documents consists of:

300 50'6" 70-ton Class XM Box Cars bearing identifying numbers CNW 163000-163299.

There is also enclosed a check for $100 payable to the Interstate Commerce Commission, representing the fee for

recording the Conditional Sale Agreement and related Agreement and Assignment (together constituting one document) and the Lease of Railroad Equipment, and related Assignment of Lease and Agreement (together constituting one document).

Please stamp all counterparts of the enclosed documents with your official recording stamp. You will wish to retain one copy of the instruments for your files. It is requested that the remaining counterparts be delivered to the bearer of this letter.

Very truly yours,

Raymond C. Groth
As Agent for Chicago and North Western Transportation Company

Interstate Commerce Commission,
Washington, D. C. 20423

Attention of Mr. H. G. Homme, Jr.,
Secretary.

Encls.

64A

10671,B
RECORDATION NO. Filed 1425
JUL 25 1979 - 3 15 PM
INTERSTATE COMMERCE COMMISSION

[CS&M Ref. 2043-902]

LEASE OF RAILROAD EQUIPMENT

Dated as of July 1, 1979

between

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,
Lessee

and

FIRST SECURITY STATE BANK,
Trustee

[Covering 300 50'6" 70-ton Class XM Box Cars]

LEASE OF RAILROAD EQUIPMENT

TABLE OF CONTENTS*

		Page
§ 1.	NET LEASE	L-2
§ 2.	DELIVERY AND ACCEPTANCE OF UNITS	L-2
§ 3.	RENTALS	L-3
§ 3.1.	Amount and Date of Payment	L-3
§ 3.2.	Payments on Nonbusiness Days	L-4
§ 3.3.	Instructions To Pay Agent and Trustee	L-4
§ 4.	TERM OF LEASE	L-5
§ 4.1.	Beginning and Termination; Survival	L-5
§ 4.2.	Rights and Obligations of Lessee Subject to CSA	L-5
§ 5.	IDENTIFICATION MARKS	L-5
§ 6.	GENERAL TAX INDEMNIFICATION	L-6
§ 7.	MAINTENANCE; CASUALTY OCCURRENCES; INSURANCE	L-9
§ 7.1.	Maintenance	L-9
§ 7.2.	Definition of Casualty Occurrence; Payments	L-10
§ 7.3.	Amount of Casualty Value	L-10
§ 7.4.	Lessee Agent for Disposal	L-11
§ 7.5.	Requisition by United States Government	L-11
§ 7.6.	No Release	L-11
§ 7.7.	Insurance To Be Maintained	L-12
§ 7.8.	Economic Casualty	L-12

* This Table of Contents has been included in this document for convenience of reference only and does not form a part of, or affect any construction or interpretation of, this document.

Page

§ 8. REPORTS AND INSPECTION L-13

§ 9. DISCLAIMER OF WARRANTIES; COMPLIANCE WITH LAWS AND RULES; INDEMNIFICATION L-13

§ 9.1. Disclaimer of Warranties L-13
§ 9.2. Compliance with Laws and Rules L-14
§ 9.3. Indemnification L-16

§ 10. DEFAULT L-17

§ 10.1. Events of Default; Remedies L-17
§ 10.2. Remedies Not Exclusive; Waiver L-20
§ 10.3. Failure To Exercise Rights Is Not Waiver L-20

§ 11. RETURN OF UNITS UPON DEFAULT L-20

§ 11.1. Return of Units L-20
§ 11.2. Trustee Appointed Agent of Lessee L-22

§ 12. ASSIGNMENT; POSSESSION AND USE L-22

§ 13. RENEWAL OPTIONS AND RIGHT OF FIRST REFUSAL L-24

§ 14. RETURN OF UNITS UPON EXPIRATION OF LEASE TERM L-27

§ 15. RECORDING L-28

§ 16. INCOME TAX INDEMNIFICATION L-29

§ 16.1. Tax Assumptions L-29
§ 16.2. Basic Indemnity L-30
§ 16.3. Effect of Indemnities L-31
§ 16.4. Alterations, Modifications and Improvements L-36

§ 17. INTEREST ON OVERDUE RENTALS L-37

§ 18. NOTICES L-37

Page

§ 19. MISCELLANEOUS L-38

§ 19.1. Severability L-38
§ 19.2. Effect and Modification of Lease L-38
§ 19.3. Third Party Beneficiaries L-38
§ 19.4. Trustee's Right To Perform For Lessee . L-38

§ 20. EXECUTION L-39

§ 21. LAW GOVERNING L-39

§ 22. DEFINITIONS L-39

§ 23. CONCERNING TRUSTEE L-40

SCHEDULE 1. Schedule of Equipment L-42

SCHEDULE 2. Casualty Values L-43

LEASE OF RAILROAD EQUIPMENT dated as of July 1, 1979, between CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware corporation ("Lessee"), and FIRST SECURITY STATE BANK, a Utah banking corporation ("Trustee"), not in its individual capacity but solely as Trustee under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with ITT INDUSTRIAL CREDIT COMPANY and XYOVEST INC. (individually "Owner" and collectively "Owners").

WHEREAS Trustee is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with PULLMAN INCORPORATED (Pullman Standard Division) ("Builder"), wherein Builder has agreed to manufacture, sell and deliver to Trustee the units of railroad equipment described in Schedule 1 hereto (the "Equipment");

WHEREAS Builder is assigning its interests in the CSA to FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, acting as Agent (hereinafter, together with its successors and assigns and, where not inconsistent with the provisions hereof, Investors, as hereinafter defined, called "Agent") for a certain investor under a Participation Agreement dated as of the date hereof (the "Participation Agreement") among Agent, Trustee, Owners, Lessee and the party named in Appendix I thereto (individually "Investor" and, together with any assignees, collectively "Investors");

WHEREAS Lessee desires to lease such number of units of the Equipment as are delivered, accepted and settled for under the CSA (the "Units") at the rentals and for the terms and upon the conditions hereinafter provided; and

WHEREAS Trustee will assign this Lease for security to Agent pursuant to an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment");

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 Lessee, Trustee hereby leases the Units to Lessee upon the following terms and

conditions:

§ 1. NET LEASE

This Lease is a net lease. Lessee's obligation to pay all rentals and other amounts hereunder shall be absolute and unconditional and, except as herein specifically provided, Lessee shall not be entitled to any abatement of rent or such other amounts, reduction thereof or setoff against rent or such other amounts, including, but not limited to, counterclaims, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of Lessee against Trustee under this Lease or under the CSA, or against Builder or Agent or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of Trustee or 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 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 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 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, 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 Lessee hereunder shall be final and Lessee shall not seek to recover all or any part of such payment from Trustee or Agent for any reason whatsoever.

§ 2. DELIVERY AND ACCEPTANCE OF UNITS

Trustee hereby appoints Lessee its agent for

inspection and acceptance of the Units pursuant to, and in accordance with, the CSA. Trustee will cause the Units to be delivered to Lessee at the point within the United States of America at which the Units are delivered to Trustee under the CSA. Upon such delivery, Lessee will cause an employee of Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit and Lessee shall execute and deliver to Trustee a certificate of acceptance (the "Certificate of Acceptance") in accordance with the provisions of Paragraph 3.4 of the CSA, stating that such Unit has been inspected and accepted on behalf of Lessee and Trustee on the date of such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any unit of Equipment excluded from the CSA pursuant to Paragraph 4.1 thereof shall be null and void and ineffective to subject such unit to this Lease.

§ 3. RENTALS

3.1. Amount and Date of Payment. Lessee agrees to pay to Trustee as rental for each Unit subject to this Lease one interim and 40 consecutive semiannual payments. The interim payment for each Unit subject to this Lease is payable on October 1, 1979, and shall be in an amount equal to the product of the Purchase Price (as defined in Paragraph 4.1 of the CSA) for such Unit multiplied by .028082% for each day elapsed from and including the Closing Date (as defined in Paragraph 4.2 of the CSA) for such Unit under the CSA to, but not including, October 1, 1979. The 40 semiannual payments are payable on April 1 and October 1 in each year, commencing April 1, 1980, to and including October 1, 1999, as follows: the first 20 such payments shall be in an amount equal to 3.6936% of the Purchase Price of each such Unit then subject to this Lease; and the next 20 such payments shall each be in an amount equal to 4.5144% of the Purchase Price of each such Unit then subject to this Lease; provided, however, for each Unit delivered and accepted after September 30, 1979, the rentals thereafter payable by Lessee in respect of each such Unit shall be increased by such amount as shall, in the reasonable opinion of each Owner, cause such Owner's after-tax economic yield (computed on the same assumptions, including tax rates, and utilizing the same methods as were utilized by such Owner in originally

evaluating the transaction contemplated by the Participation Agreement) to equal the after-tax economic yield that would have been realized by such Owner if such Unit had been delivered and accepted prior to September 30, 1979.

Lessee shall pay as additional rental the following: (1) an amount equal to any amounts payable by Trustee pursuant to clause (a) of the final paragraph of Paragraph 9 of the Participation Agreement on such date and an amount equal to any amounts payable by Trustee pursuant to the first paragraph of Paragraph 9 of the Participation Agreement when such payments are due and payable by Trustee; provided, however, that such payment shall be decreased by an amount equal to any funds payable by Agent to Trustee pursuant to the third paragraph of Paragraph 9 of the Participation Agreement to the extent such funds are credited by Agent against such payment; provided further, however, that if such funds payable by Agent to Trustee exceed the amount so payable by Lessee, then that portion of the rentals payable by Lessee under this Lease in an amount equal to such excess shall be deemed to be an overpayment of rental and Trustee shall refund such excess to Lessee when received from Agent; and (2) on October 1, 1979, and April 1, 1980, an amount equal to any amounts payable by Trustee pursuant to clause (b) of such final paragraph of Paragraph 9 on such date.

The rental payments hereinbefore set forth are subject to adjustment pursuant to § 16 hereof.

3.2. Payments on Nonbusiness Days. If any of the rental payment dates referred to in § 3.1 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 Chicago, Illinois, are authorized or obligated to remain closed.

3.3. Instructions To Pay Agent and Trustee. Trustee irrevocably instructs Lessee to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this § 3 and in §6, § 7 and § 9 hereof, but excluding payments due to Trustee by reason of § 16 hereof, (i) for so long as the CSA shall remain in effect, at the principal office of Agent, for the account of Trustee in care of Agent, with instructions to Agent (a) first, to apply such payments to satisfy the obligations of Trustee under the CSA, and (b) second, so long as no event of default or event which with the lapse of time and/or demand provided for in the CSA could constitute an event of default under the CSA shall have occurred and be continuing, to pay any balance promptly to Trustee at such place as Trustee shall specify

in writing, and (ii) if the CSA shall no longer be in effect, to Trustee or as directed by Trustee. Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds immediately available to Agent by 10:30 a.m., Chicago time, on the date such payment is due.

§ 4. TERM OF LEASE

4.1. Beginning and Termination; Survival. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7 and 10 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3.1 hereof. The obligations of Lessee hereunder (including, but not limited to, the obligations under §§ 3, 6, 7, 9, 11, 14, 16 and 17 hereof) shall survive the expiration of the term of this Lease.

4.2. Rights and Obligations of Lessee Subject to CSA. Notwithstanding anything to the contrary contained herein, all rights and obligations of Lessee under this Lease and in and to the Units are subject to the rights of Agent under the CSA. If an event of default should occur under the CSA, Agent may terminate this Lease (or rescind its termination), all as provided therein, without affecting the indemnities which by the provisions of this Lease survive the termination of its term, all as provided herein.

§ 5. IDENTIFICATION MARKS

Lessee (at its own expense) will cause each Unit to be kept numbered with the road number set forth in Schedule 1 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 "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED UNDER THE INTERSTATE COMMERCE ACT, SECTION 11303", or other appropriate words designated by Agent, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Trustee's and Agent's title to and interest in such Unit and the rights of Trustee under this Lease and of the rights of Agent under the CSA. 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 and will replace promptly any such markings which may be

removed, defaced or destroyed. 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 Agent and Trustee and duly filed, recorded and deposited by Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited and (ii) Lessee shall have furnished Agent and Trustee an opinion of counsel to such effect. The Units may be lettered with the names or initials or other insignia customarily used by Lessee or its affiliates.

Except as provided in the preceding paragraph, 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. GENERAL TAX INDEMNIFICATION

All payments to be made by Lessee hereunder will be free of expense to Owners and Trustee for collection or other charges and will be free of expense to Trustee with respect to the amount of any local, state, Federal or foreign taxes (income, gross receipts, franchise, sales, use, property [real or personal, tangible or intangible], stamp and minimum [imposed under Section 56 of the Internal Revenue Code of 1954, as amended] taxes), or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called "impositions") hereafter levied or imposed upon or in connection with or measured by any Unit or this Lease or any manufacture, sale, rental, ownership, possession, use, payment, shipment, delivery, nondelivery, rejection, transfer of title, return or other disposition of the Equipment (other than a disposition by Owners or Trustee following return of any Unit in accordance with § 14 hereof), under the terms hereof or the CSA (other than any United States Federal income tax (and, to the extent that Owners receive credit therefor against their United States Federal income tax liability, any foreign income tax) on or measured by the net income of Trustee in consequence of the receipt of payments provided for herein and other than the aggregate of all state or local taxes on or measured by the net income of Owners or Trustee based on such receipts and value added taxes in lieu of such net income taxes up to the amount of any such taxes which would be payable to the state and city in which either Owner or Trustee, as the case may be, has its principal place of business without apportionment to any other state, and other than any state franchise tax which is not based on or

measured by net income, except any such tax which is in substitution for or relieves Lessee from the payment of taxes which it would otherwise be obligated to pay), all of which impositions Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the receipts or earnings arising therefrom (except as provided above) or upon Trustee 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 Trustee or the interest of Owners or Trustee or result in a lien upon any such Unit; provided, however, that Lessee shall be under no obligation to pay any impositions of any kind so long as such imposition remains unpaid and Lessee is contesting in its own name and in good faith and by appropriate legal or administrative proceedings such impositions, or Trustee or either Owner, as the case may be, is required to contest such impositions as provided in this § 6, and the nonpayment thereof does not, in the reasonable opinion of such party, adversely affect the title, property or rights of Trustee or Owners hereunder or Trustee or Agent under the CSA. Lessee agrees to give such party notice of such contest brought in Lessee's name within 30 days after institution thereof and Trustee agrees to provide such information as may be reasonably requested by Lessee in furtherance of such contest. If any impositions shall have been charged or levied against such party directly and paid by such party, Lessee shall pay such party on presentation of an invoice therefor if such party shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for such party) or Lessee shall have approved the payment thereof, and such party agrees to give Lessee written notice promptly after it first obtains knowledge of the making of such charge or levy, and agrees to take such other action as may reasonably be requested by Lessee for the purpose of contesting payment or obtaining refund of all or a portion of such imposition, as hereinafter provided in this § 6.

In the event that Trustee shall become obligated to make any payment to Builder or Agent or otherwise pursuant to any corresponding provision of the CSA not covered by the foregoing paragraph of this § 6, Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to Trustee to fulfill completely its obligations pursuant to said provision; provided, however, that Trustee shall have contested (if required to do so under this § 6) such impositions in good faith and to the extent permitted

under the CSA.

In the event any returns, statements or reports with respect to impositions involving any Unit are required to be made, Lessee will make such returns, statements and reports in such manner as to show the interest of Trustee, Owners and Agent in such Units, as shall be satisfactory to Trustee and Agent or, where not so permitted, will notify Trustee, Owners and Agent of such requirement and will prepare and deliver such reports to Trustee, Owners and Agent within a reasonable period of time prior to the time such reports are to be filed in such manner as shall be satisfactory to Trustee, Owners and Agent.

