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LETTER OF TRANSMITTAL

No. S-633A014

Date FEB 2 1979

RECORDATION NO. 10071A Filed 142 Fee \$ 50.00

I.C.C.
FEE OPERATION BY
Secretary of the Interstate
Commerce Commission

Constitution and 12th Street, N.W.
Washington, D.C. 20423

FEB 2 1979-1 40 PM ICC Washington, D. C.

INTERSTATE COMMERCE COMMISSION

RE: Equipment Lease by and between The Connecticut Bank and Trust Company, not in its individual capacity but solely as Trustee, and William M. Gibbons, Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company, dated as of November 15, 1978

Dear Sir:

Pursuant to Part 1116 of the regulations of the Interstate Commerce Commission, 49 CFR Part 1116, I hereby request that you record under 49 U.S.C. §11303 a certain Equipment Lease (the "Equipment Lease") dated as of November, 15, 1978, by and between The Connecticut Bank and Trust Company, not in its individual capacity but solely as Trustee, and William M. Gibbons, Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company (the "Lessee").

I am an officer of the Lessee and have knowledge of the matters set forth therein.

The parties to the instant transaction, and their addresses, are as follows:

LESSEE

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

LESSOR

The Connecticut Bank and Trust Company
One Constitution Plaza
Hartford, Connecticut 06115
Attention: Corporate Trust Department

The equipment covered by the Equipment Lease is 215 covered hopper cars. The A.A.R. mechanical designation of the equipment is "LO", and the car numbers are ROCK 801285 through ROCK 801499 both inclusive.

Enclosed herewith for filing purposes are the original and 2 executed counterparts of the Equipment Lease. The original should be returned to Mr. Donn Beloff of Schiff Hardin & Waite.

A \$50.00 check, payable to the Interstate Commerce Commission, also is enclosed to cover the required recordation fee.

Very truly yours,

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

By



O. L. Houts
General Solicitor

Dated: January 5, 1979

10071-A
RECORDATION No. _____ Filed 1425

FEB 2 1979 -1 40 PM

INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE

Dated as of November 15, 1978

BETWEEN

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but solely as Trustee

LESSOR

AND

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

LESSEE

(215 100-Ton Covered Hopper Cars)

[Filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. §11303 on December __, 1978, at _____, Recordation No. _____.]

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ATTACHMENTS TO EQUIPMENT LEASE:

Schedule A - Description of Items of Equipment

Schedule B - Certificate of Acceptance Under Equipment Lease

Schedule C - Schedule of Casualty Values

EQUIPMENT LEASE

THIS EQUIPMENT LEASE ("this Lease" or "Equipment Lease") dated as of November 15, 1978 between THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not individually but solely as trustee (the "Lessor") under a Trust Agreement dated as of November 15, 1978 (the "Trust Agreement") with HELEASCO SIX, INC., a Delaware corporation (the "Trustor"), and WILLIAM M. GIBBONS, TRUSTEE OF THE PROPERTY OF CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY, a Delaware corporation, as lessee (said William M. Gibbons, Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company, together with any additional successor Trustee or Trustees of such property, and upon assignment, transfer or succession to the interest therein by the reorganized debtor pursuant to Section 77 of the Federal Bankruptcy Act, such reorganized company and its successors and assigns, being hereinafter referred to as the "Lessee", and Chicago, Rock Island and Pacific Railroad Company in its individual corporate capacity being hereinafter sometimes referred to as "Rock Island Railroad");

R E C I T A L S:

A. On March 17, 1975, Rock Island Railroad filed a Petition for Reorganization under Section 77 of the Federal Bankruptcy Act in the United States District Court

for the Northern District of Illinois (the "Court"), such Petition was duly approved as properly filed by an order signed on said date by the Court (said Petition and any and all other proceedings with respect thereto filed with the Court being hereinafter called the "Reorganization Proceedings") and the Lessee was duly qualified as Trustee of the Property of Rock Island Railroad on April 4, 1975.

B. Pursuant to a Purchase Order Assignment dated as of November 15, 1978 (the "Purchase Order Assignment"), the Lessee has assigned to the Lessor its right to purchase the railroad equipment described in Schedule A attached hereto (collectively the "Equipment" and individually an "Item" or "Item of Equipment").

C. The Lessee and the Lessor intend to enter into a Participation Agreement dated as of November 15, 1978 (the "Participation Agreement") with the Trustor, Continental Illinois National Bank and Trust Company of Chicago, as security trustee (the "Security Trustee"), and The Prudential Insurance Company of America, Bankers Life Insurance Company of Nebraska, American Mutual Life Insurance Company, The State Auto and Casualty Company and Southern Life & Health Insurance Company (the "Note Purchasers") providing for (i) the commitment of the Trustor to fund on each Closing Date (as defined in the Participation Agreement) 30% of the Purchase Price (as defined in the Participation Agreement) of each Item of Equipment with a cash contribution

to the Trustee and (ii) the commitment of the Note Purchasers to purchase the 11% Notes of the Trustee (the "Notes") on each Closing Date specified therein to finance 70% of the Purchase Price of each Item of Equipment. It is contemplated that the Participation Agreement will provide that the Notes be secured by a grant of a security interest in the Lessor's right, title and interest in and to this Lease and in and to the Equipment pursuant to a Security Agreement-Trust Deed dated as of November 15, 1978 (the "Security Agreement") from the Lessor to the Security Trustee.

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT.

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

1.2. Delivery and Acceptance of Items. The Lessor shall authorize one or more employees of the Lessee, designated by the Lessee, as the authorized representative or representatives of the Lessor to accept delivery of the Items of Equipment pursuant to the Purchase Order Assignment. The Lessor will cause each Item of Equipment to be

tendered to such authorized representative or representatives at the place of delivery set forth in Schedule A hereto. Upon such tender the Lessee will cause such authorized representative or representatives to inspect each such Item of Equipment, and, if such Item of Equipment is found to be in good order, to accept delivery of such Item of Equipment on behalf of the Lessor and to execute and deliver to the Lessor and the manufacturer thereof (the "Manufacturer") a Certificate of Acceptance in the form attached hereto as Schedule B (the "Certificate of Acceptance") with respect to such Item of Equipment. Such acceptance of delivery by such authorized representative or representatives on behalf of the Lessor shall, without further act, irrevocably constitute acceptance by the Lessee of such Item of Equipment for all purposes of this Lease. The Lessee shall not accept on behalf of the Lessor and the Lessor shall have no obligation to lease to the Lessee (i) any Item of Equipment delivered after the Outside Delivery Date therefor set forth in Schedule A hereto, (ii) any Item of Equipment the Purchase Price (as defined in the Participation Agreement) of which exceeds \$37,000 or (iii) any Item of Equipment with respect to which the payment therefor by the Lessor would cause the Purchase Price for such Item and all Items of Equipment previously delivered to and accepted on behalf of the Lessor to exceed \$7,955,000. The

Lessee shall remain responsible for and shall be liable to the Lessor for any Item accepted by such inspector which is not actually in good order and in conformance with Section 1.3 hereof and the other requirements of this Lease relating to the condition or use of such Item.

1.3. Lessee's Satisfaction with Equipment; Conformance with Specifications and Requirements. The Lessee's execution and delivery of a Certificate of Acceptance with respect to each Item of Equipment pursuant to Section 1.2 hereof shall conclusively establish that such Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Item of Equipment is in good order and condition and appears to conform to the specifications applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, if any, and to all standards required or recommended by the Association of American Railroads applicable to new railroad equipment qualified for interchange of the character of the Equipment as of the date of this Lease. By execution and delivery of such Certificate of Acceptance, the Lessee represents that it has no knowledge of any such defect.

