

RECORDATION NO. 10670 Filed 1425

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JUL 25 1979 - 11 00 AM

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INTERSTATE COMMERCE COMMISSION CRAVATH, SWAINE & MOORE INTERSTATE COMMERCE COMMISSION

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BRUCE BROMLEY
WILLIAM B. MARSHALL
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ROYALL VICTOR
ALLEN H. MERRILL
HENRY W. DE KOSMIAN
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FREDERICK A. O. SCHWARZ, JR.
CHRISTINE BESHAR
ROBERT S. RIFKIND
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JOSEPH R. SAHID
PAUL C. SAUNDERS
MARTIN L. BENZEL
DOUGLAS D. BROADWATER
ALAN C. STEPHENSON

NEW YORK, N.Y. 10005

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Date JUL 25 1979
Fee \$ 150.00
Work

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INTERSTATE COMMERCE COMMISSION

COUNSEL
ROSSELL L. GILPATRICK
CARLYLE E. MAW
ALBERT R. CONNELLY
FRANK H. DETWEILER
GEORGE G. TYLER

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

4, PLACE DE LA CONCORDE
75008 PARIS, FRANCE
TELEPHONE: 265-61-54
TELEX: 290530

33 THROGMORTON STREET
LONDON, EC2N 2BR, ENGLAND
TELEPHONE 01-606-1421
TELEX: 6814901

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

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INTERSTATE COMMERCE COMMISSION

July 17, 1979

GAMS Transportation, Inc.
Chicago, Rock Island and Pacific
Railroad Company
Lease Financing Dated as of July 1, 1979
9.75% Conditional Sale Indebtedness Due 1997
242 XF Box Cars

Dear Mr. Homme:

Pursuant to 49 U.S.C. § 11303(a) and the Commission's rules and regulations thereunder, I enclose herewith on behalf of GAMS Transportation, Inc., for filing and recordation counterparts of the following documents:

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

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

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

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- A

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- C. J. [Signature]
C. J. [Signature]

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- C
 (b) Assignment of Lease, Reassignment of Sublease, Assignment of Surety Bond and Agreement dated as of July 1, 1979, between First Security State Bank, as Trustee, and First Security Bank of Utah, N.A., as Agent; and

- D
 (3) (a) Sublease of Railroad Equipment dated as of July 1, 1979, between William M. Gibbons, Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company, and GAMS Transportation, Inc.; and ✓

- E
 (b) Assignment of Sublease and Agreement dated as of July 1, 1979, between GAMS Transportation, Inc., as Lessee, and First Security State Bank, as Trustee. ✓

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

(1) Assignee-Agent-Vendor:

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

(2) Trustee-Owner-Trustee-Lessor:

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

(3) Builder-Vendor:

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

(4) Lessee-Sublessor:

GAMS Transportation, Inc.
 In care of Thayer, Ringoen & Macdonald
 50 California Street
 San Francisco, California 94111

(5) Trustee-Debtor-Railroad-Sublessee:

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

(6) Surety:

Great American Insurance Company
580 Walnut Street
Cincinnati, Ohio 45202

Please file and record the documents referred to in this letter and cross-index them under the names of the Assignee-Agent-Vendor, the Trustee-Owner-Trustee-Lessor, the Builder-Vendor, the Lessee-Sublessor, the Trustee-Debtor-Railroad-Sublessee and the Surety.

The equipment covered by the aforementioned documents consists of the following:

242 50'6", 70-ton, class XF boxcars bearing identifying numbers of the Railroad ROCK 301800-ROCK 302041, both inclusive.

There is also enclosed a check for \$150 payable to the Interstate Commerce Commission, representing the fee for recording the Conditional Sale Agreement and related Agreement and Assignment (together constituting one document), the Lease of Railroad Equipment and related Assignment of Lease, Reassignment of Sublease, Assignment of Surety Bond and Agreement (together constituting one document) and the Sublease of Railroad Equipment and related Assignment of Sublease and Agreement (together constituting one document).

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

Very truly yours,



Steven M. Berzin
As Agent for
GAMS Transportation, Inc.

H. G. Homme, Esq., Secretary,
Interstate Commerce Commission,
Washington, D. C. 20423

Encls:

RECORDATION NO. 10670-^A Filed 1425

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INTERSTATE COMMERCE COMMISSION

SUBLEASE OF RAILROAD EQUIPMENT

Dated as of July 1, 1979

between

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

as Sublessee

and

GAMS TRANSPORTATION, INC.,

as Sublessor

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SUBLEASE OF RAILROAD EQUIPMENT dated as of July 1, 1979, between WILLIAM M. GIBBONS, TRUSTEE OF THE PROPERTY OF CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY (such company being hereinafter called the Debtor and such Trustee being hereinafter called the Sublessee) and GAMS TRANSPORTATION, INC., an Ohio corporation (hereinafter called the Sublessor).

On March 17, 1975, the Debtor filed a petition for reorganization under Section 77 of the Bankruptcy Act in the United States District Court for the Northern District of Illinois (hereinafter called the Court) and such petition was duly approved as properly filed by order entered on such date by such Court (the proceedings with respect thereto being hereinafter called the Reorganization Proceedings) and William M. Gibbons was duly qualified as Trustee of the property of the Debtor on April 4, 1975.

First Security State Bank, acting not in its individual capacity but solely as Trustee (hereinafter called the Owner-Trustee) under a Trust Agreement dated as of the date hereof (hereinafter called the Trust Agreement), with Westinghouse Credit Corporation (hereinafter called the Owner) has entered or will enter into a conditional sale agreement (hereinafter called the Security Document) with Pullman Incorporated (Pullman Standard Division) (hereinafter called the Builder), pursuant to which the Owner-Trustee has agreed to purchase and take delivery of the railroad equipment described in Schedule A hereto (hereinafter called the Equipment).

The Builder is assigning its interests in the Security Document pursuant to an Agreement and Assignment, dated as of the date hereof (hereinafter called the Assignment), to First Security Bank of Utah, N.A., acting as Agent (hereinafter together with its successors and assigns called the Vendor), under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) with the Sublessor, the Sublessee, the Owner-Trustee, the Owner and the party or parties named in Schedule A thereto (hereinafter called the Investors).

The Sublessor will lease from the Owner-Trustee units of the Equipment which are delivered and accepted and settled for under the Security Document (hereinafter called the Units), pursuant to a Lease of Railroad Equipment dated as of the date hereof (hereinafter called the Lease), and the Sublessor desires to sublease the Units to the Sublessee at the rentals and for the term and upon the conditions hereinafter provided.

The Sublessor intends to assign certain of its rights under this Sublease to the Owner-Trustee pursuant to an Assignment of Sublease and Agreement, dated as of the date hereof (hereinafter called the Sublease Assignment), and the Sublessee will consent to the Sublease Assignment pursuant to a Sublessee's Consent and Agreement (hereinafter called the Sublessee's Consent).

The Owner-Trustee intends to assign certain of its rights under the Sublease and the Sublease Assignment to the Vendor pursuant to an Assignment of Lease, Reassignment of Sublease, Assignment of Surety Bond and Agreement dated as of the date hereof (hereinafter called the Sublease Reassignment), and the Sublessee will consent to such Sublease Reassignment pursuant to a Consent and Agreement (such Consent, together with the Sublessee's Consent, being hereinafter collectively called the Consents).

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

§ 1. Net Lease. This Sublease is a net lease. The Sublessee's obligation to pay all rentals and other amounts hereunder shall be absolute and unconditional and, except as herein provided, the Sublessee shall not be entitled to any abatement of rent or any other amounts due hereunder, reduction thereof or setoff against rent or such other amounts, including, but not limited to, abatements, reductions, counterclaims or setoffs due or alleged to be due by reason of any past, present or future claims of the Sublessee against the Sublessor, the Owner-Trustee or the Owner, whether under this Sublease, under the Security Document, under the Lease or otherwise, including the Sublessee's rights by subrogation hereunder or thereunder against the

Builder or the Owner-Trustee or the Sublessor or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Sublease terminate, or the respective obligations of the Sublessor or the Sublessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Sublessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization or approval of this Sublease, any present or future insolvency of or bankruptcy, reorganization or similar proceeding against the Sublessee, 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 Sublessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Sublease. To the extent permitted by applicable law, the Sublessee 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 sublease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Sublessee hereunder shall be final and the Sublessee shall not seek to recover all or any part of such payment from the Sublessor, the Owner-Trustee, the Owner or the Vendor for any reason whatsoever.

§ 2. Delivery and Acceptance of Units. The Sublessor hereby appoints the Sublessee its agent for inspection and acceptance of the Units pursuant to the Security Document; provided, however, that such acceptance shall be in accordance with the provisions of Article 3 of the Security Document. The Sublessor will cause each Unit to be delivered to the Sublessee at the point or points within the United States of America at which such Unit is delivered to the Sublessor under the Lease. Upon delivery of such Unit, the Sublessee will cause an employee or agent of the Sublessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such unit on behalf of the Owner-Trustee under the Security Document, the Sublessor under the Lease and itself hereunder and to execute and deliver to the

Owner-Trustee a certificate of acceptance (hereinafter called the Certificate of Acceptance) in accordance with the provisions of Article 3 of the Security Document, stating that such Unit has been inspected and accepted on behalf of the Sublessee, the Sublessor and the Owner-Trustee on the date of such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Sublessee and shall be subject thereafter to all the terms and conditions of this Sublease. The delivery, inspection and acceptance hereunder of any unit of Equipment excluded from the Security Document pursuant to the second paragraph of Article 3 or the first paragraph of Article 4 thereof shall be null and void and ineffective to subject such unit to this Sublease. The Sublessee hereby represents and warrants to the Sublessor and the Owner-Trustee, as a third party beneficiary hereof, that no Unit shall be put into service earlier than the date of delivery to and acceptance by the Sublessee as agent for the Sublessor hereunder.

§ 3. Rentals. With respect to each Unit subject to this Sublease, the Sublessee will pay to the Sublessor as (i) basic rentals 60 consecutive equal quarterly payments, payable on January 15, April 15, July 15 and October 15 in each year, commencing July 15, 1980, and (ii) interim rental two payments on January 15, 1980, and April 15, 1980. The 60 quarterly rental payments shall each be in an amount equal to *WAG* 2.6~~5~~51% of the Purchase Price (as defined in the Security Document) of each Unit subject to this Sublease on the date of such payment. The interim rental shall be in an amount equal to the product of the Purchase Price of each Unit subject to this Sublease on the date of payment multiplied by .029503% for each day elapsed from and including the Closing Date (as defined in the Security Document) for such Unit to, but excluding, April 15, 1980, and shall be payable to the extent accrued on each interim rental payment date.

In addition to the foregoing basic rentals, the Sublessee will pay to the Sublessor the following additional rentals: (i) an amount equal to any deficiency amount required to be paid by the Owner-Trustee pursuant to the first paragraph of Paragraph 9 of the Participation Agreement, (ii) an amount equal to any amount required to be paid by the Owner-Trustee pursuant to clause (a) of the last paragraph of Paragraph 9 of the Participation Agreement and (iii) an amount equal to any amount required to be paid by the Owner-Trustee pursuant to clause (b) of the last para-

graph of Paragraph 9 of the Participation Agreement, in each case on such date as will enable the Owner-Trustee to make such payment.

If any of the quarterly rental payment dates referred to above is not a Business Day (as such term is defined in the Security Document) the quarterly rental payment otherwise payable on such date shall then be payable on the next succeeding Business Day, and no interest shall be payable for the period from and after the nominal date for payment thereof to such next succeeding Business Day.