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

If claim is made against any indemnified party for any impositions indemnified against under this § 6, such party shall promptly notify Lessee. If reasonably requested by Lessee in writing, such indemnified party shall, upon receipt of indemnity satisfactory to it for all costs, expenses, losses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of Lessee, contest in good faith the validity, applicability or amount of such impositions 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. Lessee may also contest, or cause to be contested, at its own expense, the validity, applicability or amount of such impositions in the name of such indemnified party, provided that no proceeding or action relating to such contest shall be commenced (nor shall any pleading, motion, brief or other paper be submitted or filed in the name of such indemnified party in any such proceeding or action) without the prior written consent of such indemnified party, which consent shall not be unreasonably withheld. If such indemnified party shall obtain a refund of all or any part of such impositions previously reimbursed by Lessee in connection with any such contest or an amount representing interest thereon applicable to the amount paid by Lessee and the period of such payment,

such indemnified party shall pay to Lessee the amount of such refund or interest net of expenses, but only if no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing.

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

The amount which Lessee shall be required to pay with respect to any imposition which is subject to indemnification under this § 6 shall be an amount sufficient to restore the indemnified party to the same net after-tax rate of return and after-tax cash position, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that such indemnified party would have been in had such imposition not been imposed.

§ 7. MAINTENANCE; CASUALTY OCCURRENCES; INSURANCE

7.1. Maintenance. Lessee at its own expense will maintain and service each Unit (including any parts installed or replacements made to any Unit and considered an Addition [as defined in § 9.2 hereof] hereunder) and comply with a preventive maintenance schedule consistent with Builder's preventive maintenance schedule, if any, and which will include testing, repair and overhaul of each Unit so that each Unit will remain (a) in as good operating condition as when delivered (ordinary wear and tear excepted), (b) in compliance with any and all applicable laws and regulations, and (c) eligible for railroad interchange in accordance with the interchange rules of the American Association of Railroads. In no event shall any Unit be maintained or scheduled for maintenance on a basis less frequent than the maintenance or maintenance scheduling basis employed as of the date hereof or as of any future date, if more frequent, by Lessee for similar equipment.

7.2. Definition of Casualty Occurrence; Payments. In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or 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 this Lease, or by any other governmental entity resulting in loss of possession by Lessee for a period of 90 consecutive days during the term hereof (such occurrences being hereinafter called "Casualty Occurrences"), prior to the return of such Unit in the manner set forth in § 14 hereof, Lessee shall promptly and fully notify Trustee and Agent with respect thereto. On the rental payment date next succeeding such notice Lessee shall pay to Trustee 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 defined in § 7.3 hereof) of such Unit as of the date of such payment in accordance with the schedule referred to below. Upon the making of such payment by Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, or complete destruction of such Unit) Trustee shall be entitled to recover possession of such Unit and Lessee shall pay all costs of removal of such Unit and of freight to the place designated pursuant to § 14 hereof.

7.3. Amount of Casualty Value. The "Casualty Value" of each Unit as of the payment date on which payment is to be made as aforesaid shall be an amount equal to that percentage of the Purchase Price of such Unit as is set forth in Schedule 2 hereto opposite such date; provided, however, that if the Casualty Value for any Unit as of such payment date as determined pursuant to Schedule 2 reflects an amount representing investment credit recapture to Owner that is greater or lesser than the actual amount of investment credit recapture incurred by Owner as a result of the Casualty Occurrence to such Unit, the Casualty Value for such Unit as so determined shall be appropriately decreased or increased so as to reflect the actual amount of investment credit recapture incurred by Owner as a result of the Casualty Occurrence to such Unit.

Whenever any Unit shall suffer a Casualty Occurrence after termination of this Lease at the expiration of the original or any extended term hereof and before such Unit

shall have been returned in the manner provided in § 14 hereof, Lessee shall promptly and fully notify Trustee with respect thereto and pay to Trustee an amount equal to the Casualty Value of such Unit, which shall be 20% of the Purchase Price of such Unit (unless such termination occurs after the term of this Lease has been extended pursuant to § 13 hereof, in which case the amount of such Casualty Value shall be as agreed upon between Trustee and Lessee at the time of such extension). Upon the making of any such payment by Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), Trustee shall be entitled to recover possession of such Unit.

7.4. Lessee Agent for Disposal. Trustee hereby irrevocably appoints 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 Lessee has previously paid the Casualty Value to Trustee, 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 Trustee.

7.5. Requisition by United States Government. In the event of the requisition for use (which is not a Casualty Occurrence) by the United States Government or any political subdivision thereof (the "Government") of any Unit during the term of this Lease, all of 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 that if such Unit is returned by the Government at any time after the end of the term of this Lease, Lessee shall be obligated to return such Unit to Trustee pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease, but Lessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by Trustee or Lessee from the Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by Trustee or Lessee from the Government for the use of such Unit after the term of this Lease, shall be paid over to, or retained by, Trustee.

7.6. No Release. Except as hereinabove in this § 7

provided, 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 Lessee hereunder.

7.7. Insurance To Be Maintained. Lessee will, at all times prior to the return of the Equipment to Trustee, at its own expense, cause to be carried and maintained property insurance and public liability insurance in respect of the Units at the time subject hereto, in amounts (subject to customary deductibles) and against risks customarily insured against by railroad companies in respect of similar equipment, and, in any event, comparable in amounts and against risks customarily insured against by Lessee in respect of similar equipment owned by it. Any policies of insurance carried in accordance with this paragraph shall name Trustee and Owners as an additional insured. Lessee shall give Trustee and Owners at least 30 days' prior written notice of any changes proposed to be made to any such policies of insurance and of the expiration of any such policies of insurance, and Lessee shall within 15 days after the renewal of any policies of insurance maintained pursuant to this § 7.7 deliver to Trustee certificates issued by the insurer(s) of such policies or by Lessee's independent broker; provided, however, that if the delivery of any certificate is delayed, Lessee shall deliver an executed binder with respect thereto and shall deliver the certificate upon receipt thereof. If Trustee shall receive any insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, Trustee shall, subject to Lessee's having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments to Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by Lessee and any balance of such proceeds or condemnation payments shall remain the property of Trustee. All insurance proceeds received by Trustee from Lessee's insurance coverage in respect of any Unit not suffering a Casualty Occurrence shall be paid to Lessee upon proof satisfactory to Trustee that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

7.8. Economic Casualty. In the event Lessee shall in its reasonable judgment determine that the Units have become obsolete or shall be surplus to its requirements, or it is not feasible to comply with the provisions of § 9.2 hereof during the last 3 years of the original term of this Lease, and during any extended term of this Lease pursuant to the provisions of the first paragraph of § 13 hereof with respect to any Unit, Lessee shall have the right at its

option, on at least 30 days' prior written notice to Trustee, to terminate this Lease as to such Unit (subject to the provisions for the survival of indemnification obligations contained in §§ 6 and 9 hereof) as of the next scheduled rental payment date upon payment to Trustee of the economic casualty value of such Unit as determined pursuant to the economic casualty value schedule of Schedule 2 hereof, and Lessee shall return such Unit to Trustee as soon as reasonably practical, and such Unit shall be treated as having suffered a Casualty Occurrence; provided, however, that Lessee shall not have such right of termination as to any Unit as long as any CSA Indebtedness is outstanding.

§ 8. REPORTS AND INSPECTION

On or before April 30 in each year, commencing with the calendar year 1980, Lessee will furnish to Trustee and Agent (a) an accurate statement (i) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the CSA, 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 Trustee or Agent may reasonably request, (ii) 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 CSA have been preserved or replaced and (iii) setting forth a description of the insurance in effect with respect to the Equipment pursuant to § 7 hereof, and (b) a certification of insurance coverage from Lessee's independent broker stating the amounts of such insurance in effect and the amount of deductible. Trustee, at its sole cost and expense, shall have the right by its agents, to inspect the Units and Lessee's records with respect thereto at such reasonable times as Trustee may request during the continuance of this Lease. Lessee shall promptly notify Trustee and Agent of any material changes or any material proposed changes of which Lessee has knowledge in its insurance coverage in effect with respect to the Equipment pursuant to § 7 hereof.

§ 9. DISCLAIMER OF WARRANTIES; COMPLIANCE WITH LAWS AND RULES; INDEMNIFICATION

9.1. Disclaimer of Warranties. TRUSTEE AND OWNERS 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 LESSEE HEREUNDER, AND TRUSTEE AND OWNERS 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 AS TO LESSEE'S RIGHT TO QUIET ENJOYMENT THEREOF (EXCEPT AS TO ACTS OF TRUSTEE), OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO LESSEE OR OTHERWISE, it being agreed that all such risks, as between Trustee and Lessee, are to be borne by Lessee; but Trustee hereby irrevocably appoints and constitutes Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of Trustee and/or Lessee, as their interests may appear, at Lessee's sole cost and expense, whatever claims and rights Trustee may have against Builder under the provisions of Items 3 and 4 of Annex A of the CSA; provided, however, that if at any time an Event of Default shall have occurred and be continuing, Trustee may assert and enforce, at Lessee's sole cost and expense, such claims and rights. Trustee shall have no responsibility or liability to 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. Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between Lessee and Trustee that the Units described therein are in all the foregoing respects satisfactory to Lessee, and Lessee will not assert any claim of any nature whatsoever against Trustee based on any of the foregoing matters.

9.2. Compliance with Laws and Rules. Lessee agrees, for the benefit of Trustee and Agent, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable 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 and with all other applicable interchange rules, to the extent that such laws and rules affect the title, operation or use of the Units, and in the

event that, prior to the expiration of this Lease or any renewal hereof, such laws or rules require any alteration, replacement, addition or modification of or to any part on any Unit, Lessee will conform therewith at its own expense; provided, however, that Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of Trustee or Agent, adversely affect the property or rights of Trustee or Agent under this Lease or under the CSA.

Lessee, at its own cost and expense, may furnish other additions, modifications and improvements (including, without limitation, any special devices, assemblies or racks at any time attached or affixed to any Unit, the cost of which is not included in the Purchase Price of such Unit and which are not required for the operation or use of such Unit by the United States Department of Transportation, the Interstate Commerce Commission or any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over such Unit) (collectively "Additions") to the Units as 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, 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.

Title to all Parts (as hereinbelow defined) incorporated in or installed as part of the Units shall without further act vest in Trustee and be subject to a valid first lien and prior perfected security interest under the CSA 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 provisions of § 7.1 hereof or the terms of the first sentence of this § 9.2; or (iii) 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, or event which with notice or lapse of time 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 Lessee and may be

removed by Lessee at any time during the term of this Lease and prior to the renewal thereof and prior to the return of the Units to Trustee pursuant to § 14 hereof. The term "Part" for the purposes of this paragraph shall be defined to 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.

9.3. Indemnification. Lessee agrees to indemnify, protect and hold harmless Trustee (in both its individual and fiduciary capacities) and Agent from and against all losses, damages, injuries, liabilities, claims (including, without limitation, claims for strict liability in tort) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of or the occurrence of a default, an event of default or an Event of Default under the CSA, the Participation Agreement, this Lease, or any sublease entered into pursuant to § 12 hereunder, the ownership of any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 14 of this Lease, or the transfer of title to the Equipment by Agent pursuant to any provision of the CSA. The indemnities arising under this paragraph shall continue in full force and effect with respect to all events, facts, conditions or other circumstances occurring or existing prior to the expiration or termination of the term of this Lease and return of the Units as provided in § 14 of this Lease; provided, however, that the foregoing indemnification shall not apply to any failure of payment of the principal of or interest on the CSA Indebtedness and shall not be deemed to operate as a guarantee of the residual value of any Unit. The amount Lessee shall be required to pay with respect to any of its obligations under this paragraph shall include a payment to the indemnified party sufficient to restore such party to the same position, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that the indemnified party would have been in had the liability or expense indemnified against not been incurred.

Lessee further agrees to indemnify, protect and hold harmless Agent and Builder 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 Agent or Builder because of the use in or about the construction or operation of any of the Units of any article of material specified by Lessee and not manufactured by Builder or of any design, system, process, formula or combination specified by Lessee and not developed or purported to be developed by Builder which infringes or is claimed to infringe on any patent or other right. Lessee will give notice to Builder of any claim known to Lessee from which liability may be charged against Builder under the CSA.

Lessee shall not be released from its obligations hereunder in the event of any damage to or the destruction or loss of any or all of the Units.

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

§ 10. DEFAULT

10.1. Events of Default; Remedies. If, during the continuance of this Lease or any extension or renewal hereof, 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, § 6, § 7, § 13 or § 16 of this Lease and such default shall continue for five days, or default shall be made in payment of any other amount provided for in this Lease and such default shall continue for 10 days after written notice from Trustee or Agent to Lessee specifying the default and demanding that the same be remedied;

(B) 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 Lessee contained herein or in the Participation Agreement, and such default shall continue for 25 days after written notice from Trustee or Agent to Lessee specifying the default and demanding that the same be remedied;

(D) a petition for reorganization under Title 11 of the United States Code, as now constituted or as may hereafter be amended, shall be filed by or against 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 Lessee under this Lease and the Consent (as defined in the CSA) 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 60 days after such petition shall have been filed;

(E) any other proceedings shall be commenced by or against Lessee for any relief which includes, or might result in, any modification of the obligations of 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 Lessee hereunder or under the Consent), 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 Lessee under this Lease and the Consent 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 Lessee or for the property of 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 60 days after such proceedings shall have been commenced;

(F) any representation or warranty made by Lessee herein or in the Participation Agreement or in any certificate or statement furnished to Trustee or Owner pursuant to or in connection with any such agreement proves untrue in any material respect as of the date of issuance or making thereof, except for warranties or

representations made to Owners in § 16 hereof in the event that the indemnity payments required thereunder have been made by Lessee; or

(G) Lessee shall fail to maintain the insurance required by § 7.7 hereof and such default shall continue for 15 days after written notice from Trustee or Agent to Lessee specifying the default and demanding the same be remedied;

then, in any such case, Trustee, at its option, may:

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

(b) by notice in writing to Lessee terminate this Lease, whereupon all rights of Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but Lessee shall remain liable as herein provided; and thereupon Trustee may by its agents enter upon the premises of 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 Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to Lessee for such action or inaction or for any proceeds arising therefrom; but Trustee shall, nevertheless, have a right to recover from 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 Lessee as liquidated damages for loss of the bargain and not as a penalty, 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 Trustee reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event Trustee shall have sold any Unit, Trustee, in lieu of collecting any amounts payable

to Trustee by Lessee pursuant to the preceding clause of this part (b) with respect to such Unit, may, if it shall so elect, demand that Lessee pay Trustee and Lessee shall pay to Trustee 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 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, 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 Trustee's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

10.2. Remedies Not Exclusive; Waiver. The remedies in this Lease provided in favor of Trustee shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. 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. 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 Lessee or on its behalf.

10.3. Failure To Exercise Rights Is Not Waiver. The failure of Trustee to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

§ 11. RETURN OF UNITS UPON DEFAULT

11.1. Return of Units. If this Lease shall terminate pursuant to § 10 hereof or pursuant to Article 15 of the CSA, Trustee may, upon such further notice, if any, as may be required for compliance with any mandatory legal

requirements then in force and applicable to the action to be taken by Trustee, take or cause to be taken by its agent or agents, immediate possession of each of the Units, or one or more of the Units and may remove the same from possession and use of Lessee or any other person and for such purpose may enter upon the premises of Lessee or any other premises where the Units may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of Lessee, subject to all mandatory requirements of due process of law.