SECTION 2. RENTALS AND PAYMENTS DATES.

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

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

2.2. Rentals for Equipment. With respect to each Item of Equipment subject to this Lease, the Lessee agrees to pay the Lessor, (i) an amount per day (the "Interim Rental") equal to 0.030556% of the Purchase Price

(as defined in the Participation Agreement) of the Item for the period, if any, from and including the Closing Date (as defined in the Participation Agreement) for such Item to, but not including March 14, 1979 (the "Term Lease Commencement Date"), and (ii) 60 consecutive quarterly installments of rental (the "Fixed Rental"), each in an amount equal to 2.6034% of the Purchase Price thereof; provided, however, that in the event the Court shall enter an Early Termination Order (as hereinafter defined), the obligation of the Lessee to pay rentals as aforesaid shall be modified so that the Lessee shall pay to the Lessor for each Item of Equipment an amount per day equal to 0.028530% of the Purchase Price thereof for the period from and including the rent payment date next preceding the effective date of the Early Termination Order (or such effective date if the same shall occur on a rent payment date) to, but not including, the Early Termination Date (as hereinafter defined) for such Item, said amount to be payable on the first day of the calendar month next following the Early Termination Date for such Item. Interim Rental for each Item of Equipment shall be due and payable on the Term Lease Commencement Date. The first installment of Fixed Rental for each Item of Equipment shall be due and payable three months thereafter and the balance of the Fixed Rental installments shall be paid in consecutive three month intervals there-

after. If any of the rental payment dates is not a business day, the rental payment otherwise payable on such date shall be payable on the next succeeding business day. For purposes of this Lease, the term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in the State of Illinois are authorized or required to close.

2.3. Place of Rent Payment. The Lessor irrevocably instructs the Lessee to make, and the Lessee agrees to make, all the payments (other than payments under Sections 6, 10.2 and 11.1 hereof) due the Lessor provided for in this Lease, including but not limited to all payments provided for in Sections 2.2 and 11 hereof, (i) for so long as the Security Agreement shall remain in effect, to the Security Trustee, for the account of the Note Purchasers, in immediately available funds at or prior to 10:00 a.m., Chicago time, at the office of the Security Trustee, 231 South LaSalle Street, Chicago, Illinois 60693, Attention: Corporate Trust Department, on the date due, and (ii) if the Security Agreement shall no longer be in effect, to the Lessor or as directed by the Lessor in immediately available funds at such place as the Lessor shall specify in writing.

SECTION 3. TERM OF THE LEASE.

The term of this Lease as to each Item of Equipment shall begin on the date of the delivery to and acceptance by the Lessee of such Item of Equipment and, subject to the provisions of Sections 11, 14 and 18 hereof, shall terminate as to such Item of Equipment upon the earlier of (a) the date occurring 15 years following the Term Lease Commencement Date provided for in Section 2.2 hereof, or (b) in the event the Court orders the termination of this Lease as to all Items of Equipment then leased hereunder in connection with the discontinuance of substantially all service or the liquidation of the assets of the Rock Island Railroad, or both (the "Early Termination Order"), the date of return (the "Early Termination Date") of such Item of Equipment by the Lessee in the manner contemplated by Section 13.2 hereof. Upon the return of an Item of Equipment to the Lessor pursuant to said Section 13.2, the obligation of the Lessee to pay rentals in respect of such Item accruing subsequent to the Early Termination Date shall terminate and the Lessor shall have no claim against the Lessee or the estate of the Rock Island Railroad for such unaccrued rental; provided that the Lessee shall thereafter continue to be liable in respect of any obligation which accrues hereunder prior to such termination until payment or performance of such obligation in full and the Lessee shall in

any event remain liable for each of its obligations under Section 13.2 hereof for the period provided therein; and provided, further, that no Reorganized Company (as defined in Section 14.1 hereof) which at any time may become the successor lessee hereunder may exercise any right to terminate this Lease pursuant to clause (b) above.

SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.

4.1. Retention of Title. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title to the Equipment notwithstanding the delivery thereof to and possession and use thereof by the Lessee. Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Items of Equipment are subject to the rights of the Security Trustee under the Security Agreement. If an event of default should occur as provided in Section 14 hereof, the Security Trustee may terminate this Lease.

4.2. Duty to Number and Mark Equipment.

(a) The Lessee will cause each Item of Equipment to be kept numbered with the identifying number set forth in Schedule A hereto and will keep and maintain or cause to be kept or maintained, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment

in letters not less than one inch in height, the words as follows:

"Owned by a Bank or Trust Company
and Subject to a Security Interest
Recorded with the I.C.C.",

with appropriate changes thereof and additions thereto as from time to time may be required in law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 16 hereof, including but not limited to the Security Trustee. The Lessee will not place or permit any such Item of Equipment to be placed in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace or cause to be replaced promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the identifying number of any Item of Equipment unless (i) a statement of new number or numbers to be substituted therefor, shall have been delivered to the Lessor, the Trustor, the Security Trustee and the Note Purchasers by the Lessee and duly filed, recorded or deposited in all public offices where this Lease and the Security Agreement shall have been filed, recorded or deposited, and (ii) the Lessee shall have furnished the Lessor, the Trustor, the Security Trustee and the Note Purchasers an opinion of counsel to the effect that such state-

ment has been so filed, recorded and deposited; such filing, recordation and deposit will protect the Lessor's and the Security Trustee's interests in such Items; and no filing, recording, deposit or giving of notice with or to any other federal, state or local government or agency thereof is necessary to protect the interests of the Lessor and the Security Trustee in such Items.

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

SECTION 5. DISCLAIMER OF WARRANTIES.

THE LESSOR LEASES THE EQUIPMENT, AS-IS, IN WHATEVER CONDITION IT MAY BE, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, BY EITHER THE LESSOR OR THE TRUSTOR, EACH EXPRESSLY DISCLAIMING ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY

OF ANY ITEM OR ITEMS OF EQUIPMENT, THE TITLE THERETO, OR THE LESSOR'S INTEREST THEREIN, THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR, THE TRUSTOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have against the Manufacturer, provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense (subject to an Early Termination Order pursuant to Section 3(b) hereof), such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Item of Equipment or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance

of any Item of Equipment or risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Item of Equipment.

SECTION 6. LESSEE'S INDEMNITY.