The Sublessor irrevocably instructs the Sublessee to make, and the Sublessee agrees to make, all the payments (other than payments under § 6 and § 20 hereof) due the Sublessor provided for in this Sublease including, but not limited to, all payments provided for in this § 3 and in § 7 hereof, (i) for so long as the Security Document shall remain in effect, to the Vendor, for the account of the Owner-Trustee, in immediately available funds at or prior to 11 a.m. (Salt Lake City time) to the office of the Vendor (at 79 South Main Street, Suite 310, Salt Lake City, Utah 84111, Attention of Trust Division, Corporate Trust Department) on the date due, with instructions to the Vendor to apply such payments in accordance with the provisions of the first paragraph of Paragraph 10 of the Participation Agreement, and (ii) if the Security Document shall no longer be in effect, to the Owner-Trustee or as directed by the Owner-Trustee in immediately available funds at such place as the Owner-Trustee shall specify in writing.

§ 4. Term of Sublease. The term of this Sublease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on April 15, 1995. Except for obligations of the Sublessee hereunder which are specifically stated to terminate at a fixed time, the obligations of the Sublessee hereunder (including, but not limited to, the obligations under §§ 3, 6, 7, 9, 11, 14, 19 and 20 hereof) shall survive the expiration of the term of this Sublease.

Anything in this Sublease to the contrary notwithstanding, the term of this Sublease shall terminate on the date (i) the Court finds that the Sublessee is unable to

transport the traffic offered the Sublessee because the Sublessee's cash position or other facts make the Sublessee's continuing operation of the Debtor impossible and orders the Sublessee to discontinue service and/or liquidate the assets of the Debtor or (ii) this Sublease is disaffirmed or rejected pursuant to a plan of reorganization confirmed in the Reorganization Proceedings and in such event the obligation to pay rental referred to in the first paragraph of § 3 accruing subsequent to the date that the Sublessee returns the Equipment to the Sublessor in the manner contemplated by § 14 hereof shall terminate and the Sublessor shall have no claim against the Sublessee, the Debtor or the Successor (as defined in § 10 hereof) for such unaccrued rental.

The obligation of the Sublessee to pay any and all sums:

(x) due and owing under this Sublease, including without limitation accrued rental referred to in the first paragraph of § 3, prior to the date of return of the Equipment to the Sublessor as herein provided for; and

(y) which may become due and owing subsequent to the date of return of the Equipment to the Sublessor as a result of acts or omissions of the Sublessee occurring prior to such date,

shall continue in full force and effect notwithstanding termination of the Sublease and the immediately preceding paragraph.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Sublessee under this Sublease and in and to the Units are subject to the rights of the Vendor under the Security Document and the Owner-Trustee under the Lease. If an Event of Default should occur under § 10 of the Lease, upon notice by the Owner-Trustee or the Vendor to the Sublessor and Sublessee, the participation of the Sublessor under this Sublease shall, without the consent of the Sublessor or the Sublessee and immediately and automatically and without any further action, be terminated, and the Owner-Trustee without its further consent and immediately and automatically and without any further action shall become the Sublessor under this Sublease;

and the Sublessor hereby agrees and acknowledges that in such event it shall no longer be a party to this Sublease and that it would no longer have any claim whatsoever to any rental payments paid to the Vendor pursuant to § 3 hereof subsequent to such event. If an event of default should occur under the Security Document as provided in § 10(E) hereof, the Vendor may terminate this Sublease (or rescind its termination), all as provided therein.

§ 5. Identification Marks. The Sublessee will cause each Unit to be kept numbered with the identifying number set forth in Schedule A hereto, or in the case of any Unit not there listed such identifying number as shall be set forth in any amendment or supplement hereto extending this Sublease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words, "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION", or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law or reasonably requested in order to protect the Owner-Trustee's title to and the Vendor's security interest in such Unit and the rights of the Sublessor under this Sublease, of the Owner-Trustee under the Lease and of the Vendor under the Security Document. The Sublessee will not place or permit any such Unit to be placed in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace or cause to be replaced promptly any such name and words which may be removed, defaced, obliterated or destroyed. The Sublessee will not change or permit to be changed the identifying number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor, the Owner-Trustee and the Sublessor and duly filed, recorded and deposited by the Sublessee in all public offices where this Sublease, the Lease and the Security Document shall have been filed, recorded and deposited and (ii) the Sublessee shall have furnished the Vendor, the Owner-Trustee and the Sublessor an opinion of counsel to the effect that such statement has been so filed, recorded and deposited, such filing, recordation and deposit will protect the Vendor's, the Owner-Trustee's and the Sublessor's interests in such Units 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 Vendor, the Owner-Trustee and the Sublessor in such Units.

Except as above provided, the Sublessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Sublessee may permit the Equipment to be lettered with the names, trademarks, initials or other insignias customarily used by the Sublessee or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification of its rights to use the Equipment under this Sublease, and the Equipment may be lettered in an appropriate manner for convenience of identification of the interest of the Sublessee therein.

§ 6. Taxes. Whether or not any of the transactions contemplated hereby are consummated, the Sublessee agrees to pay, and on written demand to indemnify and hold the Sublessor, the Owner-Trustee, the Owner, the Builder, the Vendor, the Investors and the estate held by the Owner-Trustee under the Trust Agreement and by the Vendor under the Security Document and the Participation Agreement harmless from all taxes (income, gross receipts, franchise, sales, use, property (real or personal, tangible or intangible), stamp and minimum (imposed under section 56 of the Internal Revenue Code of 1954, as amended) taxes), assessments, fees and charges of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon, howsoever imposed, whether levied or imposed upon the Sublessor, the Owner-Trustee, the Owner, the Vendor, the Builder, the Investors, the Sublessee, the trust estate created by the Trust Agreement, the estate held by the Vendor under the Security Document and the Participation Agreement, or otherwise, by any Federal, state or local government or governmental subdivision in the United States or by any foreign country or subdivision thereof, upon or with respect to: any Unit or any part thereof; the manufacture, purchase, ownership, delivery, leasing, possession, use, operation, transfer of title, return or other disposition thereof; the rentals, receipts or earnings arising therefrom; this Sublease, the Lease, the Sublease Assignment, the Sublessee's Consent, the Sublease Reassignment, the Consents, the Trust

Agreement, the Participation Agreement (including the certificates of interest and the issuance thereof to the Investors pursuant thereto), the Security Document, the Bond (as defined in the Lease), the Assumption Agreement (as so defined) or the Assignment; any payment made pursuant to any such agreement, or the property, the income or other proceeds received with respect to property held by the Owner-Trustee under the Trust Agreement or by the Vendor under the Security Document and the Participation Agreement (all such taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed as aforesaid being hereinafter called Taxes); excluding, however: (i) Taxes of the United States or of any state or local government or governmental subdivision thereof and (if and to the extent that any person indemnified hereunder is currently allowed a credit therefor against its United States Federal income taxes) of any foreign country or subdivision thereof, imposed on or measured solely by the net income or excess profits of the Sublessor, the Owner-Trustee (in its individual capacity), the Owner, the Investors, the Builder or the Vendor, other than Taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Sublease or the Lease, provided that such Taxes of any foreign country or subdivision thereof incurred as a result of the indemnified party being taxed by such foreign country or jurisdiction on its worldwide income without regard to the transactions contemplated by this Sublease or the Lease shall be excluded whether or not the indemnified party is entitled to a credit against its United States Federal income taxes; (ii) any Taxes imposed as a direct result of a voluntary transfer or other voluntary disposition by or on behalf of the Owner or any transfer or disposition by or on behalf of the Owner resulting from bankruptcy or other proceedings for the relief of creditors in which the Owner is the debtor, whether voluntary or involuntary, of any interest in any Unit or interest in rentals under this Sublease or the Lease, without the consent of the Sublessee, unless, in each case, such transfer or disposition is in connection with a Casualty Occurrence or an Event of Default shall have occurred and be continuing; (iii) any Taxes imposed on or measured by any trustee or agency fees received by the Owner-Trustee or the Vendor; and (iv) Taxes which are imposed on or measured solely by the net income of the Owner-Trustee or the Vendor if and to the extent that such Taxes are in substitution for

or reduce the Taxes payable by any other person which the Sublessee has not agreed to pay or indemnify against pursuant to this § 6; provided, however, that the Sublessee shall not be required to pay any Taxes during the period it may be contesting the same in the manner provided in the fourth paragraph of this § 6. The Sublessee further agrees to pay on or before the time or times prescribed by law any tax imposed on or measured solely by the net income of the Sublessee (or the affiliated group, within the meaning of section 1504 of the Internal Revenue Code of 1954, as amended, of which the Sublessee is a member) under the laws of the United States or of any state or local government or governmental subdivision thereof, or of any foreign country or subdivision or authority thereof which, if unpaid, might result in a lien or other encumbrance upon any Unit; provided, however, that the Sublessee shall not be required to pay any such tax during the period it may be contesting the same in good faith by appropriate proceedings.

The amount which the Sublessee shall be required to pay with respect to any Taxes indemnified against pursuant to this § 6, shall be an amount sufficient to restore the indemnified party to the same after-tax position such indemnified party would have been in had such Taxes not been imposed.

In the event that the Owner-Trustee shall become obligated to make any payment to the Builder, the Investors, the Vendor or the estate held by the Vendor under the Security Document and the Participation Agreement pursuant to Article 6 of the Security Document, or the Owner shall become obligated to make any payment to the Owner-Trustee pursuant to any correlative provision of the Trust Agreement, or the Sublessor shall become obligated to make any payment to the Vendor, the Builder, the Investors, or the estate held by the Owner-Trustee under the Trust Agreement and by the Vendor under the Participation Agreement and the Security Document pursuant to any correlative provision of the Lease not covered by the first paragraph of this § 6, the Sublessee shall pay such additional amounts (which shall also be deemed Taxes hereunder) to the Owner-Trustee or the Owner or the Sublessor as will enable the Owner-Trustee or the Owner or the Sublessor to fulfill completely its obligations pursuant to said provisions. The Sublessor agrees not to enter into any amendment of the Lease which would adversely affect the interest of the Sublessee under this Sublease without the written consent of the Sublessee.

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

In case any report or return is required to be made with respect to any obligation of the Sublessee under this § 6 or arising out of this § 6, except obligations resulting from the second sentence of the first paragraph of this § 6, the Sublessee shall either make such report or return in such manner as will show the interests of the Owner-Trustee, the Vendor and the Sublessor in the Units, or shall promptly notify the Sublessor, the Owner-Trustee, the Owner and the Vendor of such requirement and shall make such report or return in such manner as shall be satisfactory to the Sublessor, the Owner-Trustee, the Vendor and the Owner. All costs and expenses (including legal and accountants' fees) of preparing any such return or report shall be borne by the Sublessee.

All the obligations of the Sublessee under this § 6 shall survive and continue, notwithstanding payment in full of all amounts due under the Security Document or the termination of this Sublease or the Lease, but only with respect to periods included in the term of this Sublease. Payments due from the Sublessee under this § 6 shall be payable directly to the indemnified party, except to the extent paid to a governmental agency or taxing authority. The foregoing indemnities by the Sublessee shall not constitute a guarantee by the Sublessee of the payment of any installments of principal or interest payable under the Security Document, or a guarantee of the value of the Equipment following the expiration of the term hereof as such term may or may not be renewed.

The Sublessee shall furnish promptly, upon request, such information and data as are normally available to the Sublessee and which the Sublessor, the Owner-Trustee, the Vendor or the Owner reasonably may require to permit compliance with the requirements of any taxing authorities.