If this Lease shall terminate pursuant to § 10 hereof or pursuant to Article 15 of the CSA, Lessee shall forthwith deliver possession of the Units to Trustee. Each Unit so delivered shall (i) be in the same operating order, repair and condition as when originally delivered to Lessee, ordinary wear and tear and modifications, if any, permitted by this Lease excepted and (ii) meet standards then in effect under the interchange rules of the American Association of Railroads, if applicable, or such comparable standards as may then be in effect. For the purpose of delivering possession of any Unit or Units to Trustee as above required, Lessee shall at its own cost, expense and risk:

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

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

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

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense

and risk of Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises Trustee shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee so to assemble, deliver, store and transport the Units. During any storage period, Lessee will, at its own cost and expense, maintain and keep the Equipment in good order and repair and will permit Trustee or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to Trustee and, if received by Lessee, shall be promptly turned over to Trustee. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, Lessee shall, in addition, pay to Trustee for each day after such termination an amount equal to the amount, if any, by which the product of (i) a fraction the numerator of which is the Penalty Rate (as defined in § 17 hereof) and the denominator of which is 360, and (ii) the Purchase Price of such Unit for each such day exceeds the actual earnings received by Trustee on such Unit for each such day; such payment shall not affect the obligation of Lessee to redeliver the Equipment pursuant to the first sentence of this paragraph.

11.2. Trustee Appointed Agent of Lessee. Without in any way limiting the obligation of Lessee under the foregoing provisions of this § 11, Lessee hereby irrevocably appoints Trustee as the agent and attorney of Lessee, with full power and authority, at any time while Lessee is obligated to deliver possession of any Unit to Trustee, to demand and take possession of such Unit in the name and on behalf of 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 Trustee without the consent of Lessee, but Lessee shall be under no obligation to any assignee of Trustee except upon written notice of such assignment from Trustee. All the rights of Trustee hereunder (including, but not limited to, the rights under §§ 6, 7, 10 and 16 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of Trustee's assigns.

So long as Lessee shall not be in default under this Lease and Lessee shall have fully complied with the provisions of the fourth paragraph of this § 12, Lessee shall be entitled to the possession and use of the Units and, without Trustee's consent, to sublease the Units to, or to permit their use by, a user incorporated in the United States of America (or any state thereof or the District of Columbia), upon lines of railroad owned or operated by Lessee or such user or by a railroad company or companies incorporated in the United States of America (or any state thereof or the District of Columbia), or over which Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only upon and subject to all the terms and conditions of this Lease and the CSA; provided, however, that Trustee's consent, not to be unreasonably withheld, must be obtained for any sublease that is for a term or terms that aggregate more than six months in any one year; provided, further, however, that Lessee shall not sublease or permit the sublease or use of any Unit outside the United States of America, except occasional use permitted in Canada as long as such use does not involve regular operation and maintenance outside the United States of America; and provided, further, however, that any such sublease or use shall be consistent with the provision of § 16 hereof. No such assignment or sublease shall relieve Lessee of its obligations hereunder which shall be and remain those of principal and not a surety.

Any such sublease may provide that the sublessee, so long as it shall not be in default under such sublease, shall be entitled to the possession of the Units included in such sublease and the use thereof; provided, however, that every such sublease shall be subject to the rights and remedies of Agent under the CSA and Trustee under this Lease in respect of the Units covered by such sublease upon the occurrence of an Event of Default thereunder or hereunder.

Lessee, at its own expense, will as soon as possible cause to be duly discharged any lien, charge, security interest or other encumbrance (except any sublease as aforesaid and other than an encumbrance resulting from claims against Trustee or Agent not related to the ownership or leasing of, or the security title of Agent to, the Units) which may at any time be imposed on or with respect to any Unit including any accession thereto or the interest of

Trustee, Agent or Lessee therein; except that this covenant will not be breached by reason of liens for taxes, assessments or governmental charges or levies, in each case 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; and, furthermore, Lessee shall be under no obligation to discharge any such lien, charge, security interest or encumbrance so long as it is contesting the same in good faith and by appropriate legal proceedings and the failure to discharge the same does not, in the opinions of Trustee and Agent, adversely affect the title, property or rights of Trustee hereunder or Agent under the CSA.

Nothing in this § 12 shall be deemed to restrict the right of Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any solvent Class I railroad corporation (i) incorporated under the laws of any state of the United States of America or the District of Columbia and (ii) with capital and surplus aggregating at least that of Lessee immediately prior to such assignment or transfer (which shall have duly assumed the obligations of Lessee hereunder pursuant to appropriate instruments satisfactory in form and substance to Trustee, Agent and their respective counsel) into or with which Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all the lines of railroad of Lessee; provided, however, that such assignee, lessee or transferee will not, upon the effectiveness of such merger, consolidation, lease or acquisition be in default under any provision of this Lease and that such acquisition or lease of railroad lines of Lessee shall not alter in any way Lessee's obligation to Trustee and Agent hereunder which shall be and remain those of a principal and not a surety.

§ 13. RENEWAL OPTIONS AND RIGHT OF FIRST REFUSAL

Provided that this Lease has not been earlier terminated and Lessee is not in default hereunder, Lessee may by written notice delivered to Trustee not less than six months prior to the end of the original term of this Lease elect to extend the term of this Lease in respect of all but not less than all of the Units then covered by this Lease, for a five-year period commencing on the scheduled expiration of the original term of this Lease. Such extension shall be on the same terms and conditions as are contained

in this Lease, except as to the amount of rentals, which shall be at a "Fair Market Rental" (as such term is defined in this § 13) payable semiannually in arrears, and except as to applicable Casualty Values, which shall be as agreed upon between Trustee and Lessee at the time of such extension.

If Lessee shall not have elected to extend the term of this Lease at the expiration of the original or any extended term of this Lease but shall have given Trustee notice of its intention to exercise a right of first refusal with respect to the Units not less than six months prior to the expiration of the original or such extended term of this Lease and Trustee elects to sell the Units to third parties effective upon the expiration of the original or such extended term of this Lease, Trustee shall, (a) as promptly as practicable after Lessee shall have given such notice, engage an appraiser appointed as provided in the fifth paragraph of this § 13 to determine the Fair Market Sale Value of the Units and, upon receipt of such determination, deliver a true copy thereof to Lessee, and (b) in a commercially reasonable manner, solicit offers to buy such Units (excepting additions, modifications and improvements which may be removed by Lessee pursuant to § 9 hereof), and upon receipt thereof shall exhibit to Lessee a true copy of the most favorable bona fide offer, and Lessee shall have a right of first refusal, exercisable by written notice delivered within 15 days of the receipt of said copy, to purchase such Units at the higher of (1) the Fair Market Sale Value determined by the appraiser or (2) the sale price set forth in such offer.

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

Fair Market Rental and Fair Market Sale Value shall be determined on the basis of, and shall be equal in amount to, the rental or sale value which would obtain in an arm's-length transaction between an informed and willing lessee or

vendee, as the case may be (other than a lessee currently in possession), and an informed and willing lessor or vendor, as the case may be, under no compulsion to lease or sell, as the case may be, and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental or sale value but there shall be excluded any rental value or sale value attributable to additions, modifications and improvements which Lessee is entitled to remove pursuant to § 9 hereof; provided, however, that Fair Market Rental shall be determined as provided in the preceding sentences on the basis of the term and other terms and conditions of the lease being considered.

If (a), after 45 days from the giving of notice by Lessee of Lessee's election to extend the term of this Lease beyond the first extended term, as provided in the first paragraph of this § 13, Trustee and Lessee are unable to agree upon a determination of Fair Market Rental, or (b) Trustee shall be required to engage an appraiser to determine Fair Market Sale Value as provided in the second paragraph of this § 13, such Rental or Sale Value, as the case may be, shall be determined in accordance with the foregoing definitions by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of Fair Market Rental by this appraisal procedure, or Trustee shall be required to engage an appraiser as aforesaid, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall within 35 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 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 or the Fair Market Sale Value, as the case may be, of the Units subject to the proposed extended term within 90 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 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. 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 Fair Market Sale Value 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 Lessee and Trustee.

§ 14. RETURN OF UNITS UPON EXPIRATION OF LEASE TERM

As soon as practicable on or after the expiration of the original term or any extended term of this Lease with respect to any Unit which Lessee does not purchase or re-lease pursuant to § 13, Lessee will, at its own cost and expense, at the request of Trustee, deliver possession of such Unit to Trustee upon such storage tracks of Lessee as Lessee may reasonably designate, in such city on the lines of Lessee as Trustee may reasonably designate, or in the absence of Trustee's designation, in such city on the lines of Lessee as Lessee may designate, and permit Trustee to store such Unit on such tracks for a period not exceeding three months and transport the same, at any time within such three-month period, to any reasonable place on the lines of railroad operated by Lessee, or to any connecting carrier for shipment, all as directed by Trustee, the movement and storage of such Units to be at the expense and risk of Lessee. During any such storage period Lessee will permit Trustee or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that Lessee shall not be liable, except in the case of negligence of Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of Trustee or any prospective purchaser, lessee or user, the rights of inspection granted under this sentence. Each Unit returned to Trustee pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to Lessee, ordi-

nary wear and tear excepted, and (ii) except for additions, modifications and improvements which Lessee is entitled to remove under the provisions of § 9 of this Lease, meet all operating standards then in effect under 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, Trustee shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee so to assemble, deliver, store and transport the Units. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to Trustee and, if received by Lessee, shall be promptly turned over to Trustee. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, Lessee shall, in addition, pay to Trustee for each day thereafter an amount equal to the amount, if any, by which the product of (i) a fraction the numerator of which is the Penalty Rate (as defined in § 17 hereof) and the denominator of which is 360, and (ii) the Purchase Price of such Unit for each such day exceeds the actual earnings received by Trustee on such Unit for each such day.

§ 15. RECORDING

Lessee, at its own expense, will cause this Lease, the CSA, the Lease Assignment, the CSA Assignment and any other assignment hereof or thereof to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (and notice of such deposit to be given forthwith in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada. 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 Trustee or Agent for the purpose of proper protection, to their satisfaction, of Agent's and Trustee's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the CSA, the Lease Assignment and the CSA Assignment; and Lessee will promptly furnish to Agent and Trustee evidence of all such filing, registering, depositing, recording and other acts which may be required under this § 15, and an opinion or opinions of counsel for Lessee with respect

thereto satisfactory to Agent and Trustee. This Lease, the CSA, the Lease Assignment and the CSA Assignment shall be filed with the Interstate Commerce Commission and deposited with the Registrar General of Canada and provision shall be made for publication of notice of such deposit in The Canada Gazette prior to the delivery and acceptance hereunder of any Unit.

§ 16. INCOME TAX INDEMNIFICATION

16.1. Tax Assumptions. It is the intent of the parties to this Lease that it will be recognized as a lease for all Federal, state, city and local income taxes or franchise taxes imposed on or measured by net income, and that this Lease does not convey to Lessee any right, title or interest in the Units except as lessee. In accordance with that intent, this Lease and the CSA have been entered into on the assumptions (the "Tax Assumptions") that for United States income tax purposes (and to the extent applicable for state, city and local tax purposes):

(A) each Owner, as the beneficial owner of the Units, will be entitled to its pro rata share of such deductions, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended, to the date hereof (the "Code"), to an owner of property, including, without limitation:

(1) the maximum depreciation deduction with respect to the Units authorized under Section 167 of the Code (the "ADR Deduction"), (a) utilizing a 12-year depreciable life, which is the lower limit listed in Revenue Procedure 77-10 1977-1 CB 548 for property in Asset Guideline Class No. 00.25, as in effect at the time Trustee becomes the owner of each Unit, in accordance with the Class Life Asset Depreciation Range System described in Section 167(m) of the Code and the Treasury Regulations promulgated thereunder as in effect on the date hereof, (b) employing initially the 200% declining balance method of depreciation with a change, not requiring the consent of the Commissioner of Internal Revenue, to the sum-of-the-years-digits method of depreciation when most beneficial to Owners, as permitted by the Code and regulations at the time Trustee becomes the owner of each Unit, (c) including in the basis of the Units the

entire Purchase Price thereof and all other items properly includible under Section 1012 of the Code (the "Basis"), and (d) depreciating to a net salvage value of zero after taking into account the reduction of salvage value permitted by Section 167(f) of the Code;

(2) deductions with respect to interest payable under the CSA pursuant to Section 163 of the Code (the "Interest Deduction"); and

(3) the 10% investment credit with respect to 100% of the Basis of the Units (the "Investment Credit"), pursuant to Section 38 and related sections of the Code; and

(B) each Unit of Equipment will have a fair market value at the end of the original term of this Lease (such fair market value being determined without including in such value any increase or decrease for inflation or deflation during such original lease term and determined after subtracting from such value the cost, if any, for removal and redelivery of possession to Trustee at the end of such term) equal to at least 20% of the original cost for such Unit, and each Unit is estimated to have a remaining useful life at the end of the original term of this Lease equal to at least 20% of its original estimated useful life.

16.2. Basic Indemnity. (a) Lessee represents, warrants and indemnifies that: (i) at the time Trustee becomes the owner of each Unit, such Unit will constitute property the entire Basis of which qualifies for the 10% Investment Credit under Sections 38, 46, 48 and 50 of the Code; (ii) at the time Trustee becomes the owner of each Unit, such Unit will constitute "new section 38 property", within the meaning of Sections 46 and 48 of the Code, of Owners, and will not have been used by any person so as to preclude "the original use of such property" within the meaning of Sections 48(b) and 167(c)(2) of the Code from commencing with Owners; (iii) at the time Trustee becomes the owner of each unit, Owners will be entitled to and such Unit will qualify for the ADR Deduction using the Tax Assumption as to useful life and methods as set forth in 1(a) and 1(b) of § 16.1 hereof; (iv) Lessee will not at any time during the term of this Lease use or fail to use

any Unit in such a way as to disqualify it as "section 38 property" within the meaning of Section 48(a) of the Code or as property eligible for the ADR Deduction; (v) Lessee will maintain sufficient records to verify such use, which records will be furnished to Trustee within 30 days after receipt of a written demand therefor; and (vi) Owners will be entitled to the Interest Deduction.

(b) Lessee 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 (other than any action required by the terms of this Lease) or file any tax returns or other documents inconsistent with the foregoing or which would increase the amount of rentals required to be taken into income by Owners over the amount specified to be payable under this Lease on the dates due hereunder except as specifically provided in this Lease, and that each of such corporations will file such returns, take such action, and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent thereof. Lessee agrees to keep and make available for inspection and copying upon demand by Trustee or Owners such records as will enable Owners to determine the extent to which they are entitled to the full benefit of the ADR Deduction, the Interest Deduction and the Investment Credit with respect to the Units. Owners agree that they shall claim in their tax returns their respective pro rata shares of all the deductions, credits and benefits contemplated by the Tax Assumptions.