(a) The Lessee shall protect, indemnify and hold the Lessor (in both the individual and fiduciary capacities), the Trustor, the Security Trustee and the Note Purchasers, and their respective successors, assigns, agents and servants (hereinafter referred to as "Indemnified Persons") as third party beneficiaries hereof, harmless from and against any and all causes of action, suits, penalties, claims, demands or judgments, of any nature whatsoever which may be imposed on, incurred by or asserted against any Indemnified Person (including without limitation attorneys' fees and expenses) in any way relating to or arising or alleged to arise out of this Lease or the Items of Equipment, including without limitation those in any way relating to or arising or alleged to arise out of (i) the manufacture, construction, purchase, acceptance, rejection, ownership, delivery, non-delivery, lease, sublease, possession, use, operation, condition, sale, return or other disposition of any Item of Equipment; (ii) any latent or other defects whether or not discoverable

by any Indemnified Person or the Lessee; (iii) any claim for patent, trademark or copyright infringement; (iv) any claims based on strict liability in tort or imposed by statute; (v) any injury to or the death of any person or any damage to or loss of property on or near the Items of Equipment or in any manner growing out of or concerned with or alleged to grow out of or be connected with, the ownership, use, leasing, replacement, adaptation or maintenance of the Items or of any other Equipment in connection with the Items (whether owned or under the control of the Lessor, the Lessee or any other person) or resulting or alleged to result from the condition of any thereof; (vi) any violation, or alleged violation, of any provision of this Lease or of any agreement, law, rule, regulation, ordinance or restriction, affecting or applicable to the Items or the leasing, subleasing, ownership, use, replacement, adaptation or maintenance thereof; (vii) any claim arising out of any of the Lessor's obligations under the Purchase Order Assignment, the Security Agreement, the Remarketing Agreement or the Participation Agreement, except to the extent such claim arises from the gross negligence or willful misconduct of the Lessor; or (viii) any claim arising out of the Security Trustee's holding a security interest under the Security Agreement.

(b) All payments under this Section 6 shall be made directly to the Indemnified Person. The Lessee shall

be obligated under this Section 6, irrespective of whether any Indemnified Person shall also be indemnified with respect to the same matter under any other agreement by any other person, and the Indemnified Person seeking to enforce the indemnification may proceed directly against the Lessee under this Section 6 without first resorting to any such other rights of indemnification. In case any action, suit or proceeding is brought against any Indemnified Person in connection with any claim indemnified against hereunder, the Lessee may and, upon such Indemnified Person's request, will, unless the Lessee elects to satisfy such claim, at the Lessee's expense resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Lessee and approved by such Indemnified Person, as the case may be, and, in the event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including without limitation attorneys' fees and expenses) incurred by such Indemnified Person in connection with such action, suit or proceeding. In the event the Lessee is required to make any payment under this Section 6, the Lessee shall pay or cause to be paid to such Indemnified Person an amount which, after deduction of all taxes required to be paid by such Indemnified Person in respect of their receipt thereof under the laws of the United States or of any political subdivision thereof, shall

be equal to the amount of such payment. Upon the payment in full of, or the making of provision satisfactory to the Indemnified Person for the full payment of, any indemnities as contained in this Section 6 by the Lessee, and provided that 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, the Lessee shall be subrogated to any right of such Indemnified Person in respect of the matter against which indemnity has been given. Any payments received by such Indemnified Person from any person (except the Lessee) as a result of any matter with respect to which such Indemnified Person has been indemnified by the Lessee pursuant to this Section 6 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made in respect of such matter.

(c) The indemnities contained in this Section 6 shall survive the expiration or termination of this Lease with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by any Indemnified Person. None of the indemnities in this Section 6 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee or the Lessor therefor, from or

under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise. The indemnity set forth in this Section 6 shall apply without regard to any negligence on the part of the Lessor, the Trustor, the Security Trustee or the Note Purchasers. It is understood that the indemnities and assumptions of liability set forth in this Section 6 do not guarantee a residual value on the Equipment, nor do they guarantee the payment of the Notes or any interest accrued thereon.

SECTION 7. RULES, LAWS AND REGULATIONS; ALTERATIONS

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including, without limitations, the rules of the United States Department of Transportation, the Interstate Commerce Commission and the current Interchange Rules or supplements thereto of the Mechanical Division, Association of American Railroads as the same may be in effect from time to time) with respect to the use, operation and maintenance of each Item of Equipment subject to this Lease. In case any equipment or appliance is required to be altered, added, replaced or modified on any Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such alterations, additions, replacements or modifications at its own expense and title thereto shall be imme-

diately vested in the Lessor. The Lessee agrees that, within 30 days after the close of any calendar quarter in which the Lessee had made any alteration, replacement, addition or modification to any Item of Equipment pursuant to this Section 7 (the "Alterations"), the Lessee will give written notice thereof to the Lessor and the Security Trustee describing, in reasonable detail, the Alterations and specifying the cost thereof with respect to each Item of Equipment and the date or dates when made.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, qualified for use in interchange. The Lessee hereby acknowledges that the Equipment is intended to be used primarily in grain service, but Lessee expressly reserves the right to carry other materials from time to time, provided that such other materials are chemically inert and non-corrosive with respect to the internal and external structure of the Equipment and will not by contamination render the Equipment unsuitable for grain service. Except as required by the provisions of Section 7 hereof,

the Lessee shall not modify any Item of Equipment without the prior written consent of the Lessor and any assignee pursuant to Section 16 hereof, which consent shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Item of Equipment pursuant to its obligation to maintain and keep the Equipment in good order, condition and repair under this Section 8 shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor without cost or expense to the Lessor. The Lessee shall make no other additions or improvements to any Item of Equipment unless the same are readily removable without causing material damage to such Item of Equipment. Title to any such readily removable additions or improvements shall remain with the Lessee. If the Lessee shall at its cost cause such readily removable additions or improvements to be made to any Item of Equipment, the Lessee agrees that it will, prior to the return of such Item of Equipment to the Lessor hereunder, remove the same at its own expense without causing material damage to such Item of Equipment.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee covenants and agrees that it will pay and discharge, or cause to be paid and discharged, or make adequate provision for the satisfaction or discharge of,

any debt, tax, charge, assessment, obligation or claim which if unpaid might become a lien, charge, security interest or other encumbrance upon or against any Item of Equipment; but this Section 9 shall not require the payment of any such debt, tax, charge, assessment, obligation or claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings, provided that such contest will not materially endanger the rights or interests of the Lessor or of the Security Trustee and the Lessee shall have furnished the Lessor and the Security Trustee with an opinion of counsel to such effect. If the Lessee does not forthwith pay and discharge, or cause to be paid and discharged, or make adequate provisions for the satisfaction or discharge of, any such debt, tax, charge, assessment, obligation or claim as required by this Section 9, the Lessor or the Security Trustee may, but shall not be obligated to, pay and discharge the same and any amount so paid shall be secured by and under this Lease and the Security Agreement until reimbursed by the Lessee.

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

10.1. Filing. The Lessee will, promptly after the execution and delivery of this Lease and the Security Agreement, and each supplement or amendment hereto or thereto, respectively, cause the same to be duly filed, recorded

or deposited with the Interstate Commerce Commission in accordance with 49 U.S.C. §11303 and with the Registrar General of Canada (with notice of such deposit to be published in The Canada Gazette in accordance with Section 86 of the Railway Act of Canada), and in such other places within or without the United States as the Lessor, the Security Trustee or any Note Purchaser shall request, and the Lessee will furnish the Lessor, the Security Trustee, and the Note Purchasers with proof of any such filing. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, reregister or rerecord whenever required) any and all further instruments required by law or requested by the Lessor, the Security Trustee or any Note Purchaser, for the purpose of protecting the Lessor's title to, or the Security Trustee's security interest in, or the Lessor's leasehold estate in, any Item of Equipment to the satisfaction of the Lessor's, such Note Purchaser's or the Security Trustee's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor, such Note Purchaser and the Security Trustee proof of such filings and an opinion of the Lessee's counsel as is required by Section 2.5 of the Security Agreement. The Lessee will pay all costs, charges and expenses incident to any such filing, refiling,

recording and rerecording or depositing and redepositing of any such instruments or incident to the taking of such action.