§ 7. Payment for Casualty Occurrences; Insurance.
In the event that any Unit shall be or become worn out, lost, stolen, destroyed, irreparably damaged, or permanently rendered unfit for use from any cause whatsoever, or taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Sublessee for a period of 90 consecutive days, except requisition for use by the United States Government for a period not in excess of the then remaining term of this Sublease (such occurrences being hereinafter called Casualty Occurrences), during the term of this Sublease, or until such Unit shall have been returned in the manner provided in § 11 or 14 hereof, the Sublessee shall promptly and fully notify (after the Sublessee has knowledge of such Casualty Occurrence) the Sublessor, the Owner-Trustee and the Vendor with respect thereto. On the rental payment date (not earlier than the first regular quarterly 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 Sublease has already expired or will expire within 15 days after delivery of such notice, on a date within 15 days of such delivery), the Sublessee shall pay or cause to be paid to the Sublessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value of such Unit as of such rental payment date (such ren-

tal payment date being hereinafter called the Calculation Date). Upon the making of such payment by the Sublessee in respect of any Unit, the rental for such Unit shall cease to accrue as of the date of such payment, the term of this Sublease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Sublessor shall be entitled to recover possession of such Unit.

If the date upon which the making of such payment by the Sublessee in respect of any Unit as required as aforesaid shall be after the term of this Sublease in respect of such Unit shall have expired, no rental for such Unit shall accrue after the end of such term but the Sublessee, in addition to paying the Casualty Value for such Unit shall pay interest thereon from the end of such term to the date of such payment at the greater of (i) the prime rate of interest which Manufacturers Hanover Trust Company charges on the date of such payment for 90-day unsecured loans to large corporate borrowers of the highest credit standing and (ii) 10.75% per annum.

The Sublessor, as agent for the Owner-Trustee under the Lease, shall dispose of any such Unit suffering a Casualty Occurrence at the best price obtainable on an "as is, where is" basis. Provided that the Sublessee has previously paid the Casualty Value to the Sublessor and no Event of Default, or event which with notice or lapse of time or both would constitute such an Event of Default, shall have occurred and be continuing, the Sublessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and the Sublessor shall pay such proceeds to the Sublessee, and the excess shall be retained by the Sublessor. If such an Event of Default or event has occurred and is continuing, the Sublessor shall retain the proceeds of such sale for application in accordance with § 10 hereof.

The Casualty Value of each Unit as of the Calculation Date for each such Unit shall be that percentage of the Purchase Price of such Unit as is set forth in Item I of Schedule B hereto opposite such date. The aforesaid percentages have been computed without regard to recapture of the Investment Credit (as defined in § 20 hereof). 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 and acceptance of such Unit shall be increased by the applicable percentage of the

Purchase Price set forth in Item II of Schedule B hereto and such additional amounts, if any, shall be included within the meaning of the term "Casualty Value" as used herein.

In the event of the requisition for use of any Unit during the term of this Sublease or any renewal thereof, unless such requisition shall constitute a Casualty Occurrence, all of the Sublessee's obligations under this Sublease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned at any time after the end of the term of this Sublease, the Sublessee shall be obligated to return such Unit to the Sublessor pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return rather than at the end of the term of this Sublease; but the Sublessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by the Sublessor or the Sublessee from the requisitioning authority for the use of such Unit during the term of this Sublease shall be paid over to, or retained by, the Sublessee provided 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; and all payments received by the Sublessor or the Sublessee from the requisitioning authority for the use of such Unit after the term of this Sublease, shall be paid over to, or retained by, the Sublessor.

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

The Sublessee will, at all times prior to the return of the Equipment to the Sublessor in accordance with the terms of this Sublease (including the storage period provided under §§ 11 and 14), maintain or cause to be maintained, at its own expense, property and casualty insurance in respect of the Units at the time subject hereto, at least in amounts and against risks customarily insured against by railroad companies on similar equipment owned by them and in amounts and against risks customarily insured against by the Sublessee on similar equipment owned by it; provided, however, that, subject to availability, the amount of such coverage shall not, at any time, be less than \$10,000,000 (with a deductible of not greater than \$1,000,000)

per occurrence. The proceeds of such insurance shall be payable to the Vendor, the Owner-Trustee, the Surety, the Sublessor and the Sublessee as their respective interests may appear.

The Sublessee will, at all times prior to the return of the Equipment to the Sublessor in accordance with the terms of this Sublease, at its own expense, cause to be carried and maintained public liability insurance, naming the Owner, the Owner-Trustee, the Surety, the Sublessor and the Vendor as additional named insureds as their interests may appear, at least in amounts and against risks customarily insured against by railroad companies on similar equipment owned by them and in amounts and against risks customarily insured against by the Sublessee in respect of similar equipment owned by it; provided, however, that, subject to availability, the amount of such coverage shall not, at any time, be less than \$29,000,000 (with a deductible of not greater than \$2,000,000) per occurrence. Any policy of insurance carried in accordance with this paragraph shall not provide for any payment of premiums or commissions by the Owner, the Owner-Trustee or the Vendor.

The Sublessee shall obtain from each insurer under the two paragraphs immediately above an agreement, by endorsement or separate instrument, that such insurer will give the Sublessor, the Surety, the Owner-Trustee, the Owner and the Vendor 30 days' written notice before such insurer's policy shall be materially altered or canceled or not renewed. In January of each year, the Sublessee shall deliver to the Surety, the Owner-Trustee, the Owner, the Sublessor and the Vendor a certificate of insurance by or on behalf of each insurer stating the coverage, named insureds and limits of each such policy.

§ 8. Reports. On or before April 1 in each year, commencing with the calendar year 1980, the Sublessee will furnish to the Sublessor, the Owner-Trustee, the Owner and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then subleased hereunder and covered by the Security Document, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or, in the case of the first such statement, since the date of this Sublease (specifying the dates of such Casualty Occurrences) or to the knowledge of the Sublessee are then undergoing repairs (other than run-

ning repairs) or are then withdrawn from use pending repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Sublessor, the Owner-Trustee or the Vendor may reasonably request prepared by an independent qualified engineer who may be the chief mechanical officer of the Sublessee or any other employee of the Sublessee and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and the markings required by § 5 hereof, the Lease and the Security Document have been preserved or replaced. The Sublessor and the Owner-Trustee shall have the right by their respective agents to inspect the Units and the Sublessee's records with respect thereto at such reasonable times as the Sublessor or the Owner-Trustee may request during the continuance of this Sublease.

The Sublessee agrees at its expense to prepare and deliver to the Sublessor and the Owner-Trustee within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Sublessor and the Owner-Trustee) any and all reports (other than income tax returns) to be filed by the Sublessor and the Owner-Trustee with any Federal, state or other regulatory authority by reason of the ownership by the Owner-Trustee or the Vendor of the Units or the leasing thereof to the Sublessor or the subleasing thereof to the Sublessee.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; Indemnification. THE SUBLESSOR DOES NOT MAKE ANY, HAS NOT MADE ANY AND SHALL NOT BE DEEMED TO MAKE OR HAVE MADE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN, COMPLIANCE WITH SPECIFICATIONS, OPERATION OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY COMPONENT THEREOF DELIVERED TO THE SUBLESSEE HEREUNDER, AND THE SUBLESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS OR ANY COMPONENT THEREOF FOR ANY PARTICULAR PURPOSE NOR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, NOR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT THEREOF (EITHER UPON DELIVERY THEREOF TO THE SUBLESSEE OR OTHERWISE), it being agreed that all such risks, as between the Sublessor and the Sublessee, are to be borne by the Sublessee; but the Sublessor hereby irrevocably appoints and constitutes the Sublessee its agent and attorney-in-fact during the term of this Sublease to assert and enforce from time to time, in the

name of and for the account of the Owner-Trustee, the Sublessor and/or the Sublessee, as their interests may appear, at the Sublessee's sole cost and expense, whatever claims and rights the Owner-Trustee or the Sublessor may have against the Builder. The Sublessor shall have no responsibility or liability to the Sublessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstance in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Sublessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Sublessee, on the one hand, and the Sublessor and the Owner-Trustee, on the other hand, that the Units described therein are in all the foregoing respects satisfactory to the Sublessee; and the Sublessee will not assert any claim of any nature whatsoever against the Sublessor, the Owner-Trustee or the Owner based on any of the foregoing matters.

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

the Vendor, respectively, under this Sublease or under the Lease or under the Security Document.

The Sublessee agrees that, at its own cost and expense, it will maintain and keep each Unit (including any parts installed on or replacements made to any Unit and considered an Addition thereto as hereinbelow provided) which is subject to this Sublease in good operating order, repair and condition, ordinary wear and tear excepted, and, in any event, in the condition that will permit such Unit to qualify as a box car of "XF Class", as defined, as of July 1, 1979, by the Association of American Railroads; provided, however, that the Sublessee shall not be required to keep any Unit in actual "XF" service.

The Sublessee and its affiliates, at their own cost and expense, may from time to time make such alterations, modifications and additions (including, without limitation, any special devices, assemblies or racks at any time attached or affixed to any Unit, the cost of which is not included in the Purchase Price of such Unit and which are not required for the operation or use of such Unit by the United States Department of Transportation, the Interstate Commerce Commission or any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over such Unit) (hereinafter collectively called Additions) to the Units as the Sublessee may deem desirable in the proper conduct of its business so long as such Additions shall not be inconsistent with the continuing operation of the Units, and shall not diminish the value, utility or condition of the Units below the value, utility and condition thereof immediately prior to the making of such Additions, assuming the Units were then in the condition required to be maintained by the terms of this Sublease; provided, however, that no such Addition shall be made if it is not readily removable from the Unit to which it relates without material damage thereto and without diminishing or impairing the value or utility which the Unit would have had immediately prior to such time had such addition not been made, assuming the Unit was then in the condition required to be maintained by the terms of this Sublease.

Title to all Parts (as hereinbelow defined) incorporated in or installed as part of the Units shall without further act vest in the Owner-Trustee and be subject to a valid first lien and prior perfected security interest under the Security Document in the following cases: (i) such Part

is in replacement of or in substitution for, and not in addition to, any Part originally incorporated in or installed as part of a Unit at the time of the acceptance thereof hereunder or any Part in replacement of, or in substitution for any such original Part, (ii) such Part is required to be incorporated in or installed as part of the Units pursuant to the terms of the second or third paragraph of this § 9 or (iii) notwithstanding the provisions of the fourth paragraph of this § 9, such Part cannot be readily removed from the Unit to which it relates without material damage thereto and without diminishing or impairing the value or utility which such Unit shall have had at such time had such alteration or addition not occurred. In all other cases, if no Event of Default, or event which with notice or lapse of time or both would constitute such an Event of Default, shall have occurred and be continuing, title to Parts incorporated in or installed as parts of the Units as a result of such alterations or additions shall vest in the Sublessee. The term Part for the purposes of this paragraph and § 14 hereof shall be defined to include any appliance, part, instrument, accessory, furnishing or other equipment of any nature which may from time to time be incorporated in or installed as part of any Unit.