16.3. Effect of Indemnities. (a) Lessee's indemnification of Owners under § 16.2 hereof will place each Owner in the same position with respect to the transaction as if the condition indemnified against had not existed. If (except as a result of the occurrence of any Excluded Event set forth below) either Owner shall suffer a disallowance of or shall be required to recapture or shall not have or shall lose the right to claim (any such event being hereinafter called a "Loss"), of all or any portion of the Investment Credit, the ADR Deduction or the Interest Deduction (a "Benefit") with respect to all or part of any Unit due to:

(i) the inaccuracy of any statement in any letter or document furnished to Trustee or either Owner by Lessee (or any officer, agent or employee thereof);

(ii) the noncompliance, breach, or misrepresentation by Lessee with or of any provision of § 16.2 hereof;

(iii) the use of any Unit by Lessee in such a way as to disqualify it as section 38 property within the meaning of Section 48(a) of the Code or as property eligible for the ADR Deduction; or

(iv) any actions or omissions by Lessee, except any actions or omissions permitted by the terms of this Lease;

then in any such case of Loss of Benefit, subject to the provisions of § 16.3(d) hereof dealing with contesting a disallowance or recapture of a Tax Benefit, the rental rate applicable to such Unit set forth in § 3 of this Lease shall, on and after the next succeeding rental date after payment of the tax attributable to any Loss of Benefit under the provisions of this paragraph, be increased by such amount for such Unit as, in the reasonable opinion of such Owner, after due consultation with Lessee, will preserve for such Owner the after-tax rate of return and after-tax cash flow (the "Net Return") that would have been realized by such Owner if such Loss had not occurred in respect of such Unit under this Lease; provided, however, that such Net Return shall be determined on the basis that such Owner would have been treated as the beneficial owner of such Unit and entitled to its pro rata share of such deductions, credits and other benefits as are provided by tax law (including IRS Regulations and tax rules) in effect from time to time during the term of this Lease to a nonrailroad corporate owner of property, and subsequent rentals shall be appropriately adjusted (reductions being limited by and subject to the proviso contained in § 16.3(g) hereof) for any change in Federal tax rates affecting such net rate of return, as of the effective date of such change. Lessee shall forthwith pay to such Owner the amount of any interest and penalty which may be assessed by the United States (or where applicable by any state or local taxing jurisdiction) against such Owner attributable to the Loss.

(b) Notwithstanding the provisions of § 16.3(a) hereof, there shall be no increase made in rentals nor any payment be required to be made by Lessee if such Owner shall have suffered such Loss with respect to all or part of such Unit as a result of the occurrence of any of the

following events ("Excluded Events"):

(i) a Casualty Occurrence with respect to such Unit, if Lessee shall have paid to Trustee the amounts stipulated under § 7 hereof; or

(ii) a voluntary transfer or other voluntary disposition by Trustee or such Owner or any transfer or disposition by Trustee or such Owner resulting from bankruptcy or other proceedings for relief of debtors in which such Owner is the debtor, whether voluntary or involuntary, of any interest in such Unit or the voluntary reduction by such Owner of its interest in the rentals from such Unit under this Lease (other than pursuant to the assignment of this Lease to Agent), unless, in each case, an Event of Default shall have occurred and be continuing; or

(iii) the failure of such Owner to claim in a timely and proper manner (including all appropriate elections) in its Federal income tax return its pro rata share of the Investment Credit, the ADR Deduction or the Interest Deduction; or

(iv) the failure of such Owner to have sufficient liability for Federal income tax against which to credit such Investment Credit or sufficient income to benefit from the ADR Deduction or the Interest Deduction, as applicable; or

(v) any amendments to the Code, IRS Regulations and tax rules enacted or promulgated and effective after the date on which Trustee becomes the owner of each Unit; or

(vi) the tax status of the trust purported to be created by the Trust Agreement; or

(vii) any participation in the residual value of any Unit at the expiration of the original term of this Lease by any party other than Owners; or

(viii) any determination that the net salvage value of any Unit is greater than 0%.

(c) Trustee or either Owner shall promptly, upon its knowledge thereof, give written notice to Lessee of any claim or proceeding in respect of which Lessee would be

required to make indemnification payments under the provisions of this § 16. Each Owner agrees that if, in the opinion of independent tax counsel selected by such Owner and approved by Lessee, such approval not to be unreasonably withheld ("Counsel"), a reasonable basis to contest the disallowance or recapture of all or a portion of the tax Benefits described above with respect to any Unit exists in respect of which Lessee would be required to make indemnification payments under the provisions of this § 16 to such Owner pursuant hereto, such Owner shall, upon written request and at the expense of Lessee, take all such legal or other appropriate action deemed reasonable by Counsel in order to contest such claim, and if such Owner fails to contest, Lessee will not be required to indemnify such Owner for the Loss of tax Benefits as set forth in § 16.3(a) hereof; provided, however. that such Owner shall not be obligated to take any such legal or other appropriate action unless Lessee shall first have indemnified such Owner for all expenses which may be entailed therein. If within 30 days after notice from Trustee or such Owner Lessee does not request that such Owner contest the disallowance or recapture of the tax Benefits or in the opinion of Counsel no reasonable basis to contest such matter exists, then Lessee will have no further right of contest.

(d) In the event Lessee requests that such Owner contest the disallowance or recapture of the tax Benefits and in the opinion of Counsel a reasonable basis to contest such matter exists, then such Owner shall either take such action to contest the disallowance or recapture prior to making payment of any tax and interest and/or penalty attributable to the disallowance or recapture with respect to such Owner of all or any portion of the tax Benefits with respect to any Unit or shall make such tax payment (the "Tax Payment") and thereafter seek a refund. If such Owner contests prior to making such Tax Payment, such indemnification payable hereunder need not be paid by Lessee while such action is pending. In such case, if the Final Determination (as hereinafter defined) shall be adverse to such Owner, the indemnification payable hereunder shall be computed by such Owner as of the date of such Final Determination and Lessee shall commence payment of indemnities on the date and in the manner and to the extent provided in § 16.3(a) hereof, and on or before such payment date, Lessee shall pay to such Owner as an additional payment hereunder an amount equal to all interest and penalty paid by such Owner in respect of such Final Determination together with an amount sufficient to

maintain such Owner's Net Return. If such Owner elects to make such Tax Payment prior to contesting the matter, such indemnification payable hereunder is to commence immediately in the manner and to the extent provided in § 16.3(a) hereof, and such payments by Lessee due on and after the date of such Tax Payment shall be calculated on a basis so as to maintain such Owner's Net Return, and on or before such Tax Payment is due, Lessee shall pay to such Owner as an additional payment hereunder an amount equal to all interest and penalty paid by such Owner included in such Tax Payment. If such Owner seeks a refund after making such Tax Payment and the Final Determination shall be in favor of such Owner, such Owner shall forthwith upon receipt of refund of amounts previously paid, pay to Lessee an amount consisting of the aggregate of the following: (1) the amount of the increase in rental payments which, under the Final Determination, would not have been payable by Lessee to such Owner pursuant to § 16.3(a) hereof; and (2) the amount of interest and/or penalty paid or repaid to such Owner by the taxing jurisdiction. In addition, the rentals for the Units shall, beginning with the next rental payment due, and after receipt by such Owner of such refund, be decreased to such amount or amounts as shall, in the reasonable opinion of such Owner, cause such Owner's Net Return to equal the net return that would have been realized by such Owner if additional income taxes of such Owner in the amount refunded had not been paid; provided, however, that such subsequent rentals shall not be reduced below the amounts required to satisfy the obligations of Trustee under the CSA. Lessee agrees to pay to such Owner on demand any reasonable expense incurred by Trustee in connection with such contest. For purposes of this § 16 "Final Determination" is defined as a final decision or opinion of a court of competent jurisdiction which, in the opinion of Counsel and after taking into consideration the liabilities created thereby, presents no reasonable basis on which to appeal.

(e) Lessee's and each Owner's agreements and obligations to pay any sums which may become payable pursuant to this § 16 shall survive the expiration or other termination of this Lease. For purposes of this § 16, the term "Owner" shall include any affiliated group, within the meaning of Section 1504 of the Code, of which such Owner is a member if consolidated returns are filed for such affiliated group for Federal income tax purposes.

(f) In the event the rental rates shall be

increased (or decreased) as hereinbefore provided, the Casualty Values set forth in § 7 hereof and the damages and amounts set forth in subparagraph (b) of § 10.1 hereof shall be adjusted accordingly; provided, however, that such Casualty Values shall not be reduced below the amounts required to satisfy the obligations of Trustee under the CSA.

(g) If any amendment to the Code, IRS Regulations or tax rules is enacted or promulgated and made effective with respect to any Unit prior to the time Trustee becomes the owner of such Unit, and such amendment causes a change in the tax benefits contemplated by Owners, then the rental rate specified in § 3 of this Lease (and the Casualty Value percentages set forth in Schedule 2 hereto) shall be increased or decreased as necessary so as to preserve each Owner's Net Return at the same level as if such tax benefits had not been changed; provided, however, such rental rate (and Casualty Value percentages) shall not be reduced below the amounts required to satisfy the obligations of Trustee under the CSA.

16.4. Alterations, Modifications and Improvements. (a) In the event and to the extent that either Owner is required to include in its gross income for Federal income tax purposes the value of any addition, modification or improvement to the Units made by Lessee, under and pursuant to the terms of this Lease or otherwise (all such additions, modifications or improvements described in this sentence being hereinafter called "Alterations"), Lessee shall pay to such Owner on each of the dates provided in this Lease for payment of the installments of rental hereunder commencing with the first such date following the date on which Lessee is required to furnish written notice of such inclusion to such Owner pursuant to the following paragraph such additional rentals which, after deduction of all taxes required to be paid by such Owner on the receipt thereof under the laws of the United States of America or any political subdivision thereof and after taking into account any present or future tax benefits that such Owner reasonably anticipates it will derive from its additional investment in the Equipment (including, without limitation, any available current deduction, current and future depreciation deductions and investment tax credit), when taken together with the amount of any rental installments due on such dates under this Lease (but with appropriate adjustment on any such date for any such rental installment which for any reason shall not in fact be paid by Lessee), will, in the reasonable opinion of such Owner, cause such Owner's Net Return to equal the Net Return

that would have been realized by such Owner if the value of any such Alteration had not been includible in such Owner's gross income. The Casualty Values payable with respect to the Units shall be adjusted in amounts calculated in a similar such manner by such Owner.

(b) Lessee agrees that, within 30 days after the close of any calendar year (or in the event Trustee or either Owner gives Lessee written notice that the taxable year of the entity created by the Trust Agreement closes on a date specified therein other than December 31, within 30 days after said date) in which Lessee has made Alterations which are includible in the gross income of either Owner for Federal income tax purposes under this § 16.4, Lessee will give written notice thereof to such Owner describing such Alterations in reasonable detail and specifying the value thereof with respect to the Units.

§ 17. INTEREST ON OVERDUE RENTALS

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of Lessee promptly to pay, to the extent legally enforceable, interest at a rate per annum (the "Penalty Rate") equal to the higher of (i) 12% or (ii) 3% above the rate of The Chase Manhattan Bank, National Association, in effect from time to time for prime commercial loans of 90-day maturities to its most substantial commercial customers 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.

§ 18. NOTICES

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

(a) if to Trustee, at 79 South Main Street (Suite 310), Salt Lake City, Utah 84111, Attention of Corporate Trust Department, with copies to (i) ITT Industrial Credit Company, 230 Hamm Building, St. Paul, Minnesota 55102, Attention of Vice President-Director of Leasing,

and (ii) Xyovest Inc., P. O. Box 40428, 130 Tri-County Parkway, Cincinnati, Ohio 45240, Attention of Russell W. Shryock, President; and

(b) if to Lessee, at 400 West Madison Street, Chicago, Illinois 60606, Attention of Assistant Vice President-Finance;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to Agent at 79 South Main Street (Suite 310), Salt Lake City, Utah 84111, Attention of Corporate Trust Department.

§ 19. MISCELLANEOUS

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

19.2. Effect and Modification of Lease. Except for the Participation Agreement and the Trust Agreement, this Lease exclusively and completely states the rights of Trustee and 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 Trustee and Lessee.

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

19.4. Trustee's Right To Perform For Lessee. If Lessee fails to perform or comply with any of its agreements contained herein, Trustee may, upon notice to Lessee, itself perform or comply with such agreement, and the amount of the

reasonable cost and expenses of Trustee incurred in connection with such performance or compliance, together with interest on such amount at the Penalty Rate (as defined in § 17 hereof) (or such lesser amount as may be legally enforceable) shall be payable by Lessee upon demand. No such performance or compliance by Trustee shall be deemed a waiver of the rights and remedies of Trustee against Lessee hereunder or be deemed to cure a default by Lessee hereunder.

§ 20. EXECUTION

This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to Agent pursuant to the assignment hereof to Agent 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.

§ 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.

§ 22. DEFINITIONS

Whenever the term "Trustee" is used in this Lease, it shall also include Owners and any assignees of Owners and, where the context so requires (including but not limited to certain of the provisions of § 6 and § 16 hereof), shall, except for purposes of any assignment of "Trustee's" rights under this Lease, refer only to Owners or such assignees of Owners.

All rights of Trustee hereunder (including, but not limited to, its rights under §§ 6, 7, 9, 10 and 16 and the right to receive the rentals payable under this Lease) shall inure to the benefit of each Owner and any such Owner's successors and assigns under the Trust Agreement and Trustee's assigns (including Agent).

§ 23. CONCERNING TRUSTEE

Each and all of the warranties, representations, undertakings and agreements herein made on the part of Trustee are made and intended not as personal representations, undertakings and agreements by the financial institution acting as Trustee, or for the purpose or with the intention of binding said financial institution personally, but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by said financial institution solely in the exercise of the powers expressly conferred upon said financial institution as trustee under the Trust Agreement, and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said financial institution, except for wilful misconduct or gross negligence, or against Owners under the Trust Agreement (except under the last paragraph of Section 5.01 thereof) or on account of any representation, undertaking or agreement herein of Trustee or Owners, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by Lessee and by all persons claiming by, through or under Lessee.

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

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,

[Corporate Seal]

by _____
Vice President

Attest:

_____
Assistant Secretary

FIRST SECURITY STATE BANK, not in its individual capacity but solely as Trustee,

[Corporate Seal]

by _____
Authorized Officer

Attest:

_____
Authorized Officer

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this 24 day of July 1979, before me personally appeared J. M. Butler to me personally known, who, being by me duly sworn, says that he is a Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Lee Swiontek
Notary Public

[Notarial Seal]

My Commission expires

LEE SWIONTEK
Notary Public
Cook Co. Illinois
My Commission Expires Oct. 27, 1980

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this day of July 1979, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an authorized officer of FIRST SECURITY STATE BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said bank, that said instrument was signed and sealed on behalf of said bank 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 bank.

Notary Public

[Notarial Seal]

My Commission expires

SCHEDULE 1 TO LEASE

Type	AAR Mechanical Designation	Builder's Specifications	Builder's Plant	Quantity	Lessee's Identification Numbers (Both Inclusive)	Estimated Unit Base Price	Estimated Total Base Price	Estimated Time and Place of Delivery
50'6" 70-ton box cars	XM	No. 3824, Lot. No. 1054	Bessemer, Alabama	300	CNW 163000-163299	$41,000	$12,300,000	July-August, 1979, at Bessemer, Alabama

SCHEDULE 2 TO LEASE

CASUALTY VALUES

Casualty Payment Dates		Percentage of
Date	No.	Purchase Price*
(Acceptance to Lease Commencement)	0	102.8409131
10/1979	1	102.8409131
4/1980	2	101.646257
10/1980	3	102.954753
4/1981	4	104.055015
10/1981	5	104.930163
4/1982	6	105.616488
10/1982	7	106.1072676
4/1983	8	99.912536
10/1983	9	100.008379
4/1984	10	99.932799
10/1984	11	99.6897606
4/1985	12	92.781040
10/1985	13	92.193667
4/1986	14	91.457398
10/1986	15	90.5874256
4/1987	16	83.077296
10/1987	17	81.925582
4/1988	18	80.676504
10/1988	19	79.412325
4/1989	20	78.057575
10/1989	21	76.624993
4/1990	22	74.297471
10/1990	23	71.899370
4/1991	24	69.425441
10/1991	25	66.906828
4/1992	26	64.331301
10/1992	27	61.726584
4/1993	28	59.075949
10/1993	29	56.401836
4/1994	30	53.685108

* As defined in Paragraph 4.1 of the CSA.