10.2. Payment of State and Local Taxes. (a)

All payments to be made by the Lessee hereunder will be free of expense to the Lessor (in both its individual and fiduciary capacities), any assignee thereof pursuant to Section 16 hereof (including, without limitation, the Security Trustee and the Note Purchasers) and the Trustor (the "Indemnitees") of collection or other charges and will be free of expense to the Indemnitees with respect to the amount of any local, state, Federal or foreign taxes (other than any United States Federal income tax [and, to the extent that any respective Indemnatee receives credit therefor against its United States Federal income tax liability, any foreign income tax of such Indemnatee] payable by any respective Indemnatee in consequence of the receipt of payments provided herein and other than the aggregate of all net income or franchise taxes measured by net income based on such receipts, up to the amount of any such taxes which would be payable to the state and city in which such Indemnatee has its principal place of business without apportionment to any other state, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or

reimburse as herein provided), assessments or license fees and any charges, fines or penalties in connection therewith (hereinafter called "Impositions") hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Security Agreement, all of which Impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all Impositions which may be imposed upon any Item of Equipment or for the use or operation thereof or upon the earnings arising therefrom or upon any Indemnitee solely by reason of its interest with respect thereto and will keep at all times all and every part of such Item of Equipment free and clear of all Impositions which might in any way affect the interest of any Indemnitee therein or result in a lien upon any such Item of Equipment. The Lessee shall have the right to contest the validity of any Imposition upon giving the Indemnitees 20 days' notice of its intention to contest the same and making and thereafter maintaining with the Lessor a deposit of cash or government securities in an amount sufficient, in the reasonable opinion of the Indemnitees, to pay or discharge or to assure compliance with the matter under contest in the event of a final determination thereof adverse to the Lessee or in the event the

Lessee fails to prosecute such contest as herein required. The Lessee agrees to prosecute any such contest diligently and by appropriate legal proceedings which will prevent the enforcement of the matter under contest. On final disposition of such contest, any cash or securities in the Lessor's hands not required to pay, discharge or assure compliance with the matter contested shall be returned promptly by the Lessor to the Lessee. If any Impositions shall have been charged or levied against any Indemnitee directly and paid by such Indemnitee after such Indemnitee shall have given written notice thereof to the Lessee, the Lessee shall reimburse such Indemnitee within ten business days after such notice. Prior to making such payment, such Indemnitee shall promptly notify the Lessee of the Impositions charged or levied, and the Lessee shall have the opportunity to contest such Impositions, at its sole expense, in accordance with the terms of this Section.

(b) In the event any reports with respect to Impositions are required to be made on the basis of individual Items of Equipment, the Lessee will either prepare and file such reports in such manner as to show as required the interests of each Indemnitee in such Items of Equipment or, if it shall not be permitted to file the same, it will notify each Indemnitee of such reporting requirements, prepare such reports in such manner as shall be satisfactory to

each Indemnitee and deliver the same to each Indemnitee within a reasonable period prior to the date the same is to be filed.

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

SECTION 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE.

11.1 Insurance. (a) The Lessee agrees that it will at all times during the term of this Lease and during any return and storage period hereunder and at its own cost and expense keep each Item of Equipment insured against loss by fire, windstorm and explosion and with extended coverage and against such other risks as are customarily insured against by railroad companies on similar equipment owned by them at not less than the full insurable value (actual replacement value less actual physical depreciation) thereof and in any event not less than the Casualty Value (as defined below) of such Item of Equipment as of the next

following date of payment of said Casualty Value and will maintain general public liability insurance with respect to the Equipment against damage because of bodily injury, including death, or damage to property of others, such insurance to afford protection to the limit of not less than \$29,000,000 in the aggregate in any single occurrence. Any such property insurance may have deductible provisions to no greater extent than \$1,000,000 in the aggregate in any single occurrence, and any public liability insurance may have deductible provisions to no greater extent than \$2,000,000 in the aggregate in any single occurrence. All such insurance shall cover the interest of the Lessor, the Lessee, the Trustor and the Security Trustee in the Equipment or, as the case may be, shall protect the Lessor, the Lessee, the Trustor and the Security Trustee in respective risks arising out of the condition, maintenance, use, ownership, leasing and operation of the Equipment and shall provide that losses, if any, in respect to the Equipment shall be payable to the Lessee, the Lessor and the Trustor as their respective interests may appear; provided, however, that upon receipt by the Lessee of notice of the assignment of this Lease and the rents and other sums payable hereunder pursuant to Section 16 hereof the Lessee shall cause such insurance on the Equipment to provide that the losses, if any, shall be payable to the Security Trustee under a standard

mortgagee loss payable clause satisfactory to the Lessor, the Lessee, the Trustor, the Note Purchasers and the Security Trustee. All policies of insurance maintained pursuant to this Section shall provide that 30 days' prior written notice of cancellation shall be given to the Security Trustee, the Trustor, the Note Purchasers and the Lessor and that such insurance as to the interest of the Lessor, the Trustor or the Security Trustee therein shall not be invalidated by any act or neglect of the Trustor, the Lessor or the Lessee or by any foreclosure or other remedial proceedings or notices thereof relating to the Equipment or any interest therein nor by any change in the title or ownership of the Equipment or any interest therein or with respect thereto or by the use or operation of the Equipment for purposes more hazardous than is permitted by such policy. No such policy shall require co-insurance. The Lessee shall be deemed to have complied with the requirement to maintain property insurance as above set forth if it shall maintain a blanket policy covering all of the Items of Equipment then subject to this Lease for an aggregate amount of not less than \$10,000,000 per occurrence with deductible provisions to no greater extent than \$1,000,000 in the aggregate in any single occurrence, which policy may also insure all other rolling stock of the Lessee, so long as such blanket policy shall otherwise comply with the provi-

sions of this Section 11.1. The loss, if any, shall be adjusted only with the approval of the Lessee, the Lessor, the Trustor, the Note Purchasers and the Security Trustee. All such policies shall provide that the loss, if any, thereunder shall be adjusted and paid as provided in this Lease. The Lessee shall further furnish the Lessor, the Trustor, the Note Purchasers and the Security Trustee with certificates or other satisfactory evidence of maintenance of the insurance required hereunder and with respect to any renewal policy or policies shall furnish certificates evidencing such renewal prior to the expiration date of the original policy or policies. All insurance provided for in this Section shall be effective with insurance companies approved by the Lessor, the Trustor, the Note Purchasers and the Security Trustee, which approval shall not be unreasonably withheld.

(b) The proceeds of any property insurance received by the Lessor, the Trustor or the Security Trustee will be paid to the Lessee either (i) upon a written application signed by the Lessee for payment of, or to reimburse the Lessee for payment of, the costs of repairing or restoring the Item of Equipment which has been lost, damaged or destroyed (which application shall be accompanied by satisfactory evidence of such cost and the completion of such repair, restoration or replacement) or (ii) if this Lease

is terminated with respect to such Item of Equipment because of the destruction thereof promptly upon payment by the Lessee of the Casualty Value; provided that, if the Lessee is at the time of the application in default in the payment of any other liability of the Lessee to the Lessor hereunder, such proceeds may be applied against such liability.