The Sublessee shall pay, and shall protect, indemnify and hold the Sublessor, the Owner-Trustee, the Owner, the Investors and the Vendor (for purposes of this paragraph only, as defined in the Security Document), and their respective successors, assigns, principals, agents and servants (hereinafter called 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 any or all liabilities, obligations, damages, costs, disbursements, expenses (including without limitation reasonable attorneys' fees and expenses of any Indemnified Person) relating thereto) in any way relating to or arising or alleged to arise out of this Sublease or the Units, including without limitation those in any way relating to or arising or alleged to arise out of (i) the manufacture, construction, purchase, acceptance, rejection, ownership, delivery, nondelivery, lease, sublease, possession, use, operation, condition, sale, return or other disposition of any Unit or portion thereof; (ii) any latent or other defects whether or not discoverable by any Indemnified Person or the Sublessee; (iii) any claim for patent, trademark or copyright infringe-

ment; (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 Units or in any manner growing out of or concerned with, or alleged to grow out of or be connected with, the ownership, use, replacement, adaptation or maintenance of the Units or of any other equipment in connection with the Units (whether owned or under the control of the Sublessee, the Owner-Trustee, the Sublessor or any other person) or resulting or alleged to result from the condition of any thereof; (vi) any violation (except by the Indemnified Person seeking indemnity hereunder) or alleged violation, of any provision of this Sublease or of any agreement, law, rule, regulation, ordinance or restriction, affecting or applicable to the Units or the leasing, subleasing, ownership, use, replacement, adaptation or maintenance thereof; (vii) any claim arising out of any of the Owner-Trustee's obligations under the Sublease Reassignment, the Security Document or the Participation Agreement, except to the extent such claim arises from the gross negligence or wilful misconduct of the Owner-Trustee, or any claim arising out of any of the Sublessor's obligations under the Sublease Assignment, the Lease or the Participation Agreement, except to the extent such claim arises from an act or omission of the Sublessor; or (viii) any claim arising out of the Vendor's holding a security interest under the Security Document or the Sublease Reassignment; excluding, however, in the case of the Builder, (i) any losses, damages, injuries, liabilities, claims and demands whatsoever arising out of any tort by the Builder, or out of any breach of warranty or failure to perform any covenant under the Security Document by the Builder and (ii) any matter covered by the Builder's warranty of material and workmanship and patent indemnification set forth in Item 3 of Annex A to the Security Document. All payments hereunder shall be made directly to the Indemnified Person. The Sublessee shall be obligated under this § 9, irrespective of whether any Indemnified Person shall also be indemnified with respect to the same matter under any other agreement by any other person, and the Indemnified Person seeking to enforce the indemnification may proceed directly against the Sublessee under this § 9 without first resorting to any such other rights of indemnification. In case any action, suit or proceeding is brought against any Indemnified Person in connection with any claim indemnified against hereunder, the Sublessee may and, upon such Indemnified Person's reasonable request, will at the Sublessee's expense resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel

selected by the Sublessee and approved by such Indemnified Person, as the case may be, and, in the event of any failure by the Sublessee to do so, the Sublessee shall pay all costs and expenses (including without limitation reasonable attorneys' fees and expenses) incurred by such Indemnified Person in connection with such action, suit or proceeding. In the event the Sublessee is required to make any payment under this § 9, the Sublessee 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 the receipt thereof under the laws of the United States or of any political subdivision thereof (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the expense indemnified against, and of any other such taxes as determined in the discretion of the Indemnified Person), shall be equal to the amount of such payment. The Sublessee and the Sublessor each agrees to give each other promptly upon obtaining knowledge thereof written notice of any claim or liability hereby indemnified against. Upon the payment in full of, or the making of provision satisfactory to the Indemnified Person for the full payment of, any indemnities as contained in this § 9 by the Sublessee, and provided that no Event of Default, or event which with notice or lapse of time or both would constitute such an Event of Default, shall have occurred and be continuing, the Sublessee 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 Sublessee) as a result of any matter with respect to which such Indemnified Person has been indemnified by the Sublessee pursuant to this § 9 shall be paid over to the Sublessee to the extent necessary to reimburse the Sublessee for indemnification payments previously made in respect of such matter.

The Sublessee further agrees to indemnify, protect and hold harmless the Sublessor and the Owner-Trustee, the Investors, the Vendor and the Owner, as third party beneficiaries hereof, from and against any and all liabilities, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Sublessor or the Owner-Trustee, the Investors, the Vendor or the Owner because of the use in or about the construction or operation of any of the Equipment of any article or material specified by the Sublessee and not manufactured by the Builder or of any design, system, pro-

cess, formula or combination specified by the Sublessee and not developed or purported to be developed by the Builder which infringes or is claimed to infringe on any patent or other right. The Sublessee will give notice to the Builder of any claim known to the Sublessee from which liability may be charged against the Builder under the Security Document.

In the event that the Owner-Trustee shall become obligated to make any payment to the Investors or the Vendor (for purposes of this paragraph only, as defined in the Security Document) pursuant to Article 13 of the Security Document, or the Owner shall become obligated to make any payment to the Owner-Trustee pursuant to any correlative provision of the Trust Agreement, or the Sublessor shall become obligated to make any payment to the Vendor, the Investors or the estate held by the Owner-Trustee under the Trust Agreement or by the Vendor under the Participation Agreement and the Security Document pursuant to any correlative provision of the Lease not covered by the foregoing provisions of this § 9, the Sublessee shall pay such additional amounts to the Owner-Trustee or the Owner or the Sublessor as will enable the Owner-Trustee or the Owner or the Sublessor to fulfill completely its obligations pursuant to said provisions; provided, however, that no such payment shall be required with respect to payments arising as a result of the gross negligence or wilful misconduct of the Owner-Trustee, the Sublessor or the Owner.

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

The foregoing indemnities by the Sublessee shall not constitute a guarantee by the Sublessee of any payment or other obligation, including without limitation the payment of any installments of principal or interest, under the Security Document, or a guarantee of any value of the Equipment following the expiration of the term thereof as such term may or may not be renewed.

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

(A) payment of any part of the rental provided in § 3 or § 13 hereof or payment in respect of any Casualty Occurrence pursuant to § 7 hereof shall not be made by or on behalf of the Sublessee, and such failure to make payment shall continue for 10 business days after such payment is due; or

(B) (x) any representation or warranty of the Sublessee contained in the Participation Agreement or herein (except the representations and warranties contained in § 20 hereof) shall have been incorrect in any material respect as of the date when made, unless (i) such misrepresentation or the breach of such warranty has been cured, if curable, within 30 days after written notice thereof to the Sublessee from the Sublessor, the Owner-Trustee, the Owner or the Vendor, or (ii) there is no material adverse effect on the rights of the Sublessor, the Owner-Trustee or the Vendor hereunder resulting from such misrepresentation or breach or (iii) any damages resulting from such misrepresentation or breach shall have been paid within 30 days after demand therefore, to the satisfaction of the Sublessor, the Owner-Trustee, the Owner and the Vendor, or (y) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Sublessee contained herein or in the Participation Agreement, and such default shall continue for 30 days after written notice from the Sublessor, the Owner-Trustee or the Vendor to the Sublessee specifying the default and demanding that the same be remedied; or

(C) a decree or order is entered in the Reorganization Proceedings preventing or disabling the Sublessee from performing any of its obligations under this Sublease other than a decree, order, disaffirmance or rejection as provided for in the second paragraph of § 4 hereof; or

(D) if the obligations of the Trustee or his successor or successors hereunder are assumed by a corporation or by the Debtor's successor pursuant to a

plan of reorganization for the Debtor approved in the Reorganization Proceedings (such corporation or successor being hereinafter called the Successor) and either

(i) a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as such Section 77 may hereafter be amended, or under any other provision of Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Successor and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the assumed obligations of the Successor under this Sublease and under the Participation Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by or on behalf of a trustee or trustees or other similar officer appointed (whether or not subject to confirmation or ratification) in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees or officer, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

(ii) any proceedings shall be commenced by or against the Successor for any relief which includes, or might result in, any modification of the assumed obligations of the Successor under this Sublease or under the Participation Agreement under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extension (other than a law which does not permit any readjustments of the assumed obligations of the Successor hereunder or under the Participation Agreement), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the assumed obligations of the Successor under this Sublease and under the Participation Agreement shall not have been and shall not continue to have been duly assumed in

writing, pursuant to a court order or decree, by or on behalf of a trustee or trustees or receiver or receivers or other similar officer appointed (whether or not subject to confirmation or ratification) for the Successor or for the property of the Successor in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers or officers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

(E) an event of default set forth in subparagraph (e) with respect to Great American Insurance Company, or in subparagraph (g), of Article 15 of the Security Document shall have occurred or, any other event of default set forth in such Article 15 shall have occurred and either (i) such event results from any default by the Sublessee in performing any of its obligations hereunder or under the Participation Agreement or (ii) the Payments (as defined in the Sublease Reassignment) are not for any reason being applied by the Owner-Trustee as provided in Paragraph 1 of the Sublease Reassignment;

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

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

(b) by notice in writing to the Sublessee terminate this Sublease, whereupon all rights of the Sublessee to the use of the Units shall absolutely cease and terminate as though this Sublease had never been made, but the Sublessee shall remain liable as herein provided; and thereupon the Sublessor may by its agents enter upon the premises of the Sublessee or other premises where any of the Units may be and take possession of all or any such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Sublessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Sublessee for such action or inaction or for any proceeds arising therefrom; but the

Sublessor shall, nevertheless, have a right to recover from the Sublessee any and all amounts which under the terms of this Sublease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Sublessee as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Sublessor, in its sole discretion, shall specify: (x) a sum with respect to each Unit which represents the excess of (1) the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Sublease as to such Unit over (2) the then present value of the rentals which the Sublessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of an 8% per annum discount, compounded quarterly from the respective dates upon which rentals would have been payable hereunder had this Sublease not been terminated, together with any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Sublessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Sublease other than for the payment of the rental; or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Sublessor reasonably estimates to be the sales value (after deduction of all estimated expenses of such sale) of such Unit at such time; provided, however, that in the event the Sublessor shall have sold or leased any Unit, the Sublessor, in lieu of collecting any amounts payable to the Sublessor by the Sublessee pursuant to the preceding clauses (x) and (y) of this part (b) with respect to such Unit, may, if it shall so elect, demand that the Sublessee pay the Sublessor and the Sublessee shall pay to the Sublessor on the date of such sale or leasing, as the case may be, as liquidated damages for loss of a bargain and not as a penalty (i) in the case of such a sale, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding

the date of termination, over the net proceeds of such sale and (ii) in the case of such a leasing, an amount equal to the excess, if any, of the present value of all rental for such Unit which would otherwise have accrued hereunder from the date of termination to the end of the term of this Sublease as to such Unit over the sum of (I) the then present value of all rental for such Unit required under such new lease plus (II) the then present value of the rental (if any) which the Sublessor reasonably estimates to be obtainable for the Unit during the period commencing on the termination of such new lease and ending on the date the term of this Sublease would have terminated if it had not been terminated early due to default, each such present value to be computed in each case on the basis of an 8% per annum discount, compounded, in the case of rental which is estimated under clause (II) of this sentence, quarter-annually from the respective dates upon which rentals would have been payable hereunder had this Sublease not been terminated and, in the case of rental under such new lease, periodically from the respective dates upon which such rental shall be payable thereunder.

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

The remedies in this Sublease provided in favor of the Sublessor 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 Sublessee hereby waives any requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is permitted by law. The Sublessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder and agrees to make such rental payments regardless of any offset or claim which may be asserted by the Sublessee or on its behalf.

The failure of the Sublessor to exercise the rights granted it hereunder upon the occurrence of any of the con-

tingencies 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 in writing signed by the Sublessor.

The Sublessee also agrees to furnish the Sublessor, the Owner-Trustee, the Owner and the Vendor, promptly upon any responsible officer's becoming aware of any condition which constitutes an Event of Default, or which upon 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. For the purposes of this § 10, a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Sublessee in this Sublease contained, any corporate official of the Sublessee who in the normal performance of such official's operational responsibilities would have knowledge of such matter and the requirements of this Sublease with respect thereto.