Casualty Payment Dates		Percentage of Purchase Price*
Date	No.	
10/1994	31	50.950888
4/1995	32	48.178360
10/1995	33	45.395638
4/1996	34	42.580084
10/1996	35	39.712838
4/1997	36	36.719157
10/1997	37	33.618681
4/1998	38	30.382289
10/1998	39	27.029816
4/1999	40	23.559178
10/1999	41	20.000000

* As defined in Paragraph 4.1 of the CSA.

ECONOMIC CASUALTY VALUE SCHEDULE

Payment Date	Percentage of Purchase Price*
4/1997	42.719157%
10/1997	39.618681%
4/1998	36.382289%
10/1998	33.029816%
4/1999	29.559178%
10/1999	26.000000%

* As defined in Paragraph 4.1 of the CSA.

[CS&M Ref. 2043-902]

LEASE OF RAILROAD EQUIPMENT

Dated as of July 1, 1979

between

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,
Lessee

and

FIRST SECURITY STATE BANK,
Trustee

[Covering 300 50'6" 70-ton Class XM Box Cars]

LEASE OF RAILROAD EQUIPMENT

TABLE OF CONTENTS*

		Page
§ 1.	NET LEASE	L-2
§ 2.	DELIVERY AND ACCEPTANCE OF UNITS	L-2
§ 3.	RENTALS	L-3
§ 3.1.	Amount and Date of Payment	L-3
§ 3.2.	Payments on Nonbusiness Days	L-4
§ 3.3.	Instructions To Pay Agent and Trustee	L-4
§ 4.	TERM OF LEASE	L-5
§ 4.1.	Beginning and Termination; Survival	L-5
§ 4.2.	Rights and Obligations of Lessee Subject to CSA	L-5
§ 5.	IDENTIFICATION MARKS	L-5
§ 6.	GENERAL TAX INDEMNIFICATION	L-6
§ 7.	MAINTENANCE; CASUALTY OCCURRENCES; INSURANCE	L-9
§ 7.1.	Maintenance	L-9
§ 7.2.	Definition of Casualty Occurrence; Payments	L-10
§ 7.3.	Amount of Casualty Value	L-10
§ 7.4.	Lessee Agent for Disposal	L-11
§ 7.5.	Requisition by United States Government	L-11
§ 7.6.	No Release	L-11
§ 7.7.	Insurance To Be Maintained	L-12
§ 7.8.	Economic Casualty	L-12

* This Table of Contents has been included in this document for convenience of reference only and does not form a part of, or affect any construction or interpretation of, this document.

Page

§ 8. REPORTS AND INSPECTION L-13

§ 9. DISCLAIMER OF WARRANTIES; COMPLIANCE WITH LAWS AND RULES; INDEMNIFICATION L-13

§ 9.1. Disclaimer of Warranties L-13
§ 9.2. Compliance with Laws and Rules L-14
§ 9.3. Indemnification L-16

§ 10. DEFAULT L-17

§ 10.1. Events of Default; Remedies L-17
§ 10.2. Remedies Not Exclusive; Waiver L-20
§ 10.3. Failure To Exercise Rights Is Not Waiver L-20

§ 11. RETURN OF UNITS UPON DEFAULT L-20

§ 11.1. Return of Units L-20
§ 11.2. Trustee Appointed Agent of Lessee L-22

§ 12. ASSIGNMENT; POSSESSION AND USE L-22

§ 13. RENEWAL OPTIONS AND RIGHT OF FIRST REFUSAL L-24

§ 14. RETURN OF UNITS UPON EXPIRATION OF LEASE TERM L-27

§ 15. RECORDING L-28

§ 16. INCOME TAX INDEMNIFICATION L-29

§ 16.1. Tax Assumptions L-29
§ 16.2. Basic Indemnity L-30
§ 16.3. Effect of Indemnities L-31
§ 16.4. Alterations, Modifications and Improvements L-36

§ 17. INTEREST ON OVERDUE RENTALS L-37

§ 18. NOTICES L-37

Page

§ 19. MISCELLANEOUS L-38

§ 19.1. Severability L-38
§ 19.2. Effect and Modification of Lease L-38
§ 19.3. Third Party Beneficiaries L-38
§ 19.4. Trustee's Right To Perform For Lessee . L-38

§ 20. EXECUTION L-39

§ 21. LAW GOVERNING L-39

§ 22. DEFINITIONS L-39

§ 23. CONCERNING TRUSTEE L-40

SCHEDULE 1. Schedule of Equipment L-42

SCHEDULE 2. Casualty Values L-43

LEASE OF RAILROAD EQUIPMENT dated as of July 1, 1979, between CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware corporation ("Lessee"), and FIRST SECURITY STATE BANK, a Utah banking corporation ("Trustee"), not in its individual capacity but solely as Trustee under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with ITT INDUSTRIAL CREDIT COMPANY and XYOVEST INC. (individually "Owner" and collectively "Owners").

WHEREAS Trustee is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with PULLMAN INCORPORATED (Pullman Standard Division) ("Builder"), wherein Builder has agreed to manufacture, sell and deliver to Trustee the units of railroad equipment described in Schedule 1 hereto (the "Equipment");

WHEREAS Builder is assigning its interests in the CSA to FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, acting as Agent (hereinafter, together with its successors and assigns and, where not inconsistent with the provisions hereof, Investors, as hereinafter defined, called "Agent") for a certain investor under a Participation Agreement dated as of the date hereof (the "Participation Agreement") among Agent, Trustee, Owners, Lessee and the party named in Appendix I thereto (individually "Investor" and, together with any assignees, collectively "Investors");

WHEREAS Lessee desires to lease such number of units of the Equipment as are delivered, accepted and settled for under the CSA (the "Units") at the rentals and for the terms and upon the conditions hereinafter provided; and

WHEREAS Trustee will assign this Lease for security to Agent pursuant to an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment");

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 Lessee, Trustee hereby leases the Units to Lessee upon the following terms and

conditions:

§ 1. NET LEASE

This Lease is a net lease. Lessee's obligation to pay all rentals and other amounts hereunder shall be absolute and unconditional and, except as herein specifically provided, Lessee shall not be entitled to any abatement of rent or such other amounts, reduction thereof or setoff against rent or such other amounts, including, but not limited to, counterclaims, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of Lessee against Trustee under this Lease or under the CSA, or against Builder or Agent or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of Trustee or 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 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 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 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, 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 Lessee hereunder shall be final and Lessee shall not seek to recover all or any part of such payment from Trustee or Agent for any reason whatsoever.

§ 2. DELIVERY AND ACCEPTANCE OF UNITS

Trustee hereby appoints Lessee its agent for

inspection and acceptance of the Units pursuant to, and in accordance with, the CSA. Trustee will cause the Units to be delivered to Lessee at the point within the United States of America at which the Units are delivered to Trustee under the CSA. Upon such delivery, Lessee will cause an employee of Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit and Lessee shall execute and deliver to Trustee a certificate of acceptance (the "Certificate of Acceptance") in accordance with the provisions of Paragraph 3.4 of the CSA, stating that such Unit has been inspected and accepted on behalf of Lessee and Trustee on the date of such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any unit of Equipment excluded from the CSA pursuant to Paragraph 4.1 thereof shall be null and void and ineffective to subject such unit to this Lease.

§ 3. RENTALS

3.1. Amount and Date of Payment. Lessee agrees to pay to Trustee as rental for each Unit subject to this Lease one interim and 40 consecutive semiannual payments. The interim payment for each Unit subject to this Lease is payable on October 1, 1979, and shall be in an amount equal to the product of the Purchase Price (as defined in Paragraph 4.1 of the CSA) for such Unit multiplied by .028082% for each day elapsed from and including the Closing Date (as defined in Paragraph 4.2 of the CSA) for such Unit under the CSA to, but not including, October 1, 1979. The 40 semiannual payments are payable on April 1 and October 1 in each year, commencing April 1, 1980, to and including October 1, 1999, as follows: the first 20 such payments shall be in an amount equal to 3.6936% of the Purchase Price of each such Unit then subject to this Lease; and the next 20 such payments shall each be in an amount equal to 4.5144% of the Purchase Price of each such Unit then subject to this Lease; provided, however, for each Unit delivered and accepted after September 30, 1979, the rentals thereafter payable by Lessee in respect of each such Unit shall be increased by such amount as shall, in the reasonable opinion of each Owner, cause such Owner's after-tax economic yield (computed on the same assumptions, including tax rates, and utilizing the same methods as were utilized by such Owner in originally

evaluating the transaction contemplated by the Participation Agreement) to equal the after-tax economic yield that would have been realized by such Owner if such Unit had been delivered and accepted prior to September 30, 1979.

Lessee shall pay as additional rental the following: (1) an amount equal to any amounts payable by Trustee pursuant to clause (a) of the final paragraph of Paragraph 9 of the Participation Agreement on such date and an amount equal to any amounts payable by Trustee pursuant to the first paragraph of Paragraph 9 of the Participation Agreement when such payments are due and payable by Trustee; provided, however, that such payment shall be decreased by an amount equal to any funds payable by Agent to Trustee pursuant to the third paragraph of Paragraph 9 of the Participation Agreement to the extent such funds are credited by Agent against such payment; provided further, however, that if such funds payable by Agent to Trustee exceed the amount so payable by Lessee, then that portion of the rentals payable by Lessee under this Lease in an amount equal to such excess shall be deemed to be an overpayment of rental and Trustee shall refund such excess to Lessee when received from Agent; and (2) on October 1, 1979, and April 1, 1980, an amount equal to any amounts payable by Trustee pursuant to clause (b) of such final paragraph of Paragraph 9 on such date.

The rental payments hereinbefore set forth are subject to adjustment pursuant to § 16 hereof.

3.2. Payments on Nonbusiness Days. If any of the rental payment dates referred to in § 3.1 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 Chicago, Illinois, are authorized or obligated to remain closed.

3.3. Instructions To Pay Agent and Trustee. Trustee irrevocably instructs Lessee to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this § 3 and in §6, § 7 and § 9 hereof, but excluding payments due to Trustee by reason of § 16 hereof, (i) for so long as the CSA shall remain in effect, at the principal office of Agent, for the account of Trustee in care of Agent, with instructions to Agent (a) first, to apply such payments to satisfy the obligations of Trustee under the CSA, and (b) second, so long as no event of default or event which with the lapse of time and/or demand provided for in the CSA could constitute an event of default under the CSA shall have occurred and be continuing, to pay any balance promptly to Trustee at such place as Trustee shall specify

in writing, and (ii) if the CSA shall no longer be in effect, to Trustee or as directed by Trustee. Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds immediately available to Agent by 10:30 a.m., Chicago time, on the date such payment is due.

§ 4. TERM OF LEASE

4.1. Beginning and Termination; Survival. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7 and 10 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3.1 hereof. The obligations of Lessee hereunder (including, but not limited to, the obligations under §§ 3, 6, 7, 9, 11, 14, 16 and 17 hereof) shall survive the expiration of the term of this Lease.

4.2. Rights and Obligations of Lessee Subject to CSA. Notwithstanding anything to the contrary contained herein, all rights and obligations of Lessee under this Lease and in and to the Units are subject to the rights of Agent under the CSA. If an event of default should occur under the CSA, Agent may terminate this Lease (or rescind its termination), all as provided therein, without affecting the indemnities which by the provisions of this Lease survive the termination of its term, all as provided herein.

§ 5. IDENTIFICATION MARKS

Lessee (at its own expense) will cause each Unit to be kept numbered with the road number set forth in Schedule 1 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 "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED UNDER THE INTERSTATE COMMERCE ACT, SECTION 11303", or other appropriate words designated by Agent, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Trustee's and Agent's title to and interest in such Unit and the rights of Trustee under this Lease and of the rights of Agent under the CSA. 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 and will replace promptly any such markings which may be

removed, defaced or destroyed. 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 Agent and Trustee and duly filed, recorded and deposited by Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited and (ii) Lessee shall have furnished Agent and Trustee an opinion of counsel to such effect. The Units may be lettered with the names or initials or other insignia customarily used by Lessee or its affiliates.

Except as provided in the preceding paragraph, 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. GENERAL TAX INDEMNIFICATION

All payments to be made by Lessee hereunder will be free of expense to Owners and Trustee for collection or other charges and will be free of expense to Trustee with respect to the amount of any local, state, Federal or foreign taxes (income, gross receipts, franchise, sales, use, property [real or personal, tangible or intangible], stamp and minimum [imposed under Section 56 of the Internal Revenue Code of 1954, as amended] taxes), or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called "impositions") hereafter levied or imposed upon or in connection with or measured by any Unit or this Lease or any manufacture, sale, rental, ownership, possession, use, payment, shipment, delivery, nondelivery, rejection, transfer of title, return or other disposition of the Equipment (other than a disposition by Owners or Trustee following return of any Unit in accordance with § 14 hereof), under the terms hereof or the CSA (other than any United States Federal income tax (and, to the extent that Owners receive credit therefor against their United States Federal income tax liability, any foreign income tax) on or measured by the net income of Trustee in consequence of the receipt of payments provided for herein and other than the aggregate of all state or local taxes on or measured by the net income of Owners or Trustee based on such receipts and value added taxes in lieu of such net income taxes up to the amount of any such taxes which would be payable to the state and city in which either Owner or Trustee, as the case may be, has its principal place of business without apportionment to any other state, and other than any state franchise tax which is not based on or

measured by net income, except any such tax which is in substitution for or relieves Lessee from the payment of taxes which it would otherwise be obligated to pay), all of which impositions Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the receipts or earnings arising therefrom (except as provided above) or upon Trustee 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 Trustee or the interest of Owners or Trustee or result in a lien upon any such Unit; provided, however, that Lessee shall be under no obligation to pay any impositions of any kind so long as such imposition remains unpaid and Lessee is contesting in its own name and in good faith and by appropriate legal or administrative proceedings such impositions, or Trustee or either Owner, as the case may be, is required to contest such impositions as provided in this § 6, and the nonpayment thereof does not, in the reasonable opinion of such party, adversely affect the title, property or rights of Trustee or Owners hereunder or Trustee or Agent under the CSA. Lessee agrees to give such party notice of such contest brought in Lessee's name within 30 days after institution thereof and Trustee agrees to provide such information as may be reasonably requested by Lessee in furtherance of such contest. If any impositions shall have been charged or levied against such party directly and paid by such party, Lessee shall pay such party on presentation of an invoice therefor if such party shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for such party) or Lessee shall have approved the payment thereof, and such party agrees to give Lessee written notice promptly after it first obtains knowledge of the making of such charge or levy, and agrees to take such other action as may reasonably be requested by Lessee for the purpose of contesting payment or obtaining refund of all or a portion of such imposition, as hereinafter provided in this § 6.

In the event that Trustee shall become obligated to make any payment to Builder or Agent or otherwise pursuant to any corresponding provision of the CSA not covered by the foregoing paragraph of this § 6, Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to Trustee to fulfill completely its obligations pursuant to said provision; provided, however, that Trustee shall have contested (if required to do so under this § 6) such impositions in good faith and to the extent permitted

under the CSA.

In the event any returns, statements or reports with respect to impositions involving any Unit are required to be made, Lessee will make such returns, statements and reports in such manner as to show the interest of Trustee, Owners and Agent in such Units, as shall be satisfactory to Trustee and Agent or, where not so permitted, will notify Trustee, Owners and Agent of such requirement and will prepare and deliver such reports to Trustee, Owners and Agent within a reasonable period of time prior to the time such reports are to be filed in such manner as shall be satisfactory to Trustee, Owners and Agent.