11.2. Payment for Casualty Occurrences. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, irreparably damaged, condemned, seized or permanently rendered unfit for use from any cause whatsoever during the term of this Lease or thereafter while such Item of Equipment is in the possession of the Lessee pursuant to Section 13 or Section 15 hereof, or title or use thereof shall be requisitioned by any governmental authority under the power of eminent domain or otherwise during the term of this Lease for a stated period which exceeds the then remaining term of this Lease (such occurrences being hereinafter referred to as "Casualty Occurrences"), the Lessee shall promptly and fully notify or cause to be notified (after the Lessee has knowledge of such Casualty Occurrence) the Lessor and the Security Trustee with respect thereto. On the rental payment date next succeeding the delivery of such notice (or, in the event such rental payment date will occur within 15 days after delivery of notice, on the following rental payment date, or in the event the term

of this Lease has already expired or will expire within 15 days after delivery of such notice, on a date within 15 days of such delivery), the Lessee shall pay or cause to be paid to the Lessor an amount equal to the rental payment or payments in respect of such Item due and payable on such date plus a sum equal to the Casualty Value of such Item as of such payment date. Upon the making of such payment by or on behalf of the Lessee in respect of any Item, the rental for such Item shall cease to accrue as of the date of such payment, the term of this Lease as to such Item shall terminate and (except in the case of the loss, theft or complete destruction of such Item) the Lessor shall be entitled to recover possession of such Item. If the date upon which the making or causing to be made of such payment by the Lessee in respect of any Item as required as aforesaid shall be after the term of this Lease in respect of such Item has expired, no rental for such Item shall accrue after the end of such term but the Lessee, in addition to paying the Casualty Value for such Item, shall pay or cause to be paid interest thereon from the end of such term to the date of such payment at the prime rate of interest which Continental Illinois National Bank and Trust Company of Chicago charges on the date of such payment for 90 day unsecured loans to large corporate borrowers of the highest credit standing.

11.3. Casualty Value. Except as provided in Section 13.2 hereof, the Casualty Value of each Item of Equipment shall be an amount determined as of the date the Casualty Value is paid as provided in this Section 11 (and not the date of the Casualty Occurrence) equal to that percentage of the Purchase Price (as defined in the Participation Agreement) of such Item of Equipment set forth in the Schedule of Casualty Values attached hereto as Schedule C opposite such date of payment. The aforesaid percentages have been computed without regard to recapture of the Investment Credit provided for in Section 38 and related sections of the Internal Revenue Code. Consequently, the Casualty Value of any unit suffering a Casualty Occurrence during the period preceding the third, fifth or seventh anniversary of the date of delivery in acceptance of such item shall be increased by the applicable percentage of the Purchase Price set forth in Annex 1 of Schedule C hereto and such additional amounts, if any, shall be included within the meaning of the term "Casualty Value" as used herein.

11.4. Disposition of Equipment. The Lessee shall, as agent for the Lessor, dispose of such Item or Items of Equipment having suffered a Casualty Occurrence not involving a requisition of title as soon as it is able to do so for the fair market value thereof. Any such disposition shall be on an "as-is", "where-is" basis without representation

or warranty, express or implied. As to each separate Item of Equipment so disposed of, the Lessee may, so long as no Event of Default shall have occurred and be continuing hereunder, retain all amounts arising from such disposition plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence plus any requisition or condemnation or awards up to the Casualty Value attributable thereto and actually paid by the Lessee as herein provided and shall remit the excess, if any, to the Lessor. In disposing of such Item of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item of Equipment.

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

incident to ownership have been transferred to the purchaser of such Item or the salvage thereof.

11.6. Eminent Domain. In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the term of this Lease, the Lessee's obligation to pay all installments of rental and other sums shall continue for the duration of such requisitioning or taking, but not beyond the expiration of the term of this Lease or any extension thereof. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession, provided no Event of Default shall have occurred and be continuing. If at the end of the then current term of this Lease any Item of Equipment is then held by any governmental authority under the power of eminent domain or otherwise and this Lease shall not then be renewed pursuant to Section 18 hereof, from and after such date the Lessor shall be entitled to receive and retain all sums payable by such governmental authority as compensation for requisition or taking of possession.

SECTION 12. ANNUAL REPORTS.

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

12.2. Lessor's Inspection Rights. The Lessor, any assignee thereof pursuant to Section 16 hereof (including, without limitation, the Security Trustee) the Note

Purchasers and the Trustor each shall have the right, at their respective sole cost and expense, by their respective authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, all at such reasonable times and as often as said parties may reasonably request.

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

13.1. Return upon Expiration of Term. (a) Upon the expiration of the term of this Lease with respect to any Item of Equipment, the Lessee will, at its own cost and expense, deliver possession of such Item of Equipment to the Lessor upon such storage tracks of the Lessee as the Lessor may designate, or in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Item of Equipment on such tracks for a period not exceeding 90 days from the date at which at least 90% of such Items are first placed in storage pursuant to this Section 13.1, and transport the same at any time within such 90-day period to any reasonable place on any railroad lines operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee. All movement and storage of each such Item is to be at the risk and expense of the Lessee, and in the event any Item of Equipment

shall suffer a Casualty Occurrence during any such period of movement and storage the Lessee shall pay the Lessor the Casualty Value therefor. During any such period of movement and storage the Lessee will continue to maintain the insurance coverage required pursuant to Section 11.1 hereof. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence.

(b) Each Item of Equipment returned to the Lessor pursuant to this Section 13.1 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and qualified for use in interchange, (ii) have attached or affixed thereto any part, addition or improvement title to which is vested in the Lessor pursuant to Section 7 or Section 8 hereof and have removed therefrom, at the expense of the Lessee, any readily removable addition or improvement title to which is vested in the Lessee pursuant to Section 8

hereof, (iii) meet the applicable standards then in effect for such Item of Equipment under all governmental laws, regulations, requirements and rules (including, without limitation, rules of the United States Department of Transportation, the Interstate Commerce Commission and interchange rules or supplements thereto of the Association of American Railroads), and (iv) be in condition suitable for further use in grain service. The Lessee shall certify that each Item of Equipment, when returned to the Lessor, is usable in grain service; in the event any such Item is not so usable, Lessee shall, at its own cost and expense, repair, rehabilitate, recondition or perform such other similar work on the Item so as to render such Item usable, in the reasonable opinion of Lessor, in grain service.

(c) Until the earlier of (i) the date on which an Item of Equipment is assembled, delivered and stored as hereinabove provided or (ii) the 30th day after the date of the expiration of the term of this Lease or the Early Termination Date, the Lessee shall pay the Lessor an amount per day equal to 0.028530% of the Purchase Price of each such Item. If any such Item of Equipment is not assembled, delivered and stored as hereinabove provided within 30 days after the date of the expiration of the term of this Lease or the Early Termination Date, the Lessee shall, in addition, pay the Lessor the greater of an amount equal to (i)

0.034236% of the Purchase Price of such Item from said 30th day to the date of its assembly, delivery or storage as hereinabove provided or (ii) all rental, per diem or other similar charges for the Equipment received therefor until such date of assembly, delivery and storage.

13.2. Return in Connection with Early Termination. (a) In the event the Court shall enter an Early Termination Order, the Lessee will, at its own cost and expense, deliver possession of each Item of Equipment to the Lessor upon such storage tracks of the Lessee as the Lessor may designate, or in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Item of Equipment on such tracks for a period not exceeding 90 days from the date at which at least 90% of such Items are first placed in storage pursuant to this Section 13.2, and transport the same at any time within such 90-day period to any reasonable place on any railroad lines operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee. All movement and storage of each such Item is to be at the risk and expense of the Lessee. During any such period of movement and storage the Lessee will continue to maintain the insurance coverage required pursuant to Section 11.1 hereof. During any such storage period the Lessee will permit the Lessor or any person desig-

nated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence.