§ 11. Return of Units Upon Default. If this Sublease shall terminate pursuant to § 10 hereof, the Sublessee shall forthwith deliver possession of the Units to the Sublessor and shall give prompt telegraphic and written notice to the Association of American Railroads and all railroads having possession of any Unit so to return such Units. Each Unit returned to the Sublessor pursuant to this § 11 shall (i) be in the same operating order, repair and condition as when originally delivered to the Sublessee, reasonable wear and tear and modifications, if any, permitted by this Sublease excepted and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable, or such comparable standards as may then be in effect. For the purpose of delivering possession of any Unit or Units to the Sublessor as above required, the Sublessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner cause such Units to be transported to such location as shall reasonably be designated by the Sublessor and there assembled,

(b) furnish and arrange for the Sublessor to store such Units on any lines of railroad or premises approved by the Sublessor until such Units have been sold, leased

or otherwise disposed of by the Sublessor, and

(c) cause the Units to be moved to such interchange point or points as shall be designated by the Sublessor upon any sale, lease or other disposal of all or any of the Units.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Sublessee (and the Sublessee will maintain the insurance required by § 7 of this Sublease to be maintained during this period) and are of the essence of this Sublease; and, upon application to any court of equity having jurisdiction in the premises, the Sublessor shall be entitled to a decree against the Sublessee requiring specific performance of the covenants of the Sublessee so to assemble, deliver, store and transport the Units. During any storage period, the Sublessee will permit the Sublessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or user of any such Unit, to inspect the same. In the event that the Units or any thereof are sold, the Sublessee shall pay to the Sublessor the per diem interchange for each such Unit which shall not have been assembled, delivered and stored, as hereinbefore provided, by the date of such sale for each day from the date of such sale to the date of delivery to the purchaser thereof.

Without in any way limiting the obligation of the Sublessee under the foregoing provisions of this § 11, the Sublessee hereby irrevocably appoints the Sublessor as the agent and attorney of the Sublessee, with full power and authority, at any time while the Sublessee is obligated to deliver possession of any Unit to the Sublessor, to demand and take possession of such Unit in the name and on behalf of the Sublessee from whomsoever shall be in possession of such Unit at the time and to give all appropriate notices and directions to the Association of American Railroads to change the registration of such Unit from the Sublessee to the Sublessor or as the Sublessor may direct.

§ 12. Assignment; Possession and Use. This Sublease shall be assignable in whole or in part by the Sublessor without the consent of the Sublessee; but the Sublessee shall be under no obligation to any assignee of the Sublessor other than the Owner-Trustee, or its reassignee, the Vendor, except upon written notice of such assignment or reassignment

from the Sublessor or the Owner-Trustee. All the rights of the Sublessor hereunder (including, but not limited to, the rights under §§ 6, 7, 10 and 20 and the rights to receive the rentals payable under this Sublease) shall inure to the benefit of the Sublessor's successors and assigns, including the Owner-Trustee, and to the Owner-Trustee's reassigns, including the Vendor, except to the extent the same may be reserved to the Owner-Trustee.

So long as no Event of Default hereunder or event of default under the Security Document (as defined therein) shall have occurred, the Sublessee shall be entitled to the possession of the Units in accordance with the terms of this Sublease but, without the prior written consent of the Sublessor, the Owner-Trustee and the Vendor, the Sublessee shall not assign or transfer its leasehold interest under this Sublease in the Units or any of them, except as hereinafter provided in this § 12. The Sublessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Owner, the Sublessor, the Owner-Trustee or the Vendor or resulting from claims against the Owner, the Sublessor, the Owner-Trustee or the Vendor not related to the ownership of the Units) upon or with respect to any Unit or the interest of the Sublessor, the Owner-Trustee, the Vendor or the Sublessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, the Owner-Trustee and the Sublessor adversely affect the interest of the Vendor, the Owner-Trustee or the Sublessor in the Equipment, the Vendor's interest in the income and proceeds from the Equipment, or otherwise under this Sublease, the Lease or the Security Document. The Sublessee shall not, without the prior written consent of the Sublessor and the Owner-Trustee, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the next paragraph.

So long as the Sublessee shall not be in default under this Sublease, the Sublessee shall be entitled to the possession and use of the Units in accordance with the terms

hereof and to permit use of the Units by any railroad company or companies incorporated in the United States of America with which it has contractual arrangements for the use of the Units for its benefit upon trackage owned or operated by it or upon lines of railroad owned or operated by such railroad company or companies or over which such railroad company or companies have trackage or other operating rights or over which railroad equipment of such railroad company or companies is regularly operated pursuant to contract, and also to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Sublease, the Lease and the Security Document; provided, however, that the Sublessee shall not assign, sublease or permit the assignment sublease or use of any Unit predominantly outside the United States of America within the meaning of section 48(a) of the Internal Revenue Code of 1954, as amended to the date hereof (hereinafter called the Code), nor shall the Sublessee assign or sublease to, or permit the sublease or use of the Units by, any person in whose hands such Units would not qualify as "section 38 property" within the meaning of the Code. The Sublessee may receive and retain compensation for such use from other railroads so using any of the Units.

Nothing in this § 12 shall be deemed to restrict the right of the Sublessee to assign or transfer its leasehold interest under this Sublease in the Units or possession of the Units to (a) any solvent corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have specifically assumed the obligations of the Sublessee hereunder and under the Participation Agreement by an appropriate instrument in writing) into or with which the Sublessee shall have become merged or consolidated or which shall have acquired the property of the Sublessee as an entirety or substantially as an entirety, or (b) any railroad corporation organized under the laws of the United States or any state thereof (which shall have specifically assumed the obligations of the Sublessee hereunder, under the Participation Agreement and under any other instrument or document contemplated hereby or thereby by an appropriate instrument in writing) which, at the time such assignment or transfer thereto shall become effective (1) qualifies as a Class I Railroad under the rules and regulations of the Interstate Commerce Commission, and (2) has outstanding at such time equipment obligations rated "A" (or the equivalent thereof) or better by Moody's

Investors Service or Standard & Poor's Corporation or a successor thereto, which rating shall have been provided thereby during the year preceding such assignment or transfer either in connection with the sale of equipment obligations or by a private letter; provided, in each case, that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition or of such assignment or transfer be in default under any provision of this Sublease.

In case of any sale or conveyance of all or substantially all of the lines of railroad of the Sublessee, or of the lines of the Sublessee on which a substantial portion of the Units are used, the purchaser, or transferee of the purchaser, shall not be at liberty to refuse to accept performance of this Sublease or to disaffirm it and any such purchaser and any such transferee shall assume and agree to perform each and all of the obligations of the Sublessee hereunder.

§ 13. Renewal Options. The Sublessor intends to retain the Units for re-lease at the expiration of the term of this Sublease. Provided that this Sublease has not been earlier terminated and the Sublessee is not in default hereunder the Sublessee may by written notice delivered to the Sublessor not less than six months prior to the end of the original term of this Sublease elect to extend the term of this Sublease in respect of all, but not fewer than all, the Units then covered by this Sublease for one additional three and one-half year period commencing on the scheduled expiration of the original term of this Sublease at a quarterly rental equal to the Rock Island Fair Market Rental Value of each Unit then subject to this Sublease on the date such rental is payable; such rental shall be payable in arrears on January 15, April 15, July 15 and October 15 in each year of the extended term of this Sublease.

Provided the Sublessee exercises the renewal option provided in the first paragraph of this § 13, provided the Sublessor has elected to extend the term of the Lease pursuant to the renewal option provided in the first paragraph of § 13 of the Lease and provided that this Sublease has not been earlier terminated and the Sublessee is not in default hereunder, the Sublessee may by written notice delivered to the Sublessor not less than five months prior to the end of the original term of this Sublease, as extended pursuant to the first paragraph of this § 13, elect to extend the term of

this Sublease in respect of all, but not fewer than all, the Units then covered by this Sublease for one additional three and one-half year period commencing on the scheduled expiration of the term of this Sublease (as so extended), at a quarterly rental rate equal to the Rock Island Fair Market Rental Value of each Unit then subject to this Sublease; such rental shall be payable in arrears on January 15, April 15, July 15 and October 15 in each year of the extended term of this Sublease.

"Rock Island Fair Market Rental Value" shall be determined on the basis of the value which would be obtained as of the commencement of any renewal period in an arm's-length transaction between an informed and willing lessee-user with a credit standing comparable to the credit standing of the Sublessee at the commencement of such period (other than (i) a lessee currently in possession and (ii) a used equipment dealer) and an informed and willing lessor under no compulsion to lease; provided, however, that such Value for any quarterly period shall not be less than the rental payment due under § 3 of the Lease for such period. If, after 30 days from the giving of notice by the Sublessee of the Sublessee's election to extend the term of this Sublease pursuant to the first or second paragraph of this § 13, as the case may be, the Sublessor and the Sublessee are unable to agree upon a determination of the Rock Island Fair Market Rental Value of the Units, the right of the Sublessee to extend this Sublease under the respective election shall expire.

§ 14. Return of Units upon Expiration of Term. On or prior to the termination of the term of this Sublease or as soon as practicable on or after the termination of the term of this Sublease and in any event not later than 90 days after the termination of the term of this Sublease the Sublessee will, at its own cost and expense, at the request of the Sublessor, cause each Unit to be transported to such point or points on the Sublessee's lines as shall be designated by the Sublessor immediately prior to such termination and arrange for the Sublessor to store such Unit on any of the Sublessee's lines of railroad or premises approved by the Sublessor for a period commencing on the date of its arrival at any such point and extending thereafter to a date not later than 120 days from the date at which at least 95% of such Units are first placed in storage pursuant to this § 14; the assembly, delivery, storage and transporting of such Units to be at the expense and risk of the Sublessee. During any

such storage period the Sublessee will permit the Sublessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or user of such Unit, to inspect the same; provided, however, that the Sublessee shall not be liable, except in the case of negligence or wilful wrongdoing of the Sublessee or of its employees or agents and, except to the extent otherwise provided by law, for any injury to or the death of any person exercising, either on behalf of the Sublessor or any prospective purchaser or user, the rights of inspection granted under this sentence. The assembly, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Sublease, and upon application to any court of equity having jurisdiction in the premises, the Sublessor shall be entitled to a decree against the Sublessee requiring specific performance of the covenants of the Sublessee so to cause the assembly, delivery, storage and transporting of the Units. Each Unit returned to the Sublessor pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Sublessee, reasonable wear and tear excepted, (ii) have attached or affixed thereto any Part title to which is in the Owner-Trustee pursuant to § 9 hereof and have removed therefrom at the Sublessee's expense any Part or Addition title to which is not in the Owner-Trustee or any other person pursuant to such § 9 and (iii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable, or such comparable standards as may then be in effect. If any Unit suffers a Casualty Occurrence during any period prior to its return to the Sublessor as provided for in this § 14 or during any storage period provided for in this § 14, the Sublessee shall pay to the Sublessor the Casualty Value of such Unit as determined in accordance with § 7 hereof. All gross amounts earned in respect of any Unit shall, from and after the termination of the term of this Sublease as to such Unit, belong to and be the property of the Sublessor. In the event that by the 120th day after the termination of the term of this Sublease the Sublessee has not, at the request of the Sublessor, caused at least 95% of the Units to be transported to such point or points as shall have been designated by the Sublessor pursuant to this § 14, the Sublessee shall pay to the Sublessor the per diem interchange multiplied by the number of Units equal to the difference between 95% of such Units and the number of Units previously delivered pursuant to this § 14 (such number to be determined on each day) for each day from such 120th day to the date on

which at least 95% of the Units have been so transported. If, after the termination of the storage period provided in this § 14, any Units have not been so transported, the Sublessee shall pay to the Sublessor the per diem interchange for each Unit not so transported for each day after the end of such storage period until such Unit or Units have been so transported; provided, however, that if any Unit has not suffered a Casualty Occurrence prior to the first anniversary of the termination of this Sublease and has not been so transported within one year after the termination of the term of this Sublease, such Unit shall be deemed to have suffered a Casualty Occurrence and the Sublessee shall pay or cause to be paid to the Sublessor, on the 10th day after the expiration of such year, an amount equal to the greater of (x) the Casualty Value of such Unit as of such payment date or (y) the Fair Market Value of such Unit as of the date this Sublease terminated and assuming such Unit had not experienced a Casualty Occurrence and was in the condition required to be maintained by the terms of this Sublease. If after 10 days from the expiration of such year, the Sublessor and the Sublessee are unable to agree upon a determination of the Fair Market Value of any such Unit, such value shall be determined in accordance with the appraisal procedure specified in the fourth paragraph of § 13 of the Lease and payment of such amount shall be made on the fifth business day following the determination of such Fair Market Value. "Fair Market Value" shall be determined on the basis of the value which would be obtained in an arm's-length transaction between an informed and willing buyer (other than (i) a lessee currently in possession and (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell.