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

If claim is made against any indemnified party for any impositions indemnified against under this § 6, such party shall promptly notify Lessee. If reasonably requested by Lessee in writing, such indemnified party shall, upon receipt of indemnity satisfactory to it for all costs, expenses, losses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of Lessee, contest in good faith the validity, applicability or amount of such impositions 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. Lessee may also contest, or cause to be contested, at its own expense, the validity, applicability or amount of such impositions in the name of such indemnified party, provided that no proceeding or action relating to such contest shall be commenced (nor shall any pleading, motion, brief or other paper be submitted or filed in the name of such indemnified party in any such proceeding or action) without the prior written consent of such indemnified party, which consent shall not be unreasonably withheld. If such indemnified party shall obtain a refund of all or any part of such impositions previously reimbursed by Lessee in connection with any such contest or an amount representing interest thereon applicable to the amount paid by Lessee and the period of such payment,

such indemnified party shall pay to Lessee the amount of such refund or interest net of expenses, but only if no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing.

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

The amount which Lessee shall be required to pay with respect to any imposition which is subject to indemnification under this § 6 shall be an amount sufficient to restore the indemnified party to the same net after-tax rate of return and after-tax cash position, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that such indemnified party would have been in had such imposition not been imposed.

§ 7. MAINTENANCE; CASUALTY OCCURRENCES; INSURANCE

7.1. Maintenance. Lessee at its own expense will maintain and service each Unit (including any parts installed or replacements made to any Unit and considered an Addition [as defined in § 9.2 hereof] hereunder) and comply with a preventive maintenance schedule consistent with Builder's preventive maintenance schedule, if any, and which will include testing, repair and overhaul of each Unit so that each Unit will remain (a) in as good operating condition as when delivered (ordinary wear and tear excepted), (b) in compliance with any and all applicable laws and regulations, and (c) eligible for railroad interchange in accordance with the interchange rules of the American Association of Railroads. In no event shall any Unit be maintained or scheduled for maintenance on a basis less frequent than the maintenance or maintenance scheduling basis employed as of the date hereof or as of any future date, if more frequent, by Lessee for similar equipment.

7.2. Definition of Casualty Occurrence; Payments. In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or 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 this Lease, or by any other governmental entity resulting in loss of possession by Lessee for a period of 90 consecutive days during the term hereof (such occurrences being hereinafter called "Casualty Occurrences"), prior to the return of such Unit in the manner set forth in § 14 hereof, Lessee shall promptly and fully notify Trustee and Agent with respect thereto. On the rental payment date next succeeding such notice Lessee shall pay to Trustee 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 defined in § 7.3 hereof) of such Unit as of the date of such payment in accordance with the schedule referred to below. Upon the making of such payment by Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, or complete destruction of such Unit) Trustee shall be entitled to recover possession of such Unit and Lessee shall pay all costs of removal of such Unit and of freight to the place designated pursuant to § 14 hereof.

7.3. Amount of Casualty Value. The "Casualty Value" of each Unit as of the payment date on which payment is to be made as aforesaid shall be an amount equal to that percentage of the Purchase Price of such Unit as is set forth in Schedule 2 hereto opposite such date; provided, however, that if the Casualty Value for any Unit as of such payment date as determined pursuant to Schedule 2 reflects an amount representing investment credit recapture to Owner that is greater or lesser than the actual amount of investment credit recapture incurred by Owner as a result of the Casualty Occurrence to such Unit, the Casualty Value for such Unit as so determined shall be appropriately decreased or increased so as to reflect the actual amount of investment credit recapture incurred by Owner as a result of the Casualty Occurrence to such Unit.

Whenever any Unit shall suffer a Casualty Occurrence after termination of this Lease at the expiration of the original or any extended term hereof and before such Unit

shall have been returned in the manner provided in § 14 hereof, Lessee shall promptly and fully notify Trustee with respect thereto and pay to Trustee an amount equal to the Casualty Value of such Unit, which shall be 20% of the Purchase Price of such Unit (unless such termination occurs after the term of this Lease has been extended pursuant to § 13 hereof, in which case the amount of such Casualty Value shall be as agreed upon between Trustee and Lessee at the time of such extension). Upon the making of any such payment by Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), Trustee shall be entitled to recover possession of such Unit.

7.4. Lessee Agent for Disposal. Trustee hereby irrevocably appoints 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 Lessee has previously paid the Casualty Value to Trustee, 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 Trustee.

7.5. Requisition by United States Government. In the event of the requisition for use (which is not a Casualty Occurrence) by the United States Government or any political subdivision thereof (the "Government") of any Unit during the term of this Lease, all of 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 that if such Unit is returned by the Government at any time after the end of the term of this Lease, Lessee shall be obligated to return such Unit to Trustee pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease, but Lessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by Trustee or Lessee from the Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by Trustee or Lessee from the Government for the use of such Unit after the term of this Lease, shall be paid over to, or retained by, Trustee.

7.6. No Release. Except as hereinabove in this § 7

provided, 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 Lessee hereunder.

7.7. Insurance To Be Maintained. Lessee will, at all times prior to the return of the Equipment to Trustee, at its own expense, cause to be carried and maintained property insurance and public liability insurance in respect of the Units at the time subject hereto, in amounts (subject to customary deductibles) and against risks customarily insured against by railroad companies in respect of similar equipment, and, in any event, comparable in amounts and against risks customarily insured against by Lessee in respect of similar equipment owned by it. Any policies of insurance carried in accordance with this paragraph shall name Trustee and Owners as an additional insured. Lessee shall give Trustee and Owners at least 30 days' prior written notice of any changes proposed to be made to any such policies of insurance and of the expiration of any such policies of insurance, and Lessee shall within 15 days after the renewal of any policies of insurance maintained pursuant to this § 7.7 deliver to Trustee certificates issued by the insurer(s) of such policies or by Lessee's independent broker; provided, however, that if the delivery of any certificate is delayed, Lessee shall deliver an executed binder with respect thereto and shall deliver the certificate upon receipt thereof. If Trustee shall receive any insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, Trustee shall, subject to Lessee's having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments to Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by Lessee and any balance of such proceeds or condemnation payments shall remain the property of Trustee. All insurance proceeds received by Trustee from Lessee's insurance coverage in respect of any Unit not suffering a Casualty Occurrence shall be paid to Lessee upon proof satisfactory to Trustee that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

7.8. Economic Casualty. In the event Lessee shall in its reasonable judgment determine that the Units have become obsolete or shall be surplus to its requirements, or it is not feasible to comply with the provisions of § 9.2 hereof during the last 3 years of the original term of this Lease, and during any extended term of this Lease pursuant to the provisions of the first paragraph of § 13 hereof with respect to any Unit, Lessee shall have the right at its

option, on at least 30 days' prior written notice to Trustee, to terminate this Lease as to such Unit (subject to the provisions for the survival of indemnification obligations contained in §§ 6 and 9 hereof) as of the next scheduled rental payment date upon payment to Trustee of the economic casualty value of such Unit as determined pursuant to the economic casualty value schedule of Schedule 2 hereof, and Lessee shall return such Unit to Trustee as soon as reasonably practical, and such Unit shall be treated as having suffered a Casualty Occurrence; provided, however, that Lessee shall not have such right of termination as to any Unit as long as any CSA Indebtedness is outstanding.

§ 8. REPORTS AND INSPECTION

On or before April 30 in each year, commencing with the calendar year 1980, Lessee will furnish to Trustee and Agent (a) an accurate statement (i) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the CSA, 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 Trustee or Agent may reasonably request, (ii) 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 CSA have been preserved or replaced and (iii) setting forth a description of the insurance in effect with respect to the Equipment pursuant to § 7 hereof, and (b) a certification of insurance coverage from Lessee's independent broker stating the amounts of such insurance in effect and the amount of deductible. Trustee, at its sole cost and expense, shall have the right by its agents, to inspect the Units and Lessee's records with respect thereto at such reasonable times as Trustee may request during the continuance of this Lease. Lessee shall promptly notify Trustee and Agent of any material changes or any material proposed changes of which Lessee has knowledge in its insurance coverage in effect with respect to the Equipment pursuant to § 7 hereof.

§ 9. DISCLAIMER OF WARRANTIES; COMPLIANCE WITH LAWS AND RULES; INDEMNIFICATION

9.1. Disclaimer of Warranties. TRUSTEE AND OWNERS 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 LESSEE HEREUNDER, AND TRUSTEE AND OWNERS 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 AS TO LESSEE'S RIGHT TO QUIET ENJOYMENT THEREOF (EXCEPT AS TO ACTS OF TRUSTEE), OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO LESSEE OR OTHERWISE, it being agreed that all such risks, as between Trustee and Lessee, are to be borne by Lessee; but Trustee hereby irrevocably appoints and constitutes Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of Trustee and/or Lessee, as their interests may appear, at Lessee's sole cost and expense, whatever claims and rights Trustee may have against Builder under the provisions of Items 3 and 4 of Annex A of the CSA; provided, however, that if at any time an Event of Default shall have occurred and be continuing, Trustee may assert and enforce, at Lessee's sole cost and expense, such claims and rights. Trustee shall have no responsibility or liability to 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. Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between Lessee and Trustee that the Units described therein are in all the foregoing respects satisfactory to Lessee, and Lessee will not assert any claim of any nature whatsoever against Trustee based on any of the foregoing matters.

9.2. Compliance with Laws and Rules. Lessee agrees, for the benefit of Trustee and Agent, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable 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 and with all other applicable interchange rules, to the extent that such laws and rules affect the title, operation or use of the Units, and in the

event that, prior to the expiration of this Lease or any renewal hereof, such laws or rules require any alteration, replacement, addition or modification of or to any part on any Unit, Lessee will conform therewith at its own expense; provided, however, that Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of Trustee or Agent, adversely affect the property or rights of Trustee or Agent under this Lease or under the CSA.

Lessee, at its own cost and expense, may furnish other additions, modifications and improvements (including, without limitation, any special devices, assemblies or racks at any time attached or affixed to any Unit, the cost of which is not included in the Purchase Price of such Unit and which are not required for the operation or use of such Unit by the United States Department of Transportation, the Interstate Commerce Commission or any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over such Unit) (collectively "Additions") to the Units as 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, 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.

Title to all Parts (as hereinbelow defined) incorporated in or installed as part of the Units shall without further act vest in Trustee and be subject to a valid first lien and prior perfected security interest under the CSA 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 provisions of § 7.1 hereof or the terms of the first sentence of this § 9.2; or (iii) 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, or event which with notice or lapse of time 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 Lessee and may be

removed by Lessee at any time during the term of this Lease and prior to the renewal thereof and prior to the return of the Units to Trustee pursuant to § 14 hereof. The term "Part" for the purposes of this paragraph shall be defined to 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.

9.3. Indemnification. Lessee agrees to indemnify, protect and hold harmless Trustee (in both its individual and fiduciary capacities) and Agent from and against all losses, damages, injuries, liabilities, claims (including, without limitation, claims for strict liability in tort) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of or the occurrence of a default, an event of default or an Event of Default under the CSA, the Participation Agreement, this Lease, or any sublease entered into pursuant to § 12 hereunder, the ownership of any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 14 of this Lease, or the transfer of title to the Equipment by Agent pursuant to any provision of the CSA. The indemnities arising under this paragraph shall continue in full force and effect with respect to all events, facts, conditions or other circumstances occurring or existing prior to the expiration or termination of the term of this Lease and return of the Units as provided in § 14 of this Lease; provided, however, that the foregoing indemnification shall not apply to any failure of payment of the principal of or interest on the CSA Indebtedness and shall not be deemed to operate as a guarantee of the residual value of any Unit. The amount Lessee shall be required to pay with respect to any of its obligations under this paragraph shall include a payment to the indemnified party sufficient to restore such party to the same position, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that the indemnified party would have been in had the liability or expense indemnified against not been incurred.

Lessee further agrees to indemnify, protect and hold harmless Agent and Builder 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 Agent or Builder because of the use in or about the construction or operation of any of the Units of any article of material specified by Lessee and not manufactured by Builder or of any design, system, process, formula or combination specified by Lessee and not developed or purported to be developed by Builder which infringes or is claimed to infringe on any patent or other right. Lessee will give notice to Builder of any claim known to Lessee from which liability may be charged against Builder under the CSA.

Lessee shall not be released from its obligations hereunder in the event of any damage to or the destruction or loss of any or all of the Units.

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

§ 10. DEFAULT

10.1. Events of Default; Remedies. If, during the continuance of this Lease or any extension or renewal hereof, 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, § 6, § 7, § 13 or § 16 of this Lease and such default shall continue for five days, or default shall be made in payment of any other amount provided for in this Lease and such default shall continue for 10 days after written notice from Trustee or Agent to Lessee specifying the default and demanding that the same be remedied;

(B) 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 Lessee contained herein or in the Participation Agreement, and such default shall continue for 25 days after written notice from Trustee or Agent to Lessee specifying the default and demanding that the same be remedied;

(D) a petition for reorganization under Title 11 of the United States Code, as now constituted or as may hereafter be amended, shall be filed by or against 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 Lessee under this Lease and the Consent (as defined in the CSA) 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 60 days after such petition shall have been filed;

(E) any other proceedings shall be commenced by or against Lessee for any relief which includes, or might result in, any modification of the obligations of 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 Lessee hereunder or under the Consent), 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 Lessee under this Lease and the Consent 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 Lessee or for the property of 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 60 days after such proceedings shall have been commenced;

(F) any representation or warranty made by Lessee herein or in the Participation Agreement or in any certificate or statement furnished to Trustee or Owner pursuant to or in connection with any such agreement proves untrue in any material respect as of the date of issuance or making thereof, except for warranties or

representations made to Owners in § 16 hereof in the event that the indemnity payments required thereunder have been made by Lessee; or

(G) Lessee shall fail to maintain the insurance required by § 7.7 hereof and such default shall continue for 15 days after written notice from Trustee or Agent to Lessee specifying the default and demanding the same be remedied;

then, in any such case, Trustee, at its option, may:

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

(b) by notice in writing to Lessee terminate this Lease, whereupon all rights of Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but Lessee shall remain liable as herein provided; and thereupon Trustee may by its agents enter upon the premises of 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 Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to Lessee for such action or inaction or for any proceeds arising therefrom; but Trustee shall, nevertheless, have a right to recover from 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 Lessee as liquidated damages for loss of the bargain and not as a penalty, 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 Trustee reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event Trustee shall have sold any Unit, Trustee, in lieu of collecting any amounts payable

to Trustee by Lessee pursuant to the preceding clause of this part (b) with respect to such Unit, may, if it shall so elect, demand that Lessee pay Trustee and Lessee shall pay to Trustee 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 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, 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 Trustee's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

10.2. Remedies Not Exclusive; Waiver. The remedies in this Lease provided in favor of Trustee shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. 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. 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 Lessee or on its behalf.

10.3. Failure To Exercise Rights Is Not Waiver. The failure of Trustee to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

§ 11. RETURN OF UNITS UPON DEFAULT

11.1. Return of Units. If this Lease shall terminate pursuant to § 10 hereof or pursuant to Article 15 of the CSA, Trustee may, upon such further notice, if any, as may be required for compliance with any mandatory legal

requirements then in force and applicable to the action to be taken by Trustee, take or cause to be taken by its agent or agents, immediate possession of each of the Units, or one or more of the Units and may remove the same from possession and use of Lessee or any other person and for such purpose may enter upon the premises of Lessee or any other premises where the Units may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of Lessee, subject to all mandatory requirements of due process of law.