(b) Each Item of Equipment returned to the Lessor pursuant to this Section 13.2 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and qualified for use in interchange, (ii) have attached or affixed thereto any part, addition or improvement title to which is vested in the Lessor pursuant to Section 7 or Section 8 hereof and have removed therefrom, at the expense of the Lessee, any readily removable addition or improvement title to which is vested in the Lessee pursuant to Section 8 hereof, (iii) meet the applicable standards then in effect for such Item of Equipment under all governmental laws, regulations, requirements and rules (including, without limitation, rules of the United States Department of Transportation, the Interstate Commerce Commission and interchange rules or supplements thereto of the Association of American Railroads), and (iv) be in condition suitable for

further use in grain service. The Lessee shall certify that each Item of Equipment, when returned to the Lessor, is usable in grain service; in the event any such Item is not so usable, Lessee shall, at its own cost and expense, repair, rehabilitate, recondition or perform such other similar work on the Item so as to render such Item usable, in the reasonable opinion of Lessor, in grain service.

(c) In the event any Item of Equipment shall suffer a Casualty Occurrence while being returned or stored pursuant to this Section 13.2, the Lessee shall pay to the Lessor, on the payment date hereinafter provided, the sum of (i) an amount equal to 0.028530% of the Purchase Price for such Item of Equipment for the period from and including the rent payment date next preceding the effective date of the Early Termination Order to but not including the date of such payment, and (ii) the Casualty Value of such Item of Equipment as of the rent payment date next preceding the effective date of the Early Termination Order. Such amounts shall be payable on the first day of the calendar month next following the Lessee's knowledge of such Casualty Occurrence.

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

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

SECTION 14. DEFAULT.

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

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

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

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

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

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

(f) any term or provision of this Lease is revised, modified, amended, terminated or superseded in any respect in connection with the Reorganization Proceedings or, in the event any plan of reorganization is adopted in connection with the Reorganization Proceedings, said plan shall fail to provide for the payment of the Lessee's obligations hereunder as an expense of administration or shall afford any other equipment obligation, whether entered into prior to the commencement of the Reorganization Proceedings or during the pendency thereof, any priority in right of payment or otherwise over the Lessee's obligations under this Lease and the rights of the Lessor or any assignee thereof pursuant to Section 16 hereof (including, without limitation, the Security Trustee) except as to the right of termination expressed in Section 3 hereof;

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

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

comparable to obligations incurred by such trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier;

(i) any of the Lessee's obligations hereunder shall not be accorded first priority for expenses of administration in the Reorganization Proceedings or the order of the Court entered in the Reorganization Proceedings authorizing the execution and delivery of this Lease shall otherwise not be effected in accordance with its terms or be revised, modified, amended, terminated or superseded in any respect (other than a termination of this Lease pursuant to the Early Termination Order) which would involve the possibility of materially and adversely affecting the rights, powers, privileges or remedies of the Lessor or any assignee thereof pursuant to Section 16 hereof (including, without limitation, the Security Trustee) under this Lease;

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

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

The term "Reorganized Company" as used in this Lease shall mean any corporation and its successors and assigns, including, without limitation, Rock Island Railroad, which holds, acquires or otherwise succeeds to all or substantially all of the property and business of Rock Island Railroad upon

adoption of a plan of reorganization with respect to Rock Island Railroad and the termination of the Reorganization Proceedings.

14.2. Remedies. If any Event of Default has occurred and is continuing, the Lessor or, in the event this Lease shall be assigned to an assignee pursuant to Section 16 hereof, such assignee, (including, without limitation, the Security Trustee) at its option, may:

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

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor or such assignee, as the case may be, may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of the Items of Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use such Items for any purpose whatever, but the Lessor, or such assignee, as the case may be, shall nevertheless have a right to recover from the Lessee any and all amounts which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, whichever of the following

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

For purposes of Section 14.2 above, the Fair Rental Value for any Item of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease. If the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value of such Item of Equipment, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term "Appraiser" shall mean two independent appraisers, one chosen by the Lessor and one chosen by the Lessee, or if such appraisers cannot agree on the amount of such value, determined on the basis of an appraisal made by a third appraiser chosen by the American Arbitration Association. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both the Lessor and the Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee. The Fair Market Value for any Item of Equipment shall be determined in a similar manner with appropriate adjustments for sale rather than rental, with any appraisal expenses to be borne

by the Lessee; provided that any sale in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Market Value of such Item and any rental in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Rental Value of such Item.

14.3. Cumulative Remedies. The remedies in this Lease provided in favor of the Lessor or any assignee pursuant to Section 16 hereof, as the case may be (including, without limitation, the Security Trustee), shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any offset against the rental payments due hereunder, and agrees to make the rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

14.4. Failure to Exercise Rights. The failure of the Lessor or any assignee, pursuant to Section 16 hereof as the case may be (including, without limitation, the Secur-

ity Trustee), to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies; and a waiver of any such right on one occasion shall not constitute a waiver of such right as to any other occasion and shall not be effective unless it is in writing and signed by the Lessor and the Security Trustee.

14.5. Notice of Event of Default. The Lessee also agrees to furnish to the Lessor, any assignee thereof pursuant to Section 16 hereof (including, without limitation, the Security Trustee) the Note Purchasers and the Trustor, promptly upon any responsible officer becoming aware of any condition which constituted or constitutes an Event of Default under this Lease or which, after notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof and indicating the intention or expectation of the Lessee as to the disposition thereof. For the purposes of this Section 14.5 a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate officer of the Rock Island Railroad who, in the normal performance of his operational respon-

sibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto and William M. Gibbons, as Trustee of the Property of the Rock Island Railroad.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

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

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

(ii) permit the Lessor to store such Equipment in such reasonable storage place on the Lessee's lines of railroad without charge for insurance, rent or storage until such Equipment has been sold, leased or otherwise disposed of by the Lessor; and

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

(b) Each Item of Equipment returned to the Lessor pursuant to this Section 15 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and be qualified for use in interchange, (ii) have attached or affixed thereto any part, addition or improvement title to which is vested in the Lessor pursuant to Section 7 or Section 8 hereof and have removed therefrom, at the expense of the Lessee, any readily removable addition or improvement title to which is vested in the Lessee pursuant to Section 8 hereof, (iii) meet the applicable standards then in effect for such Item of Equipment under all governmental laws, regulations, requirements and rules (including, without limitation, rules of the United States Department of Transportation, the Interstate Commerce Commission and interchange rules or supplements thereto of the Association of American Railroads), and (iv) be in condition suitable for further use in grain service. The Lessee shall certify that each Item of Equipment, when returned to the Lessor,

is usable in grain service; in the event any such Item is not so usable, Lessee shall, at its own cost and expense, repair, rehabilitate, recondition or perform such other similar work on the Item so as to render such Item usable, in the reasonable opinion of Lessor, in grain service.