Upon the expiration of the original term of this Sublease on April 15, 1995, the Sublessee will deliver to the Sublessor and to the Owner-Trustee a certificate of the Sublessee to the effect that (a) no Event of Default or event which with lapse of time or notice or both would constitute an Event of Default had occurred or was continuing as of April 15, 1995; (b) no liens, charges, security interests or other encumbrances (except an encumbrance resulting from claims against the Sublessor, the Owner-Trustee or either Owner) were, as of April 15, 1995, imposed on or with respect to any Unit, any accession thereto, or the interest of the Sublessor, the Owner-Trustee or the Owner therein; (c) the Units have been returned to the Sublessor pursuant to this § 14 in the same operating order, repair and condi-

tion required by the first paragraph of this § 14 and (d) the Sublessee no longer has any interest in the Units under the Sublease or otherwise. The certificate described in clause (a) in the preceding sentence shall be furnished on April 15, 1980, and the certificates described in clauses (b), (c) and (d) in the preceding sentence, in addition to being furnished on April 15, 1980, shall be furnished on a monthly basis, beginning on May 15, 1995, and such certificates shall cover each Unit returned during the preceding 30 calendar days and shall apply to each such unit as of the date such Unit was returned pursuant to the provisions of the first paragraph of this § 14. Upon the expiration of any extended term of this Sublease, if the Sublessee shall not have elected to exercise any further renewal option (including the renewal option under the second paragraph of § 13 of the Lease) or if the Sublessee shall have no such further renewal option, the Sublessee shall deliver to the Sublessor and the Owner-Trustee a certificate or certificates of an officer of the Sublessee to the foregoing effect, with such conforming changes as shall be appropriate under the circumstances.

§ 15. Recording. The Sublessee, at its own expense, will cause this Sublease, the Lease, the Security Document, the Sublease Assignment, the Sublease Reassignment and any assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission in accordance with 49 U.S.C. § 11303. The Sublessee will, at its own expense, undertake the filing, registering, deposit, and recording required of the Owner-Trustee under the Security Document and the Sublessor under the Lease and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Sublessor, the Owner-Trustee or the Vendor for the purpose of proper protection, to their satisfaction, of the Sublessor's, the Vendor's and the Owner-Trustee's respective interests in the Units, or for the purpose of carrying out the intention of this Sublease, the Lease, the Security Document, the Sublease Assignment, or the Sublease Reassignment.

The Sublessee will promptly furnish to the Sublessor, the Vendor and the Owner-Trustee evidence of each such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Sublessee with respect

thereto satisfactory to the Sublessor, the Vendor and the Owner-Trustee. This Sublease, the Lease and the Security Document shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

§ 16. Obligations of Owner-Trustee Under Security Document; Additional Rentals. In the event that the Owner-Trustee shall become obligated to make any payment (other than payments in settlement for Equipment or the principal of or interest on the Conditional Sale Indebtedness (as defined therein) pursuant to the Security Document and pursuant to the proviso to the third paragraph of Article 12 thereof) or to perform any obligations pursuant to the Security Document not covered by the provisions of this Sublease, the Sublessee shall pay such additional rentals hereunder and perform such obligations so that all of the Owner-Trustee's obligations (other than as aforesaid) pursuant to the Security Document shall be fully complied with, without regard for any limitation of liability of the Owner-Trustee contained in the Security Document.

§ 17. Sublessor's Right To Perform for the Sublessee. If the Sublessee fails to perform or comply with any of its agreements contained herein, the Sublessor may upon notice to the Sublessee itself perform or comply with such agreement, and the amount of the reasonable cost and expenses of the Sublessor incurred in connection with such performance or compliance, together with interest on such amount at the rate of 10.75% per annum (or such lesser amount as may be legally enforceable), shall be payable by the Sublessee upon demand.

§ 18. Interest on Overdue Rentals. Anything to the contrary herein notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Sublessee promptly to pay an amount equal to interest at a rate of 10.75% per annum on the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

§ 19. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when delivered to such other party or by registered or certified mail, first-class postage prepaid, addressed as follows:

if to the Sublessor, care of Thayer, Ringoen & Macdonald, 50 California Street, San Francisco, California 94111, Attention of President;

if to the Sublessee, at 332 South Michigan Avenue, Chicago, Illinois 60604, Attention of Chief Financial Officer;

or addressed to any party at such other address as such party shall hereafter furnish to the other parties in writing. Any certificate, document or report required to be furnished by any party hereto to the other parties shall be delivered to the address set forth above or so furnished for such party. Any notice to the Sublessee by the Vendor or the Investors regarding the Sublessee's failure to perform any obligation hereunder shall also be furnished by the Sublessee to the Owner-Trustee and the Sublessor.

§ 20. Federal Income Taxes. The Lease and this Sublease were entered into on the basis that an opinion of the chief mechanical officer of the Sublessee to the effect described in subsection (iv) of Paragraph 8 of the Participation Agreement will be provided to the Owner; that the Owner, as the beneficial owner of each Unit, shall be entitled to such deductions, credits and other benefits provided by the Code to an owner of property, including, without limitation, (a) deductions for depreciation of each Unit under section 167 of the Code computed on the basis (i) that each Unit will have a basis under section 167(g) of the Code at least equivalent to the Purchase Price of such Unit, (ii) initially of the declining balance method, using a rate equal to 200% of the straight line rate, switching to the sum of the years-digits method authorized by section 167(b)(3) of the Code in the year in which such switch will result in a greater depreciation deduction than would be available under the declining balance method, without obtaining the consent of the Commissioner of Internal Revenue in accordance with Treasury Regulation § 167(a)-11(c)(1)(iii), (iii) of the asset depreciation range and class life system permitted by section 167(m) of the Code and Treasury Regulation § 1.167(a)-11(a)(1), (iv) of an asset depreciation period of 12 years, (v) of a net salvage value of zero after the reduction permitted by section 167(f)(1) of the Code and (vi) that the Units of Equipment shall be treated as having been placed in service on the respective dates on which they are accepted and delivered under this Lease and the Security Document and that the taxable year in which the Units of Equipment are

first put in service will consist of 6 full calendar months (hereinafter called the ADR Deductions), (b) deductions with respect to interest payable on the Conditional Sale Indebtedness (hereinafter called the Interest Deductions), and (c) investment credit pursuant to section 38 of the Code at least equal to 10% of the aggregate Purchase Price of such Unit (hereinafter called the Investment Credit). This Sublease has also been entered into on the assumption that (1) for Federal income tax purposes all amounts includible in the gross income of the Owner with respect to the Equipment and all deductions allowable to the Owner with respect to the Equipment will be treated as derived from, or allocable to, sources within the United States, (2) for purposes of computing the ADR Deductions with respect to the Equipment for the calendar year in which the Units of Equipment were first placed into service, the Owner will be entitled to elect and will elect the half-year convention and (3) the Federal rate of tax imposed on taxable income of corporations in excess of \$100,000 will be 46% through the date of acceptance of the last Unit of Equipment to be accepted pursuant to the Security Document and this Lease.

The Sublessee agrees that neither it nor any corporation controlled by it or the Debtor, in control of it or the Debtor, or under common control with it or the Debtor, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing.

The Sublessee agrees to use its best efforts to maintain or cause to be maintained sufficient records to verify the amount of income and deductions in respect of each Unit of Equipment allocable to sources within and without the United States. The Sublessee agrees to give the Owner, within 60 days after request therefor, written notice describing the amount of income and deductions allocable to sources within and without the United States and specifying in reasonable detail the basis on which such allocations were made, if such information is required in connection with an audit by the Internal Revenue Service of the tax returns of the Owner. In addition, within 90 days after the end of each calendar year, beginning with the year 1979, the Sublessee agrees to furnish to the Owner a statement to the effect that none of the Equipment has been used outside of

the United States other than in Canada or Mexico on a temporary basis not exceeding 90 days during the preceding calendar year, or if any of the Equipment was used outside the United States other than as aforesaid during such year, giving the appropriate details of any such use, which statement shall be signed by the chief financial officer of the Sublessee.

The Sublessee represents and warrants that (i) all of the Units constitute property the entire Purchase Price of which qualifies for the Investment Credit under section 50 of the Code; (ii) at the time the Owner-Trustee becomes the owner of the Units, the Units will constitute "new section 38 property" within the meaning of section 48(b) of the Code and at the time the Owner-Trustee becomes the owner of the Units, the Units will not have been used or placed in service by any person so as to preclude "the original use of such property" within the meaning of sections 48(b) and 167(c)(2) of the Code from commencing with the Owner-Trustee; (iii) at all times during the original term of this Sublease and all renewal terms, each Unit will constitute "section 38 property" within the meaning of section 48(a) of the Code; and (iv) at all times during the original term of this Sublease and the renewal periods, the Owner will be entitled to treat, for Federal income tax purposes, each item of income, deduction, and credit relating to all Units subject to this Sublease as being derived from, or allocable to, sources within the United States.

If, for Federal income tax purposes, as a result of any reason whatsoever, but excluding any of the specific occurrences or events specified in the sixth paragraph of this § 20, (a) the Owner shall not be entitled to, shall suffer a disallowance or recapture of, shall lose the benefit of, or shall lose the right to claim (including a good faith determination based upon the opinion, to be obtained at the cost of the Sublessee, of independent tax counsel of the Owner approved by the Lessee ("Special Tax Counsel"), which approval shall not unreasonably withheld, that there is no reasonable basis to make such claim), all or any portion of the Investment Credit, the ADR Deductions or the Interest Deductions or (b) any item of income, deduction or credit with respect to the Equipment shall not be treated as derived from, or allocable to, sources within the United States (any such event described in clause (a) or (b) of this paragraph being hereinafter called a Loss), then the Sublessee, at its option, after receiving written notice from the

Sublessor of such Loss together with a certificate of an officer of the Sublessor setting forth in reasonable detail the computations and methods used in calculating such Loss and the amount or amounts of the payments required to be made pursuant to clause (i) or (ii) below (such notice and certificate being hereinafter collectively called the Net Economic Return Notice), shall either (i) commencing with the next rental payment date occurring more than 30 days after receipt by the Sublessor of the Net Economic Return Notice, which Net Economic Return Notice may not be delivered more than 30 days prior to payment by the Owner of the tax which becomes due as a result of the Loss, increase the rental payments under this Sublease over its remaining term by an amount as shall cause the Owner's Net Economic Return to equal the Net Economic Return that would have been realized by the Owner if such Loss had not occurred, such increase in the rental payments to be made directly to the Owner, or (ii) within 30 days of receipt of the Net Economic Return Notice, pay to the Owner in lump sum the amount as shall, in the reasonable opinion of the Owner, be required to provide the Owner with the Net Economic Return that would have been realized by the Owner if such Loss had not occurred. If the option under (ii) above is selected, then to the extent any Loss results in a later benefit to the Owner which has not been taken into account in determining the lump sum payment, payment will be made to the Sublessee at the time such benefit is realized; provided, however, that the Owner shall not be obligated to make any payment pursuant to this sentence to the extent that the amount of such payment would exceed (x) the amount of all prior payments by the Sublessee to the Owner pursuant to the option specified in (ii) above in respect of a Loss less (y) the amount of all prior payments by the Owner to the Sublessee hereunder, and the amount by which such payment would exceed such amounts shall reduce pro tanto any subsequent obligation of the Sublessee to make any payments to the Owner pursuant to the option specified in (ii) above. The adjustments required to be made pursuant to this paragraph shall be made by the Owner and shall be computed using the same method and the same assumptions as were utilized by the Owner in originally evaluating the transaction except for the assumption that has resulted in such adjustments.