If this Lease shall terminate pursuant to § 10 hereof or pursuant to Article 15 of the CSA, Lessee shall forthwith deliver possession of the Units to Trustee. Each Unit so delivered shall (i) be in the same operating order, repair and condition as when originally delivered to Lessee, ordinary wear and tear and modifications, if any, permitted by this Lease excepted and (ii) meet standards then in effect under the interchange rules of the American Association of Railroads, if applicable, or such comparable standards as may then be in effect. For the purpose of delivering possession of any Unit or Units to Trustee as above required, Lessee shall at its own cost, expense and risk:

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

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

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

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense

and risk of Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises Trustee shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee so to assemble, deliver, store and transport the Units. During any storage period, Lessee will, at its own cost and expense, maintain and keep the Equipment in good order and repair and will permit Trustee or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to Trustee and, if received by Lessee, shall be promptly turned over to Trustee. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, Lessee shall, in addition, pay to Trustee for each day after such termination an amount equal to the amount, if any, by which the product of (i) a fraction the numerator of which is the Penalty Rate (as defined in § 17 hereof) and the denominator of which is 360, and (ii) the Purchase Price of such Unit for each such day exceeds the actual earnings received by Trustee on such Unit for each such day; such payment shall not affect the obligation of Lessee to redeliver the Equipment pursuant to the first sentence of this paragraph.

11.2. Trustee Appointed Agent of Lessee. Without in any way limiting the obligation of Lessee under the foregoing provisions of this § 11, Lessee hereby irrevocably appoints Trustee as the agent and attorney of Lessee, with full power and authority, at any time while Lessee is obligated to deliver possession of any Unit to Trustee, to demand and take possession of such Unit in the name and on behalf of 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 Trustee without the consent of Lessee, but Lessee shall be under no obligation to any assignee of Trustee except upon written notice of such assignment from Trustee. All the rights of Trustee hereunder (including, but not limited to, the rights under §§ 6, 7, 10 and 16 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of Trustee's assigns.

So long as Lessee shall not be in default under this Lease and Lessee shall have fully complied with the provisions of the fourth paragraph of this § 12, Lessee shall be entitled to the possession and use of the Units and, without Trustee's consent, to sublease the Units to, or to permit their use by, a user incorporated in the United States of America (or any state thereof or the District of Columbia), upon lines of railroad owned or operated by Lessee or such user or by a railroad company or companies incorporated in the United States of America (or any state thereof or the District of Columbia), or over which Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only upon and subject to all the terms and conditions of this Lease and the CSA; provided, however, that Trustee's consent, not to be unreasonably withheld, must be obtained for any sublease that is for a term or terms that aggregate more than six months in any one year; provided, further, however, that Lessee shall not sublease or permit the sublease or use of any Unit outside the United States of America, except occasional use permitted in Canada as long as such use does not involve regular operation and maintenance outside the United States of America; and provided, further, however, that any such sublease or use shall be consistent with the provision of § 16 hereof. No such assignment or sublease shall relieve Lessee of its obligations hereunder which shall be and remain those of principal and not a surety.

Any such sublease may provide that the sublessee, so long as it shall not be in default under such sublease, shall be entitled to the possession of the Units included in such sublease and the use thereof; provided, however, that every such sublease shall be subject to the rights and remedies of Agent under the CSA and Trustee under this Lease in respect of the Units covered by such sublease upon the occurrence of an Event of Default thereunder or hereunder.

Lessee, at its own expense, will as soon as possible cause to be duly discharged any lien, charge, security interest or other encumbrance (except any sublease as aforesaid and other than an encumbrance resulting from claims against Trustee or Agent not related to the ownership or leasing of, or the security title of Agent to, the Units) which may at any time be imposed on or with respect to any Unit including any accession thereto or the interest of

Trustee, Agent or Lessee therein; except that this covenant will not be breached by reason of liens for taxes, assessments or governmental charges or levies, in each case 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; and, furthermore, Lessee shall be under no obligation to discharge any such lien, charge, security interest or encumbrance so long as it is contesting the same in good faith and by appropriate legal proceedings and the failure to discharge the same does not, in the opinions of Trustee and Agent, adversely affect the title, property or rights of Trustee hereunder or Agent under the CSA.

Nothing in this § 12 shall be deemed to restrict the right of Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any solvent Class I railroad corporation (i) incorporated under the laws of any state of the United States of America or the District of Columbia and (ii) with capital and surplus aggregating at least that of Lessee immediately prior to such assignment or transfer (which shall have duly assumed the obligations of Lessee hereunder pursuant to appropriate instruments satisfactory in form and substance to Trustee, Agent and their respective counsel) into or with which Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all the lines of railroad of Lessee; provided, however, that such assignee, lessee or transferee will not, upon the effectiveness of such merger, consolidation, lease or acquisition be in default under any provision of this Lease and that such acquisition or lease of railroad lines of Lessee shall not alter in any way Lessee's obligation to Trustee and Agent hereunder which shall be and remain those of a principal and not a surety.

§ 13. RENEWAL OPTIONS AND RIGHT OF FIRST REFUSAL

Provided that this Lease has not been earlier terminated and Lessee is not in default hereunder, Lessee may by written notice delivered to Trustee not less than six months prior to the end of the original term of this Lease elect to extend the term of this Lease in respect of all but not less than all of the Units then covered by this Lease, for a five-year period commencing on the scheduled expiration of the original term of this Lease. Such extension shall be on the same terms and conditions as are contained

in this Lease, except as to the amount of rentals, which shall be at a "Fair Market Rental" (as such term is defined in this § 13) payable semiannually in arrears, and except as to applicable Casualty Values, which shall be as agreed upon between Trustee and Lessee at the time of such extension.

If Lessee shall not have elected to extend the term of this Lease at the expiration of the original or any extended term of this Lease but shall have given Trustee notice of its intention to exercise a right of first refusal with respect to the Units not less than six months prior to the expiration of the original or such extended term of this Lease and Trustee elects to sell the Units to third parties effective upon the expiration of the original or such extended term of this Lease, Trustee shall, (a) as promptly as practicable after Lessee shall have given such notice, engage an appraiser appointed as provided in the fifth paragraph of this § 13 to determine the Fair Market Sale Value of the Units and, upon receipt of such determination, deliver a true copy thereof to Lessee, and (b) in a commercially reasonable manner, solicit offers to buy such Units (excepting additions, modifications and improvements which may be removed by Lessee pursuant to § 9 hereof), and upon receipt thereof shall exhibit to Lessee a true copy of the most favorable bona fide offer, and Lessee shall have a right of first refusal, exercisable by written notice delivered within 15 days of the receipt of said copy, to purchase such Units at the higher of (1) the Fair Market Sale Value determined by the appraiser or (2) the sale price set forth in such offer.

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

Fair Market Rental and Fair Market Sale Value shall be determined on the basis of, and shall be equal in amount to, the rental or sale value which would obtain in an arm's-length transaction between an informed and willing lessee or

vendee, as the case may be (other than a lessee currently in possession), and an informed and willing lessor or vendor, as the case may be, under no compulsion to lease or sell, as the case may be, and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental or sale value but there shall be excluded any rental value or sale value attributable to additions, modifications and improvements which Lessee is entitled to remove pursuant to § 9 hereof; provided, however, that Fair Market Rental shall be determined as provided in the preceding sentences on the basis of the term and other terms and conditions of the lease being considered.

If (a), after 45 days from the giving of notice by Lessee of Lessee's election to extend the term of this Lease beyond the first extended term, as provided in the first paragraph of this § 13, Trustee and Lessee are unable to agree upon a determination of Fair Market Rental, or (b) Trustee shall be required to engage an appraiser to determine Fair Market Sale Value as provided in the second paragraph of this § 13, such Rental or Sale Value, as the case may be, shall be determined in accordance with the foregoing definitions by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of Fair Market Rental by this appraisal procedure, or Trustee shall be required to engage an appraiser as aforesaid, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall within 35 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 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 or the Fair Market Sale Value, as the case may be, of the Units subject to the proposed extended term within 90 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 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. 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 Fair Market Sale Value 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 Lessee and Trustee.

§ 14. RETURN OF UNITS UPON EXPIRATION OF LEASE TERM

As soon as practicable on or after the expiration of the original term or any extended term of this Lease with respect to any Unit which Lessee does not purchase or re-lease pursuant to § 13, Lessee will, at its own cost and expense, at the request of Trustee, deliver possession of such Unit to Trustee upon such storage tracks of Lessee as Lessee may reasonably designate, in such city on the lines of Lessee as Trustee may reasonably designate, or in the absence of Trustee's designation, in such city on the lines of Lessee as Lessee may designate, and permit Trustee to store such Unit on such tracks for a period not exceeding three months and transport the same, at any time within such three-month period, to any reasonable place on the lines of railroad operated by Lessee, or to any connecting carrier for shipment, all as directed by Trustee, the movement and storage of such Units to be at the expense and risk of Lessee. During any such storage period Lessee will permit Trustee or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that Lessee shall not be liable, except in the case of negligence of Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of Trustee or any prospective purchaser, lessee or user, the rights of inspection granted under this sentence. Each Unit returned to Trustee pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to Lessee, ordi-

nary wear and tear excepted, and (ii) except for additions, modifications and improvements which Lessee is entitled to remove under the provisions of § 9 of this Lease, meet all operating standards then in effect under 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, Trustee shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee so to assemble, deliver, store and transport the Units. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to Trustee and, if received by Lessee, shall be promptly turned over to Trustee. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, Lessee shall, in addition, pay to Trustee for each day thereafter an amount equal to the amount, if any, by which the product of (i) a fraction the numerator of which is the Penalty Rate (as defined in § 17 hereof) and the denominator of which is 360, and (ii) the Purchase Price of such Unit for each such day exceeds the actual earnings received by Trustee on such Unit for each such day.

§ 15. RECORDING

Lessee, at its own expense, will cause this Lease, the CSA, the Lease Assignment, the CSA Assignment and any other assignment hereof or thereof to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (and notice of such deposit to be given forthwith in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada. 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 Trustee or Agent for the purpose of proper protection, to their satisfaction, of Agent's and Trustee's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the CSA, the Lease Assignment and the CSA Assignment; and Lessee will promptly furnish to Agent and Trustee evidence of all such filing, registering, depositing, recording and other acts which may be required under this § 15, and an opinion or opinions of counsel for Lessee with respect

thereto satisfactory to Agent and Trustee. This Lease, the CSA, the Lease Assignment and the CSA Assignment shall be filed with the Interstate Commerce Commission and deposited with the Registrar General of Canada and provision shall be made for publication of notice of such deposit in The Canada Gazette prior to the delivery and acceptance hereunder of any Unit.

§ 16. INCOME TAX INDEMNIFICATION

16.1. Tax Assumptions. It is the intent of the parties to this Lease that it will be recognized as a lease for all Federal, state, city and local income taxes or franchise taxes imposed on or measured by net income, and that this Lease does not convey to Lessee any right, title or interest in the Units except as lessee. In accordance with that intent, this Lease and the CSA have been entered into on the assumptions (the "Tax Assumptions") that for United States income tax purposes (and to the extent applicable for state, city and local tax purposes):

(A) each Owner, as the beneficial owner of the Units, will be entitled to its pro rata share of such deductions, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended, to the date hereof (the "Code"), to an owner of property, including, without limitation:

(1) the maximum depreciation deduction with respect to the Units authorized under Section 167 of the Code (the "ADR Deduction"), (a) utilizing a 12-year depreciable life, which is the lower limit listed in Revenue Procedure 77-10 1977-1 CB 548 for property in Asset Guideline Class No. 00.25, as in effect at the time Trustee becomes the owner of each Unit, in accordance with the Class Life Asset Depreciation Range System described in Section 167(m) of the Code and the Treasury Regulations promulgated thereunder as in effect on the date hereof, (b) employing initially the 200% declining balance method of depreciation with a change, not requiring the consent of the Commissioner of Internal Revenue, to the sum-of-the-years-digits method of depreciation when most beneficial to Owners, as permitted by the Code and regulations at the time Trustee becomes the owner of each Unit, (c) including in the basis of the Units the

entire Purchase Price thereof and all other items properly includible under Section 1012 of the Code (the "Basis"), and (d) depreciating to a net salvage value of zero after taking into account the reduction of salvage value permitted by Section 167(f) of the Code;

(2) deductions with respect to interest payable under the CSA pursuant to Section 163 of the Code (the "Interest Deduction"); and

(3) the 10% investment credit with respect to 100% of the Basis of the Units (the "Investment Credit"), pursuant to Section 38 and related sections of the Code; and

(B) each Unit of Equipment will have a fair market value at the end of the original term of this Lease (such fair market value being determined without including in such value any increase or decrease for inflation or deflation during such original lease term and determined after subtracting from such value the cost, if any, for removal and redelivery of possession to Trustee at the end of such term) equal to at least 20% of the original cost for such Unit, and each Unit is estimated to have a remaining useful life at the end of the original term of this Lease equal to at least 20% of its original estimated useful life.

16.2. Basic Indemnity. (a) Lessee represents, warrants and indemnifies that: (i) at the time Trustee becomes the owner of each Unit, such Unit will constitute property the entire Basis of which qualifies for the 10% Investment Credit under Sections 38, 46, 48 and 50 of the Code; (ii) at the time Trustee becomes the owner of each Unit, such Unit will constitute "new section 38 property", within the meaning of Sections 46 and 48 of the Code, of Owners, and will not have been used by any person so as to preclude "the original use of such property" within the meaning of Sections 48(b) and 167(c)(2) of the Code from commencing with Owners; (iii) at the time Trustee becomes the owner of each unit, Owners will be entitled to and such Unit will qualify for the ADR Deduction using the Tax Assumption as to useful life and methods as set forth in 1(a) and 1(b) of § 16.1 hereof; (iv) Lessee will not at any time during the term of this Lease use or fail to use

any Unit in such a way as to disqualify it as "section 38 property" within the meaning of Section 48(a) of the Code or as property eligible for the ADR Deduction; (v) Lessee will maintain sufficient records to verify such use, which records will be furnished to Trustee within 30 days after receipt of a written demand therefor; and (vi) Owners will be entitled to the Interest Deduction.

(b) Lessee 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 (other than any action required by the terms of this Lease) or file any tax returns or other documents inconsistent with the foregoing or which would increase the amount of rentals required to be taken into income by Owners over the amount specified to be payable under this Lease on the dates due hereunder except as specifically provided in this Lease, and that each of such corporations will file such returns, take such action, and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent thereof. Lessee agrees to keep and make available for inspection and copying upon demand by Trustee or Owners such records as will enable Owners to determine the extent to which they are entitled to the full benefit of the ADR Deduction, the Interest Deduction and the Investment Credit with respect to the Units. Owners agree that they shall claim in their tax returns their respective pro rata shares of all the deductions, credits and benefits contemplated by the Tax Assumptions.

16.3. Effect of Indemnities. (a) Lessee's indemnification of Owners under § 16.2 hereof will place each Owner in the same position with respect to the transaction as if the condition indemnified against had not existed. If (except as a result of the occurrence of any Excluded Event set forth below) either Owner shall suffer a disallowance of or shall be required to recapture or shall not have or shall lose the right to claim (any such event being hereinafter called a "Loss"), of all or any portion of the Investment Credit, the ADR Deduction or the Interest Deduction (a "Benefit") with respect to all or part of any Unit due to:

(i) the inaccuracy of any statement in any letter or document furnished to Trustee or either Owner by Lessee (or any officer, agent or employee thereof);

(ii) the noncompliance, breach, or misrepresentation by Lessee with or of any provision of § 16.2 hereof;

(iii) the use of any Unit by Lessee in such a way as to disqualify it as section 38 property within the meaning of Section 48(a) of the Code or as property eligible for the ADR Deduction; or

(iv) any actions or omissions by Lessee, except any actions or omissions permitted by the terms of this Lease;

then in any such case of Loss of Benefit, subject to the provisions of § 16.3(d) hereof dealing with contesting a disallowance or recapture of a Tax Benefit, the rental rate applicable to such Unit set forth in § 3 of this Lease shall, on and after the next succeeding rental date after payment of the tax attributable to any Loss of Benefit under the provisions of this paragraph, be increased by such amount for such Unit as, in the reasonable opinion of such Owner, after due consultation with Lessee, will preserve for such Owner the after-tax rate of return and after-tax cash flow (the "Net Return") that would have been realized by such Owner if such Loss had not occurred in respect of such Unit under this Lease; provided, however, that such Net Return shall be determined on the basis that such Owner would have been treated as the beneficial owner of such Unit and entitled to its pro rata share of such deductions, credits and other benefits as are provided by tax law (including IRS Regulations and tax rules) in effect from time to time during the term of this Lease to a nonrailroad corporate owner of property, and subsequent rentals shall be appropriately adjusted (reductions being limited by and subject to the proviso contained in § 16.3(g) hereof) for any change in Federal tax rates affecting such net rate of return, as of the effective date of such change. Lessee shall forthwith pay to such Owner the amount of any interest and penalty which may be assessed by the United States (or where applicable by any state or local taxing jurisdiction) against such Owner attributable to the Loss.