(c) Until the earlier of (i) the date on which an Item of Equipment is assembled, delivered and stored as hereinabove provided or (ii) the 30th day after the date of the termination of this Lease pursuant to Section 14 hereof, the Lessee shall pay the Lessor an amount per day equal to 0.028530% of the Purchase Price of each such Item. If any such Item of Equipment is not assembled, delivered and stored as hereinabove provided within 30 days after the termination of this Lease pursuant to Section 14 hereof, the Lessee shall, in addition, pay the Lessor the greater of an amount equal to (i) 0.034236% of the Purchase Price of such Item from said 30th day to the date of its assembly, delivery or storage as hereinabove provided or (ii) all rental, per diem or other similar charges for the Equipment received therefor until such date of assembly, delivery and storage.

15.2. Specific Performance. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction

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

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

SECTION 16. ASSIGNMENTS BY LESSOR.

This Lease and all rent and all other sums due or to become due hereunder may be assigned in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor other than the Security Trustee, except upon written notice of such assignment from the Lessor. Upon notice to the Lessee of any such assignment, the rent and other sums payable by the Lessee which are the subject matter of the assignment shall be paid to or upon the written

order of such assignee. All the rights of the Lessor hereunder (including, but not limited to, the right to receive the rentals payable under this Lease) shall inure to the benefit of the Lessor's assigns, including the Security Trustee. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of any such assignee in and to the sums payable by the Lessee under any provision of this Lease shall not be subject to any abatement whatsoever and shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever whether by reason of failure of or defect in the Lessor's title, or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of such assignee, the Lessee shall be unconditionally and absolutely obligated to pay such assignee all of the rents and other sums which are the subject matter of the assignment, (ii) said assignee, shall, if an Event of Default, or any event which with the lapse of time or the giving of notice, or both, would con-

stitute such an Event of Default, shall have occurred and be continuing, have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of said assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor (except those rights, privileges and remedies relating to amounts payable only to the Lessor pursuant to Sections 6, 10.2, 11.1 and 21.2 hereof which shall remain enforceable by the Lessor or the Trustor, as the case may be), but if no Event of Default or event which with the lapse of time or giving of notice, or both, would constitute an Event of Default, shall have occurred and be continuing, said assignee and the Lessor may each exercise their respective rights, privileges and remedies stated in this Lease to be provided for their respective benefits, and (iii) all obligations of the Lessor to the Lessee under this Lease shall be enforceable by the Lessee against, and only against, the Lessor.

SECTION 17. ASSIGNMENTS BY LESSEE: USE AND POSSESSION.

17.1. Lessee's Rights to the Equipment. So long as no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall be entitled to the possession

and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, and, in the event this Lease has been assigned to an assignee pursuant to Section 16 hereof, such assignee (including, without limitation, the Security Trustee), the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment. The Lessee shall not, without the prior written consent of the Lessor, and, in the event this Lease has been assigned to an assignee pursuant to Section 16 hereof, such assignee (including, without limitation, the Security Trustee), part with the possession or control, any of the Equipment, except to the extent permitted by the provisions of Section 17.2 hereof.

17.2. Use and Possession on Lines Other Than Lessee's Own. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Equipment and to the use thereof upon the lines of railroad owned or operated by it (either alone or jointly) or by any corporation, a majority of whose voting stock having ordinary voting power for the election of a majority of its Board of Directors is owned directly or indirectly by the Lessee, or upon lines of railroad over which the Lessee or such corporation has trackage or other operating rights or over which equipment of the Lessee is

regularly operated pursuant to contract and also to permit the use of any Item of Equipment upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease. Notwithstanding the foregoing, the Lessee shall at no time throughout the term of this Lease assign or permit the assignment of any Item of Equipment to service (including, without limitation, the regular operation or maintenance thereof) outside the continental United States. The Lessee further agrees that, anything in this Section 17.2 to the contrary notwithstanding, the use of the Equipment outside the continental United States shall be de minimus. No assignment or sublease entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligation hereunder which shall be and remain those of a principal and not a surety.

17.3. Merger, Consolidation or Acquisition of Lessee. Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any solvent corporation into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all of the lines of railroad of the Lessee, provided that such assignees, successors or transferees shall have

duly assumed the obligations of the Lessee hereunder and that they will not, upon the effectiveness of such merger or consolidation or acquisition of properties and the assumption of such obligations, be in default under any provision of this Lease and that such merger or consolidation or acquisition of properties shall not alter in any way the Lessee's obligations to the Lessor hereunder which shall be and remain those of a principal and not a guarantor.

SECTION 18. PURCHASE AND RENEWAL RIGHT.

The Lessor shall make a good faith determination of whether it will retain, sell or relet the Items of Equipment at the expiration of the term of this Lease and, if it determines to sell or relet any such Items, it shall, not less than 180 days prior to such expiration, give the Lessee written notice of such determination. The Lessee shall then have the right, in accordance with the Lessor's election to sell or relet such Items, to purchase such Items at their Fair Market Value or to relet such Items, on the same terms and conditions as are contained in this Lease, at their Fair Rental Value. The Lessee shall not less than 90 days prior to the expiration of this Lease give the Lessor written notice of its intention to so purchase or relet such Items. (Fair Market Value and Fair Rental Value shall have the respective meanings set forth in Section 14.2 above.)

SECTION 19. INTEREST ON OVERDUE RENTALS.

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

SECTION 20. LIMITATIONS OF LIABILITY

It is expressly understood and agreed by and between the Lessor and the Lessee and their respective successors and assigns that this Lease is executed by The Connecticut Bank and Trust Company, not individually or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee, that each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company or the Trustor, or for the purpose or with the intention of binding The Connecticut Bank and Trust Company or the Trustor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Trust Agreement, that this Lease is exe-

cuted and delivered by The Connecticut Bank and Trust Company solely in the exercise of the powers expressly conferred upon The Connecticut Bank and Trust Company as Trustee under the Trust Agreement, that actions taken by the Lessor pursuant to its obligations hereunder may, in certain instances, be taken by the Lessor only upon specific authority of the Trustor, that nothing herein contained shall be construed as creating any liability on The Connecticut Bank and Trust Company or the Trustor, individually or personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, The Connecticut Bank and Trust Company or the Trustor, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Lessee and by each and every person now or hereafter claiming by, through or under the Lessee, and that so far as The Connecticut Bank and Trust Company or the Trustor, individually or personally is concerned, the Lessee and any person claiming by, through or under the Lessee shall look solely to the Trust Estate as defined in the Trust Agreement for the performance of any obligation under this Lease; provided that nothing in this Section 20 shall be construed to limit in scope or substance those representations and warranties, if any, of The Connecticut Bank and Trust Company made expressly in its individual capacity

set forth in the Participation Agreement and the Security Agreement. The term "Lessor" as used in this Lease shall include any trustee succeeding The Connecticut Bank and Trust Company as Trustee under the Trust Agreement or the Trustor if the Trust created thereby is revoked. Any obligation of the Lessor hereunder may be performed by the Trustor, and any such performance shall not be construed as revocation of the Trust created by the Trust Agreement. Nothing contained in this Lease shall restrict the operation of the provisions of the Trust Agreement with respect to its revocation or the resignation or removal of the Trustee thereunder.

SECTION 21. MISCELLANEOUS.