In the event that the Owner suffers a Loss and the Owner and the Sublessee are unable to agree within 60 days following the Sublessee's receipt of a Net Economic Return

Notice on the indemnity amounts or amounts required to restore the Owner's Net Economic Return, then the Sublessee shall pay in lump sum, within 30 days after expiration of said 60-day period, such amount as shall, in the reasonable opinion of the Owner (regardless of whether the Sublessee agrees therewith), be required to provide the Owner with the Net Economic Return that would have been realized by the Owner if such Loss had not occurred.

If there is any amendment to, or change in, the Code or any regulation thereunder which is effective on or prior to the acceptance of the last Unit of Equipment to be accepted pursuant to the Security Document and this Sublease, and if such amendment or change affects the privilege of the Owner to file consolidated Federal, state and local income tax returns with corporations affiliated with it, or the Federal rate of tax on the taxable income of corporations, then the amounts of rentals and the Casualty Values under this Sublease will be appropriately adjusted by such amount or amounts as shall, in the reasonable opinion of the Owner, cause the Owner's Net Economic Return to equal the Net Economic Return that would have been realized by the Owner if such amendment or change had not occurred; provided, however, that the rentals and Casualty Values, as so adjusted, shall not be less than amounts sufficient to satisfy the obligations of the Owner-Trustee under the Security Document.

Any late payment by any party hereto of any of its obligations under this § 20 shall result in the obligation on the part of such party promptly to pay an amount equal to interest at the rate per annum equal to 1% in excess of the Prime Rate compounded quarterly on the overdue payment. Prime Rate as used herein shall mean the rate per annum which Manufacturers Hanover Trust Company, New York, New York, charges for 90-day unsecured loans to large corporate borrowers of the highest credit standing from time to time in effect for the period such interest is payable.

Notwithstanding anything to the contrary set forth hereinabove, no amount shall be payable as an indemnity here under to the Owner in respect of any Loss to the extent such Loss is the result of any of the following on the part of the Owner:

- (i) a voluntary transfer or voluntary disposition (whether prior to, during or after the term of the

Lease or this Sublease, but not including a transfer or disposition as a result of a Casualty Occurrence) of any Units or of the interest of the Owner in any Units or the rentals under the Lease or this Sublease, or any transfer or disposition of any Units or of the interest of the Owner in any Units or the rentals under the Lease or this Sublease, whether voluntary or involuntary, which results from bankruptcy or other proceedings for the relief of debtors in which the Owner is the debtor, unless, in each case, such transfer or disposition is made (A) after an Event of Default, as defined in § 10 of this Sublease, has occurred and is continuing; (B) in connection with any alteration, modification or addition to any Unit; or (C) with the consent of the Sublessee;

(ii) the failure of the Owner to claim in a timely manner the Investment Credit, the ADR Deductions (including making all appropriate elections under the applicable Income Tax Regulations), the Interest Deductions or any foreign tax credit or to make a timely election, if permitted by the Code, to treat income and deductions with respect to the Equipment as derived from, or allocable to, sources within the United States, unless Special Tax Counsel of the Owner shall have given its opinion to the Owner that such claim is not allowable;

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

(iv) any residual sharing, guarantee agreement or other voluntary act of the Owner (either individually or in concert with others) which is not included in the foregoing clauses and which is not required or contemplated by the Security Document, the Participation Agreement, the Trust Agreement, the Lease, this Sublease, the Sublease Assignment, the Sublease Assignment Consent, the Lease Assignment, the Consents, the Assignment, the Bond, the Assumption Agreement if entered into or any other document contemplated by any of the foregoing or entered into in connection therewith;

(v) a change in the form or type of organization or the taxable status of the Owner or any successor or transferee of the Owner;

(vi) a Casualty Occurrence with respect to a Unit, if the Owner-Trustee shall have received all amounts required to be paid in respect of such Casualty Occurrence under the Lease;

(vii) any amendment to, or change in, the Code or the Income Tax Regulations which is effective after acceptance of the last Unit of Equipment to be accepted pursuant to the Security Document, the Lease and this Sublease; or

(viii) termination of this Sublease, pursuant to the second paragraph of § 4 hereof, upon a finding by the Court that the Sublessee is unable to transport the traffic offered the Sublessee because of the Sublessee's cash position or that other facts make the Sublessee's continuing operation of the Debtor impossible and upon an order of the Court that the Sublessee discontinue service and/or liquidate the assets of the Debtor or upon a disaffirmance or rejection of this Sublease pursuant to a plan of reorganization in the Reorganization Proceedings.

If at the conclusion of an audit the Owner receives a preliminary or "30-day" letter from the Internal Revenue Service proposing an adjustment in any item claimed in accordance with the fifth paragraph of this § 20 on a tax return or refund claim of the Owner for which the Sublessee would be required to indemnify the Owner pursuant to this § 20 and the amount of the indemnity which the Sublessee would be required to pay would exceed \$100,000 or in the good faith opinion of the Sublessee, the adjustment would have a substantial and continuing precedential adverse effect on the Lessee or the Sublessee or the railroad industry and the Sublessee so advises the Owner in writing, then, if requested by the Sublessee in a timely written request, the Owner shall request an opinion from Special Tax Counsel of the Owner as to whether the basis in law and in fact in favor of allowance of the item proposed to be adjusted outweighs the basis in law and in fact to the contrary. If the opinion is to that effect and if the Sublessee promptly requests the Owner to do so, the Owner shall contest the proposed adjustment; provided, however, that Special Tax Counsel of the Owner shall determine the nature of all action to be taken to contest such proposed adjustment including (A) whether any action to contest such proposed adjustment shall initially be by way of judicial or administrative proceedings, or both, (B) whether any such proposed adjustment shall be contested by resisting payment thereof or by paying the same and seeking a refund thereof,

and (C) if the Owner shall undertake judicial action with respect to such proposed adjustment, the court or other judicial body before which such action shall be commenced. The Owner shall have full control over any contest pursuant to this paragraph and shall not be obligated to appeal an adverse determination by any court if the Owner shall have obtained an opinion from its Special Tax Counsel that the basis in law and in fact in favor of a favorable outcome in the event such determination is appealed outweighs the basis in law and in fact to the contrary there is no reasonable likelihood of a favorable outcome in the event such determination is appealed. At any time, whether before or after commencing to take the action set forth in this paragraph, the Owner may decline to take such action by notifying the Sublessee in writing that the Sublessee is relieved of its obligation to indemnify the Owner with respect to the adjustment proposed by the Internal Revenue Service or such portion thereof as may be specified in such notice.

The Owner shall not be required to take any action pursuant to the preceding paragraph unless and until the Sublessee shall have agreed to indemnify the Owner in a manner reasonably satisfactory to the Owner for any liability or loss which the Owner may incur as a result of contesting the validity of any proposed adjustment and shall have agreed to pay to the Owner on demand all costs and expenses which the Owner may incur in connection with contesting such proposed adjustment (including reasonable fees and disbursements of counsel selected by the Owner). If the Owner determines to contest any adjustment by paying the additional tax and suing for a refund, the Sublessee shall have paid to the Owner an amount equal to the sum on an after-tax basis of any tax, interest, penalties and additions to tax which are required to be paid. Upon receipt by the Owner of a refund of any amounts paid by it based on the adjustment in respect of which amounts it shall have been paid an equivalent amount by the Sublessee, the Sublessor shall pay to the Sublessee when received from the Owner the amount of such refund together with any interest received by it on such amount, and if such refund is not taxable income to the Owner, and if payment under this or the preceding paragraph to the Sublessee is deductible by the Owner for Federal income tax purposes, then the Sublessor shall also pay to the Sublessee when received from the Owner the amount by which the Owner's taxes are reduced as the result of such deduction; provided, however, that in no event shall the total amount paid to the Sublessee pursuant to this or the preceding paragraph with respect to a particular refund exceed the amount paid by the Sublessee to the Owner in connection with

the payments made pursuant to the immediately preceding sentence to which such refund relates.

For purposes of this § 20, the term "Owner" shall include any affiliated group, within the meaning of section 1504 of the Code, of which the Owner is a member if consolidated returns are filed for such affiliated group for Federal income tax purposes.

If the Owner is required by the Internal Revenue Service to include in its gross income an amount in respect of any improvement and/or addition to such Unit of Equipment made by the Sublessee, title to which vests in the Owner or the Owner-Trustee (which amounts are hereinafter called Capital Expenditures), then the Sublessee shall pay directly to the Owner, as an indemnity, in immediately available funds, such amount or amounts which, after deduction of all taxes required to be paid by the Owner in respect of the receipt of such amounts under the laws of any Federal, state or local government or taxing authority of the United States, shall be equal to the sum of the aggregate additional Federal, state or local income taxes payable by the Owner from time to time as a result of such Capital Expenditure plus the amount of any interest, penalties or additions to tax payable as a result of any such Capital Expenditure (less any Federal, state or local tax benefits resulting from payment of any amounts reimbursed hereunder). If as a result of any such Capital Expenditure the aggregate Federal, state or local income taxes paid by the Owner for any taxable year shall be less than the amount of such taxes which would have been payable by the Owner had no such Capital Expenditure been made, then the Sublessor shall pay the Sublessee (when received by the Sublessor from the Owner) the amount of such savings in taxes plus any additional tax benefits realized by the Owner as a result of such payment; provided, however, that the Sublessor shall not be obligated to make any payment pursuant to this sentence to the extent that the amount of such payment would exceed (x) the amount of all prior payments by the Sublessee to the Owner pursuant to this paragraph in respect of any Capital Expenditures less (y) the amount of all prior payments by the Sublessor to the Sublessee hereunder, and the amount by which such payment would exceed such amount shall reduce pro tanto any subsequent obligation of the Sublessee to make any payments to the Owner pursuant to the first sentence of this paragraph. The amount payable to the Owner pursuant to this paragraph shall be paid within 30 days after receipt of the written

demand therefor from the Owner (but not prior to payment by the Owner of the additional Federal, state or local income tax, as the case may be, which becomes due as a result of the said inclusion) accompanied by a written statement describing in reasonable detail such inclusion and the computation of the amount so payable. Any payment due to the Sublessee from the Sublessor pursuant to this paragraph shall be paid immediately after the Sublessor receives from the Owner the amount that the Owner realized from any such savings in its income taxes or additional tax benefits, as the case may be. The Sublessor agrees to cause the Owner to contest the inclusion in its gross income of any amount with respect to a Capital Expenditure to the extent, and under the circumstances, set forth in the ninth and tenth paragraphs of this § 20.

The Sublessee agrees to give the Owner, within 30 days after request therefor, written notice describing in reasonable detail Capital Expenditures made and specifying the cost thereof with respect to each Unit of Equipment if such information is required in connection with an audit by the Internal Revenue Service of the tax returns of the Owner.