(b) Notwithstanding the provisions of § 16.3(a) hereof, there shall be no increase made in rentals nor any payment be required to be made by Lessee if such Owner shall have suffered such Loss with respect to all or part of such Unit as a result of the occurrence of any of the

following events ("Excluded Events"):

(i) a Casualty Occurrence with respect to such Unit, if Lessee shall have paid to Trustee the amounts stipulated under § 7 hereof; or

(ii) a voluntary transfer or other voluntary disposition by Trustee or such Owner or any transfer or disposition by Trustee or such Owner resulting from bankruptcy or other proceedings for relief of debtors in which such Owner is the debtor, whether voluntary or involuntary, of any interest in such Unit or the voluntary reduction by such Owner of its interest in the rentals from such Unit under this Lease (other than pursuant to the assignment of this Lease to Agent), unless, in each case, an Event of Default shall have occurred and be continuing; or

(iii) the failure of such Owner to claim in a timely and proper manner (including all appropriate elections) in its Federal income tax return its pro rata share of the Investment Credit, the ADR Deduction or the Interest Deduction; or

(iv) the failure of such Owner to have sufficient liability for Federal income tax against which to credit such Investment Credit or sufficient income to benefit from the ADR Deduction or the Interest Deduction, as applicable; or

(v) any amendments to the Code, IRS Regulations and tax rules enacted or promulgated and effective after the date on which Trustee becomes the owner of each Unit; or

(vi) the tax status of the trust purported to be created by the Trust Agreement; or

(vii) any participation in the residual value of any Unit at the expiration of the original term of this Lease by any party other than Owners; or

(viii) any determination that the net salvage value of any Unit is greater than 0%.

(c) Trustee or either Owner shall promptly, upon its knowledge thereof, give written notice to Lessee of any claim or proceeding in respect of which Lessee would be

required to make indemnification payments under the provisions of this § 16. Each Owner agrees that if, in the opinion of independent tax counsel selected by such Owner and approved by Lessee, such approval not to be unreasonably withheld ("Counsel"), a reasonable basis to contest the disallowance or recapture of all or a portion of the tax Benefits described above with respect to any Unit exists in respect of which Lessee would be required to make indemnification payments under the provisions of this § 16 to such Owner pursuant hereto, such Owner shall, upon written request and at the expense of Lessee, take all such legal or other appropriate action deemed reasonable by Counsel in order to contest such claim, and if such Owner fails to contest, Lessee will not be required to indemnify such Owner for the Loss of tax Benefits as set forth in § 16.3(a) hereof; provided, however. that such Owner shall not be obligated to take any such legal or other appropriate action unless Lessee shall first have indemnified such Owner for all expenses which may be entailed therein. If within 30 days after notice from Trustee or such Owner Lessee does not request that such Owner contest the disallowance or recapture of the tax Benefits or in the opinion of Counsel no reasonable basis to contest such matter exists, then Lessee will have no further right of contest.

(d) In the event Lessee requests that such Owner contest the disallowance or recapture of the tax Benefits and in the opinion of Counsel a reasonable basis to contest such matter exists, then such Owner shall either take such action to contest the disallowance or recapture prior to making payment of any tax and interest and/or penalty attributable to the disallowance or recapture with respect to such Owner of all or any portion of the tax Benefits with respect to any Unit or shall make such tax payment (the "Tax Payment") and thereafter seek a refund. If such Owner contests prior to making such Tax Payment, such indemnification payable hereunder need not be paid by Lessee while such action is pending. In such case, if the Final Determination (as hereinafter defined) shall be adverse to such Owner, the indemnification payable hereunder shall be computed by such Owner as of the date of such Final Determination and Lessee shall commence payment of indemnities on the date and in the manner and to the extent provided in § 16.3(a) hereof, and on or before such payment date, Lessee shall pay to such Owner as an additional payment hereunder an amount equal to all interest and penalty paid by such Owner in respect of such Final Determination together with an amount sufficient to

maintain such Owner's Net Return. If such Owner elects to make such Tax Payment prior to contesting the matter, such indemnification payable hereunder is to commence immediately in the manner and to the extent provided in § 16.3(a) hereof, and such payments by Lessee due on and after the date of such Tax Payment shall be calculated on a basis so as to maintain such Owner's Net Return, and on or before such Tax Payment is due, Lessee shall pay to such Owner as an additional payment hereunder an amount equal to all interest and penalty paid by such Owner included in such Tax Payment. If such Owner seeks a refund after making such Tax Payment and the Final Determination shall be in favor of such Owner, such Owner shall forthwith upon receipt of refund of amounts previously paid, pay to Lessee an amount consisting of the aggregate of the following: (1) the amount of the increase in rental payments which, under the Final Determination, would not have been payable by Lessee to such Owner pursuant to § 16.3(a) hereof; and (2) the amount of interest and/or penalty paid or repaid to such Owner by the taxing jurisdiction. In addition, the rentals for the Units shall, beginning with the next rental payment due, and after receipt by such Owner of such refund, be decreased to such amount or amounts as shall, in the reasonable opinion of such Owner, cause such Owner's Net Return to equal the net return that would have been realized by such Owner if additional income taxes of such Owner in the amount refunded had not been paid; provided, however, that such subsequent rentals shall not be reduced below the amounts required to satisfy the obligations of Trustee under the CSA. Lessee agrees to pay to such Owner on demand any reasonable expense incurred by Trustee in connection with such contest. For purposes of this § 16 "Final Determination" is defined as a final decision or opinion of a court of competent jurisdiction which, in the opinion of Counsel and after taking into consideration the liabilities created thereby, presents no reasonable basis on which to appeal.

(e) Lessee's and each Owner's agreements and obligations to pay any sums which may become payable pursuant to this § 16 shall survive the expiration or other termination of this Lease. For purposes of this § 16, the term "Owner" shall include any affiliated group, within the meaning of Section 1504 of the Code, of which such Owner is a member if consolidated returns are filed for such affiliated group for Federal income tax purposes.

(f) In the event the rental rates shall be

increased (or decreased) as hereinbefore provided, the Casualty Values set forth in § 7 hereof and the damages and amounts set forth in subparagraph (b) of § 10.1 hereof shall be adjusted accordingly; provided, however, that such Casualty Values shall not be reduced below the amounts required to satisfy the obligations of Trustee under the CSA.

(g) If any amendment to the Code, IRS Regulations or tax rules is enacted or promulgated and made effective with respect to any Unit prior to the time Trustee becomes the owner of such Unit, and such amendment causes a change in the tax benefits contemplated by Owners, then the rental rate specified in § 3 of this Lease (and the Casualty Value percentages set forth in Schedule 2 hereto) shall be increased or decreased as necessary so as to preserve each Owner's Net Return at the same level as if such tax benefits had not been changed; provided, however, such rental rate (and Casualty Value percentages) shall not be reduced below the amounts required to satisfy the obligations of Trustee under the CSA.

16.4. Alterations, Modifications and Improvements. (a) In the event and to the extent that either Owner is required to include in its gross income for Federal income tax purposes the value of any addition, modification or improvement to the Units made by Lessee, under and pursuant to the terms of this Lease or otherwise (all such additions, modifications or improvements described in this sentence being hereinafter called "Alterations"), Lessee shall pay to such Owner on each of the dates provided in this Lease for payment of the installments of rental hereunder commencing with the first such date following the date on which Lessee is required to furnish written notice of such inclusion to such Owner pursuant to the following paragraph such additional rentals which, after deduction of all taxes required to be paid by such Owner on the receipt thereof under the laws of the United States of America or any political subdivision thereof and after taking into account any present or future tax benefits that such Owner reasonably anticipates it will derive from its additional investment in the Equipment (including, without limitation, any available current deduction, current and future depreciation deductions and investment tax credit), when taken together with the amount of any rental installments due on such dates under this Lease (but with appropriate adjustment on any such date for any such rental installment which for any reason shall not in fact be paid by Lessee), will, in the reasonable opinion of such Owner, cause such Owner's Net Return to equal the Net Return

that would have been realized by such Owner if the value of any such Alteration had not been includible in such Owner's gross income. The Casualty Values payable with respect to the Units shall be adjusted in amounts calculated in a similar such manner by such Owner.

(b) Lessee agrees that, within 30 days after the close of any calendar year (or in the event Trustee or either Owner gives Lessee written notice that the taxable year of the entity created by the Trust Agreement closes on a date specified therein other than December 31, within 30 days after said date) in which Lessee has made Alterations which are includible in the gross income of either Owner for Federal income tax purposes under this § 16.4, Lessee will give written notice thereof to such Owner describing such Alterations in reasonable detail and specifying the value thereof with respect to the Units.

§ 17. INTEREST ON OVERDUE RENTALS

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of Lessee promptly to pay, to the extent legally enforceable, interest at a rate per annum (the "Penalty Rate") equal to the higher of (i) 12% or (ii) 3% above the rate of The Chase Manhattan Bank, National Association, in effect from time to time for prime commercial loans of 90-day maturities to its most substantial commercial customers 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.

§ 18. NOTICES

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

(a) if to Trustee, at 79 South Main Street (Suite 310), Salt Lake City, Utah 84111, Attention of Corporate Trust Department, with copies to (i) ITT Industrial Credit Company, 230 Hamm Building, St. Paul, Minnesota 55102, Attention of Vice President-Director of Leasing,

and (ii) Xyovest Inc., P. O. Box 40428, 130 Tri-County Parkway, Cincinnati, Ohio 45240, Attention of Russell W. Shryock, President; and

(b) if to Lessee, at 400 West Madison Street, Chicago, Illinois 60606, Attention of Assistant Vice President-Finance;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to Agent at 79 South Main Street (Suite 310), Salt Lake City, Utah 84111, Attention of Corporate Trust Department.

§ 19. MISCELLANEOUS

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

19.2. Effect and Modification of Lease. Except for the Participation Agreement and the Trust Agreement, this Lease exclusively and completely states the rights of Trustee and 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 Trustee and Lessee.

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

19.4. Trustee's Right To Perform For Lessee. If Lessee fails to perform or comply with any of its agreements contained herein, Trustee may, upon notice to Lessee, itself perform or comply with such agreement, and the amount of the

reasonable cost and expenses of Trustee incurred in connection with such performance or compliance, together with interest on such amount at the Penalty Rate (as defined in § 17 hereof) (or such lesser amount as may be legally enforceable) shall be payable by Lessee upon demand. No such performance or compliance by Trustee shall be deemed a waiver of the rights and remedies of Trustee against Lessee hereunder or be deemed to cure a default by Lessee hereunder.

§ 20. EXECUTION

This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to Agent pursuant to the assignment hereof to Agent 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.

§ 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.

§ 22. DEFINITIONS

Whenever the term "Trustee" is used in this Lease, it shall also include Owners and any assignees of Owners and, where the context so requires (including but not limited to certain of the provisions of § 6 and § 16 hereof), shall, except for purposes of any assignment of "Trustee's" rights under this Lease, refer only to Owners or such assignees of Owners.

All rights of Trustee hereunder (including, but not limited to, its rights under §§ 6, 7, 9, 10 and 16 and the right to receive the rentals payable under this Lease) shall inure to the benefit of each Owner and any such Owner's successors and assigns under the Trust Agreement and Trustee's assigns (including Agent).

§ 23. CONCERNING TRUSTEE

Each and all of the warranties, representations, undertakings and agreements herein made on the part of Trustee are made and intended not as personal representations, undertakings and agreements by the financial institution acting as Trustee, or for the purpose or with the intention of binding said financial institution personally, but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by said financial institution solely in the exercise of the powers expressly conferred upon said financial institution as trustee under the Trust Agreement, and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said financial institution, except for wilful misconduct or gross negligence, or against Owners under the Trust Agreement (except under the last paragraph of Section 5.01 thereof) or on account of any representation, undertaking or agreement herein of Trustee or Owners, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by Lessee and by all persons claiming by, through or under Lessee.

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

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,

[Corporate Seal]

Attest:

by

_____
Vice President

_____
Assistant Secretary

FIRST SECURITY STATE BANK, not in its individual capacity but solely as Trustee,

[Corporate Seal]

Attest:

by

_____
Authorized Officer

_____
Authorized Officer

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of July 1979, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this 24th day of July 1979, before me personally appeared Robert Clark , to me personally known, who, being by me duly sworn, says that he is an authorized officer of FIRST SECURITY STATE BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said bank, that said instrument was signed and sealed on behalf of said bank 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 bank.

Notary Public

[Notarial Seal]

My Commission expires
9-7-82

SCHEDULE 1 TO LEASE

Type	AAR Mechanical Designation	Builder's Specifications	Builder's Plant	Quantity	Lessee's Identification Numbers (Both Inclusive)	Estimated Unit Base Price	Estimated Total Base Price	Estimated Time and Place of Delivery
50'6" 70-ton box cars	XM	No. 3824, Lot. No. 1054	Bessemer, Alabama	300	CNW 163000-163299	$41,000	$12,300,000	July-August, 1979, at Bessemer, Alabama

SCHEDULE 2 TO LEASE

CASUALTY VALUES

Casualty Payment Dates		Percentage of Purchase Price*
Date	No.	
(Acceptance to Lease Commencement)	0	102.8409131
10/1979	1	102.8409131
4/1980	2	101.646257
10/1980	3	102.954753
4/1981	4	104.055015
10/1981	5	104.930163
4/1982	6	105.616488
10/1982	7	106.1072676
4/1983	8	99.912536
10/1983	9	100.008379
4/1984	10	99.932799
10/1984	11	99.6897606
4/1985	12	92.781040
10/1985	13	92.193667
4/1986	14	91.457398
10/1986	15	90.5874256
4/1987	16	83.077296
10/1987	17	81.925582
4/1988	18	80.676504
10/1988	19	79.412325
4/1989	20	78.057575
10/1989	21	76.624993
4/1990	22	74.297471
10/1990	23	71.899370
4/1991	24	69.425441
10/1991	25	66.906828
4/1992	26	64.331301
10/1992	27	61.726584
4/1993	28	59.075949
10/1993	29	56.401836
4/1994	30	53.685108

---

* As defined in Paragraph 4.1 of the CSA.

Casualty Payment Dates		Percentage of Purchase Price*
Date	No.	
10/1994	31	50.950888
4/1995	32	48.178360
10/1995	33	45.395638
4/1996	34	42.580084
10/1996	35	39.712838
4/1997	36	36.719157
10/1997	37	33.618681
4/1998	38	30.382289
10/1998	39	27.029816
4/1999	40	23.559178
10/1999	41	20.000000

* As defined in Paragraph 4.1 of the CSA.

ECONOMIC CASUALTY VALUE SCHEDULE

Payment Date	Percentage of Purchase Price*
4/1997	42.719157%
10/1997	39.618681%
4/1998	36.382289%
10/1998	33.029816%
4/1999	29.559178%
10/1999	26.000000%

* As defined in Paragraph 4.1 of the CSA.