21.1. Notices. Any notice required or permitted to be given pursuant hereto shall be deemed delivered three business days after deposit thereof at any United States main or branch post office, certified or registered mail, postage prepaid, addressed as follows:

If to the Lessor: The Connecticut Bank and Trust
Company
One Constitution Plaza
Hartford, Connecticut 06115
Attention: Corporate Trust Department

If to the Trustor: Heleasco Six, Inc.
Suite 203, Springer Building
3411 Silverside Road
Wilmington, Delaware 19810
Attention: President

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

If to the Security Trustee: Continental Illinois National Bank
and Trust Company of Chicago
231 South LaSalle Street
Chicago, Illinois 60693
Attention: Corporate Trust Department

If to the Note Purchasers: Addresses in Schedule 2 to
Participation Agreement

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

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

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

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

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

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

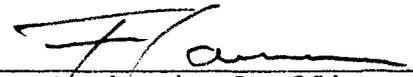
21.7. Survival. All warranties, representations and covenants made by the Lessee herein or in any certificate or other instrument delivered by the Lessee or on behalf

of the Lessee under this Lease shall be considered to have been relied upon by the Lessor, any assignee thereof pursuant to Section 16 hereof (including, without limitation, the Security Trustee) and the Trustor and shall survive the consummation of the transactions contemplated hereby regardless of any investigation made by any such party or on behalf of any such party. All statements in any such certificate or other instrument shall constitute warranties and representations of the Lessee.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective officers thereunder duly authorized and the corporate seals to be hereto affixed as of the day and year first above written.

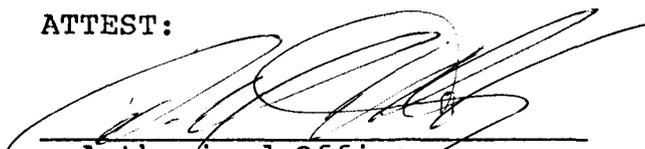
THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee

By


Authorized Officer

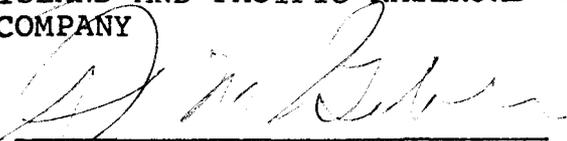
[CORPORATE SEAL]

ATTEST:


Authorized Officer

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

By



STATE OF CONNECTICUT)
) SS
COUNTY OF HARTFORD)

On this 21st day of December, 1978, before me personally appeared **F. W. KAWAM** to me personally known, who being by me duly sworn, says that he is an authorized officer of THE CONNECTICUT BANK AND TRUST 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.

Barbara S. Kacich

Notary Public
BARBARA S. KACICH
NOTARY PUBLIC
MY COMMISSION EXPIRES MARCH 31, 1982

[NOTARIAL SEAL]
My commission expires:

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 21st day of December, 1978, before me personally appeared **WILLIAM M. GIBBONS**, to me personally known, who being by me duly sworn, says that he is Trustee of the Property of CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY, and that the foregoing instrument was signed by him as Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company pursuant to specific orders of the United States District Court for the Northern District of Illinois in Proceedings bearing No. 75B2697.

Richard Allan Wiese

Notary Public

[NOTARIAL SEAL]
My commission expires: *December 2, 1982*

DESCRIPTION OF ITEMS OF EQUIPMENT

| | |
|--|---|
| Manufacturer of Equipment: Company | Thrall Car Manufacturing Company |
| Description and Mark and Number of Items of Equipment: | 215 100-ton Covered Hopper Cars Marked and Numbered ROCK 80285 to ROCK 801499, both inclusive |
| Base Purchase Price of Equipment: | \$37,000 per Item |
| Maximum Aggregate Purchase Price of Equipment: | \$7,955,000 |
| Place of Delivery: | At or near Gary, Indiana |
| Outside Delivery Date: | March 14, 1979 |

CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE

TO: The Connecticut Bank and Trust Company,
not in its individual capacity
but solely as Trustee
(the "Lessor")

Thrall Car Manufacturing Company
(the "Manufacturer")

I, a duly appointed and authorized representative of the Lessor and of William M. Gibbons, Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company (the "Lessee") under the Equipment Lease dated as of November 15, 1978 between the Lessor and the Lessee, do hereby certify that I have inspected, received, approved and accepted delivery on behalf of the Lessor under the Purchase Order Assignment and under said Equipment Lease of the following Items of Equipment:

| | |
|----------------------|----------------------------------|
| TYPE OF EQUIPMENT: | 100-ton Covered Hopper Cars |
| MANUFACTURER: | Thrall Car Manufacturing Company |
| PLACE ACCEPTED: | At or near Gary, Indiana |
| DATE ACCEPTED: | |
| NUMBER OF ITEMS: | |
| MARKED AND NUMBERED: | |

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

"Owned by a Bank or Trust Company
and Subject to a Security Interest
Recorded with the I.C.C."

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

Dated: _____, 197_

Inspector and Authorized
Representative of the Lessee

SCHEDULE OF CASUALTY VALUES

The Casualty Value for an Item of Equipment payable on the Term Lease Commencement Date or any Fixed Rental payment date thereafter shall mean an amount equal to the percent of the Purchase Price of such Item set forth opposite such date in the following schedule (as the same may be increased pursuant to Annex 1 to this Schedule C):

TABLE I

| <u>Term Lease Commencement Date or Number of Fixed Rental Payment Date on Which Casualty Value is Paid</u> | <u>Percentage of Purchase Price Payable as Casualty Value</u> |
|--|---|
| Term Lease Commencement Date | 87.5986 |
| 1 | 88.9613 |
| 2 | 90.2018 |
| 3 | 91.3584 |
| 4 | 92.4283 |
| 5 | 93.0441 |
| 6 | 92.9722 |
| 7 | 92.6365 |
| 8 | 92.0283 |
| 9 | 91.7066 |
| 10 | 91.6256 |
| 11 | 91.4609 |
| 12 | 91.2097 |
| 13 | 90.9393 |
| 14 | 90.6046 |
| 15 | 90.1941 |
| 16 | 89.7055 |
| 17 | 89.1880 |
| 18 | 88.6035 |
| 19 | 87.9466 |
| 20 | 87.2149 |
| 21 | 86.4549 |
| 22 | 85.6363 |
| 23 | 84.7494 |
| 24 | 83.7921 |
| 25 | 82.8079 |
| 26 | 81.7746 |
| 27 | 80.6781 |
| 28 | 79.5166 |
| 29 | 78.3309 |
| 30 | 77.1067 |

SCHEDULE C
(to Equipment Lease)

Term Lease Commencement Date
or Number of Fixed Rental
Payment Date on Which
Casualty Value is Paid

Percentage of Purchase
Price Payable as
Casualty Value

| | |
|--|---------|
| 31 | 75.8258 |
| 32 | 74.4966 |
| 33 | 73.1373 |
| 34 | 71.7519 |
| 35 | 70.3177 |
| 36 | 68.8465 |
| 37 | 67.3429 |
| 38 | 65.8178 |
| 39 | 64.2467 |
| 40 | 62.6404 |
| 41 | 61.0037 |
| 42 | 59.3482 |
| 43 | 57.6481 |
| 44 | 55.9150 |
| 45 | 54.1536 |
| 46 | 52.3764 |
| 47 | 50.5570 |
| 48 | 48.7059 |
| 49 | 46.8296 |
| 50 | 44.9399 |
| 51 | 43.0107 |
| 52 | 41.0511 |
| 53 | 39.0695 |
| 54 | 37.0773 |
| 55 | 35.0484 |
| 56 | 32.9905 |
| 57 | 30.9201 |
| 58 | 28.8831 |
| 59 | 26.8462 |
| 60 (and thereafter during any storage period) | 20.0000 |