In the event that any indemnity payments are required to be made by the Sublessee, or in the event the amount of rentals under this Sublease are adjusted, pursuant to any paragraph of this § 20, the damages and amounts set forth in § 10 of this Sublease and the applicable Casualty Value percentages set forth in Schedule B to this Sublease shall be appropriately adjusted by the Owner (but in no event shall the applicable Casualty Values be reduced below the corresponding Fair Values as defined in the Security Document). The adjustments required to be made pursuant to this paragraph shall be made by the Owner and shall be computed using the same method and the same assumptions, including, without limitation, tax rates, as were utilized by the Owner in originally evaluating this transaction except for the assumption that has resulted in such adjustment. In connection therewith, the Sublessor shall cause the Owner to provide the Sublessee with a certificate of an officer of the Owner setting forth in reasonable detail the figures and methods used in making such calculations. In the case of any such adjustments in the damages and amounts set forth in § 10 of this Sublease and the applicable Casualty Value percentages set forth in Schedule B to this Sublease, if any payment of such damages, amounts or Casualty Values shall have been made

prior to the adjustments made pursuant to this paragraph, (a) the Sublessee shall pay to the Owner the excess amount which would have been payable on the due date of such payment by reason of the adjustments pursuant to this paragraph or (b) the Sublessor shall pay to the Sublessee when received from the Owner the amount of such payments in excess of the amount of such payments which would have been payable by reason of the adjustments pursuant to this paragraph. The Sublessee's and the Sublessor's agreements to pay any sums which may become payable pursuant to this § 20 shall survive the expiration or other termination of this Sublease and the Lease.

The Sublessee shall have the right, upon demand, to have Thayer Ringoen & Macdonald, 50 California Street, San Francisco, California 94111, or another independent party selected by the Sublessee and approved by the Owner, which approval shall not be unreasonably withheld, review any calculations made by the Owner pursuant to this § 20 to determine the consistency of the methods and the assumptions used in such calculations with those used by the Owner in originally evaluating this transaction and the accuracy of such computations based on such methods and assumptions.

The liability of the Sublessee to make indemnification payments pursuant to this § 20 shall, notwithstanding any expiration or termination of this Sublease, continue to exist until such indemnity payments are made by the Sublessee. All indemnity payments under this § 20 shall be made directly to the Owner.

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

This Sublease exclusively and completely states the rights of the Sublessor and the Sublessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto, except the Participation Agreement and the Lease. No variation or

modification of this Sublease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Sublessor and the Sublessee and no such variation shall be made without the prior written consent of the Vendor and the Owner-Trustee.

Nothing in this Sublease shall be deemed to create any right in any person not a party hereto (other than the Sublessor, the Owner, the Builder, the Owner-Trustee, the Vendor and the permitted successors and assigns of a party, each of which shall be deemed to be a third party beneficiary hereof) and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of any third party except as aforesaid.

§ 22. Other Obligations. The Sublessee agrees that, during the term of this Sublease, the Sublessee will not assume or enter into any other leases of equipment, equipment trust agreements, conditional sale agreements or other liabilities or obligations in connection with the leasing or financing of the acquisition of equipment or other tangible personal property, (i) if such liabilities or obligations would be entitled, directly or indirectly, to any priority in right of payment over the obligations of the Sublessee under this Sublease, or (ii) if such liabilities or obligations would be secured, directly or indirectly, by any mortgage, lien or other security interest in property of the Debtor or the Sublessee (except the equipment or other property involved in the particular transaction) unless the obligations of the Sublessee under this Sublease are equally and ratably secured thereby, provided that nothing herein shall restrict the right of the Trustee to issue and sell trustees' certificates for any proper purpose.

It is hereby expressly understood and agreed that any and all obligations of the Sublessee hereunder and any and all amounts payable in connection therewith, including but not limited to amounts payable under §§ 3 and 7 hereof and obligations arising out of any breach of warranty or breach or termination of this Sublease, or otherwise, together with interest thereon to the date of payment thereof, shall be and deemed to be necessary costs and expenses of administration incurred by the Trustee in the Reorganization Proceedings and shall rank equally and ratably with all other expenses of administration of the Trustee, except trustees' certificates heretofore or hereafter issued by the Trustee;

and, without limitation of the foregoing, to the extent that the free assets are not sufficient to pay in full in cash such obligations, such obligations, together with interest thereon as herein provided, shall be paid in full in cash out of the liened assets prior to any payment or other distribution being made to the Bondholders.

For the purpose of this Sublease:

(a) The term "free assets" shall mean any and all property and assets of the Sublessee and the Debtor's estate of every kind and description, tangible and intangible (including cash on hand and on deposit), not subject to mortgage, pledge, lien, trustees' certificates, equipment trusts or other encumbrances.

(b) The term "liened assets" shall mean any and all property and assets of the Sublessee and the Debtor's estate of every kind and description, tangible and intangible, subject to the lien of the mortgage securing the Bonds.

(c) The term "Bonds" shall mean any bonds issued by the Debtor, including the following: the First Mortgage Bonds, Series A due 1980, Series C due 1983, Series G due 1993, Series H due 2004 and Series I due 2004.

(d) The term "Bondholders" shall mean the holders of any of the Bonds issued by the Debtor.

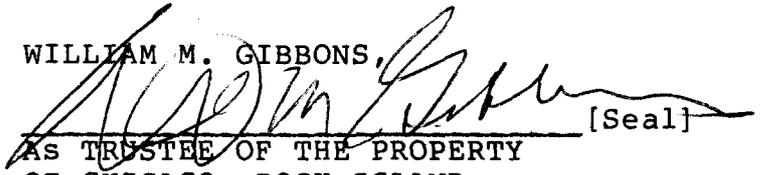
§ 23. Execution. This Sublease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. Although for convenience this Sublease is dated as of the date first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

§ 24. Law Governing. The terms of this Sublease and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

IN WITNESS WHEREOF, the parties hereto have exe-

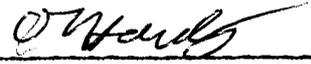
cuted or caused this instrument to be executed as of the date first above written.

WILLIAM M. GIBBONS,

 [Seal]

AS TRUSTEE OF THE PROPERTY
OF CHICAGO, ROCK ISLAND
AND PACIFIC RAILROAD COMPANY,
and not individually

Witness:



GAMS TRANSPORTATION, INC.,

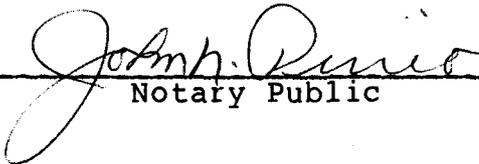
[CORPORATE SEAL]

by

Attest:

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

On this 17 day of July 1979, before me personally appeared William M. Gibbons, to me personally known, who, being by me duly sworn, says that he is the TRUSTEE OF THE PROPERTY OF THE CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY, signer and sealer of the foregoing instrument, and he acknowledged the same to be his free act and deed, as such Trustee pursuant to specific orders of the United States District Court for the Northern District of Illinois in proceedings bearing No. 75B-2697, before me.


Notary Public

[Notarial Seal]

My Commission Expires
Oct. 26, 1981

STATE OF CALIFORNIA,)
) ss.:
CITY AND COUNTY OF SAN FRANCISCO,)

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

Notary Public

[Notarial Seal]

My Commission Expires

SCHEDULE A TO SUBLEASE

<u>Type</u>	<u>Builder's Specification</u>	<u>Builder's Plant</u>	<u>Quantity</u>	<u>Estimated Unit Base Price</u>	<u>Estimated Total Base Price</u>	<u>Road Numbers (Inclusive)</u>	<u>Estimated Time of Delivery</u>
50 foot, 6 inch 70-ton Class XF boxcar	No. 1042, dated March 29, 1979, as amended	Bessemer, Alabama	242	\$40,900	\$9,897,800	ROCK 301800 through ROCK 302041	July-August 1979

Place of delivery: Bessemer, Alabama

Casualty Values*

Item #:	Rental Payment Date**	Percentage of Purchase Price	Rental Payment Date**	Percentage of Purchase Price	
	4/1980	1	85.232635		
	7/1980	2	85.718474		
	10/1980	3	86.211775		
	1/1981	4	86.712631		
	4/1981	5	87.059823		
	7/1981	6	87.330140		
	10/1981	7	87.603462		
	1/1982	8	87.879791		
	4/1982	9	88.018833		
	7/1982	10	88.087285		
	10/1982	11	88.154533		
	1/1983	12	88.220492		
	4/1983	13	88.162819		
	7/1983	14	88.039544		
	10/1983	15	87.911031		
	1/1984	16	87.777111		
	4/1984	17	87.533644		
	7/1984	18	87.229875		
	10/1984	19	86.917031		
	1/1985	20	86.594859		
	4/1985	21	86.177700		
	7/1985	22	85.705887		
	10/1985	23	85.221377		
	1/1986	24	84.723839		
	4/1986	25	84.146396		
	7/1986	26	83.520331		
	10/1986	27	82.878188		
	1/1987	28	82.219560		
	4/1987	29	81.496689		
	7/1987	30	80.731651		
	10/1987	31	79.947421		
	1/1988	32	79.143519		
	4/1988	33	78.291672		
	7/1988	34	77.404586		
	10/1988	35	76.495487		
	1/1989	36	75.563830		
	4/1989	37	74.601230		
	7/1989	38	73.610838		
	10/1989	39	72.595939		
			1/1990	40	71.555929
			4/1990	41	70.498455
			7/1990	42	69.419125
			10/1990	43	68.311279
			1/1991	44	67.170483
			4/1991	45	66.019988
			7/1991	46	64.852245
			10/1991	47	63.650983
			1/1992	48	62.412130
			4/1992	49	61.178242
			7/1992	50	59.932181
			10/1992	51	58.648030
			1/1993	52	57.329046
			4/1993	53	56.039466
			7/1993	54	54.748937
			10/1993	55	53.425511
			1/1994	56	52.068387
			4/1994	57	50.744363
			7/1994	58	49.420456
			10/1994	59	48.062364
			1/1995	60	46.669248
			4/1995	61	45.314412
			7/1995	62	43.961719
			10/1995	63	42.573573
			1/1996	64	41.149107
			4/1996	65	39.768801
			7/1996	66	38.393036
			10/1996	67	36.980609
			1/1997	68	35.530598
			4/1997	69	34.131401
			7/1997	70	33.226707
			10/1997	71	32.276568
			1/1998	72	31.280688
			4/1998	73	30.315490
			7/1998	74	29.344281
			10/1998	75	28.326195
			1/1999	76	27.772138
			4/1999	77	27.256541
			7/1999	78	26.746598

*The Casualty Value of each Unit as of any rental payment date shall be that percentage of the Purchase Price of such Unit as is set forth in the above schedule opposite each such rental payment date.

**The rental payment date is the 15th day of the month set forth.

Casualty Values*

Item I:	<u>Rental Payment Date**</u>	<u>Percentage of Purchase Price</u>	<u>Rental Payment Date**</u>	<u>Percentage of Purchase Price</u>
	10/1999 79	26.208193		
	1/2000 80	25.640764		
	4/2000 81	25.092709		
	7/2000 82	24.540165		
	10/2000 83	23.958320		
	1/2001 84	23.346596		
	4/2001 85	22.753374		
	7/2001 86	22.154772		
	10/2001 87	21.525963		
	1/2002 88	20.866351		
	4/2002 89	20.100948		
	and thereafter			

Item II:	<u>Anniversary of Delivery and Acceptance</u>	<u>Percentage of Purchase Price</u>
	Third	19.64444
	Fifth	13.09630
	Seventh	6.54815

*The Casualty Value of each Unit as of any rental payment date shall be that percentage of the Purchase Price of such Unit as is set forth in the above schedule opposite each such rental payment date.

**The rental payment date is the 15th day of the month set forth.