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October 16, 1986 6-293A057

James H. Bayne
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

RECORDATION NO. 15080 Filed & Recorded
Date OCT 20 1986
Fec \$ 10.00
ICC Washington, D.C.
OCT 20 1986 12-05 PM
INTERSTATE COMMERCE COMMISSION

Dear Mr. Bayne:

Enclosed for recordation under the provisions of Section 11303 of Title 49 of the U.S. Code are the original and five counterparts of an Equipment Lease dated as of September 1, 1986. The Equipment Lease is a primary document.

A general description of the railroad rolling stock covered by the enclosed documents and intended for use related to interstate commerce is set forth in Schedule A attached to this letter and made a part hereof.

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

Lessor:	Mercantile Bank National Association Eighth and Locust Streets St. Louis, Missouri 63101 Attention: Leasing Manager
Lessee:	Pullman Leasing Company, a division of Signal Capital Corporation 200 South Michigan Avenue Chicago, Illinois 60604 Attention: Lease Administrator

100 COPIES OF THE STORE COPY
OCT 20 11 56 AM '86
MOTOR OPERATING UNIT

The undersigned acted as special counsel in connection with the preparation of the enclosed document and has knowledge of the matters set forth therein.

Please return the original and any extra copies of the Equipment Lease not needed by the Commission for recordation to Elizabeth L. Majers, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$10.00 covering the required recording fee.

A short summary of the enclosed primary document to appear in the Index is as follows:

Handwritten signatures and notes on the left margin, including a large signature that appears to read "C. H. Bayne" and another signature below it.

CHAPMAN AND CUTLER

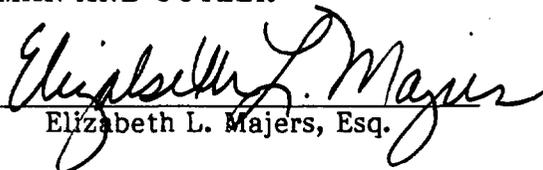
-2-

Equipment Lease between Mercantile Bank National Association, as Lessor, Eighth and Locust Streets, St. Louis, Missouri 63101, Attention: Leasing Manager and Pullman Leasing Company, a division of Signal Capital Corporation, 200 South Michigan Avenue, Chicago, Illinois 60604.

Very truly yours,

CHAPMAN AND CUTLER

By


Elizabeth L. Majers, Esq.

Enclosures

DESCRIPTION OF ITEMS OF EQUIPMENT

Manufacturer of Equipment:	Trinity Industries, Inc.
Description and Mark and Number of Items of Equipment:	Two Hundred 5850 Cubic Foot Hopper Cars equipped with pneumatic outlet gates and circular hatch covers marked and numbered PLWX 46,000 to PLWX 46,199, both inclusive.
Base Purchase Price of Equipment:	\$45,585.50 for each Item of Equipment
Maximum Aggregate Purchase Price of Equipment:	\$9,200,000 for all Items of Equipment
Place of Delivery:	Chicago, Illinois
Outside Delivery Date:	December 31, 1986

(Signal Capital No. 86-1)

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

10/20/86

Elizabeth L. Majers, Esq.
Chapman & Cutler
111 West Monroe Street
Chicago, Illinois 60603

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 10/20/86 at 12:05pm, and assigned re-
recording number(s) 15080 & 15081.

Sincerely yours,

Noreta R. McGee
Secretary

Enclosure(s)

SE-30
(7/79)

RECORDATION NO. 15080 Filed & Recorded

OCT 20 1986 12-05 PM

INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE

Dated as of September 1, 1986

Between

MERCANTILE BANK NATIONAL ASSOCIATION

LESSOR

And

SIGNAL CAPITAL CORPORATION

LESSEE

(Signal Capital No. 86-1)

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Attachments to Equipment Lease

- Schedule A - Description of Items of Equipment
- Schedule B - Certificate of Acceptance
- Schedule C - Schedule of Fixed Rental
- Schedule D - Schedule of Casualty Value

EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of September 1, 1986 between Mercantile Bank National Association, a national banking association (the "Lessor"), and Signal Capital Corporation, a Delaware corporation (the "Lessee");

RECITALS:

A. Pursuant to an Acquisition Agreement dated as of September 1, 1986 (the "Acquisition Agreement"), the Lessee (in its capacity as seller of the Equipment, the "Seller"), has or will sell the Equipment referred to below to the Lessor.

B. The Lessee and the Lessor intend to enter into a Participation Agreement dated as of September 1, 1986 (the "Participation Agreement") with Principal Mutual Life Insurance Company (the "Note Purchaser") providing for the commitment of the Note Purchaser which, together with funds provided by the Lessor, will permit the Lessor to obtain the funds necessary to purchase the equipment (collectively the "Equipment" or "Items of Equipment" and individually an "Item of Equipment" or "Item") described in Schedule A attached hereto and made a part hereof. On October 15, 1986 the Lessor will issue and sell its 9.25% Secured Notes due January 2, 2003 (the "Notes") to the Note Purchaser and concurrently therewith remit such sale proceeds to Harris Trust and Savings Bank, as escrow agent (the "Escrow Agent") to be invested and applied in accordance with the terms and provisions of the Escrow Agreement dated as of September 1, 1986 (the "Escrow Agreement") among the Lessee, the Lessor, the Note Purchaser and the Escrow Agent. The Lessor will commit to advance on not more than two dates, each not later than December 31, 1986 (the "Closing Dates") an amount equal to 20% of the purchase price as set forth in said Schedule A (the "Purchase Price") of each Item of Equipment for which settlement is then to be made, and pursuant to the Escrow Agreement, the Escrow Agent will advance an amount equal to 80% of the Purchase Price of such Items of Equipment. It is contemplated that the Participation Agreement will provide that the Notes will be secured by an assignment of the Lessor's right, title and interest in and to this Lease and in and to the Equipment pursuant to a Security Agreement dated as of September 1, 1986 (the "Security Agreement") from the Lessor to the Note Purchaser.

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT.

1.1. **Intent to Lease and Hire.** Upon delivery of each Item of Equipment by the Seller to the Lessee, the Lessee shall lease and let and the Lessor shall hire to the Lessee such Item of Equipment for the rental and on and subject to the terms and conditions herein set forth.

1.2. **Inspection and Acceptance.** The Seller will tender each Item of Equipment to the Lessee at the place of delivery set forth in Schedule A hereto. Upon such tender, the Lessee will cause an inspector designated and authorized by the Lessee to inspect the same, and, if such Item of Equipment is found to be in good order, to accept delivery of such Item of Equipment and to execute and deliver to the Lessor a Certificate of Acceptance (the "Certificate of Acceptance") in the form attached hereto as Schedule B with respect to such Item of Equipment; provided, however, that the Lessee shall not accept and the Lessor shall have no obligation to lease any Item of Equipment delivered

after the outside delivery date set forth in Schedule A hereto. The Lessee is hereby designated by the Lessor as its agent to accept the Items of Equipment to be leased hereunder from the Seller pursuant to the Acquisition Agreement.

1.3. Certificate of Acceptance. The Lessee's execution and delivery of a Certificate of Acceptance with respect to each Item of Equipment pursuant to Section 1.2 hereof shall conclusively establish that, as between the Lessor and the Lessee, but without limiting or otherwise affecting the Lessee's or the Lessor's rights, if any, against the manufacturer of the Equipment identified in Schedule A hereto (the "Manufacturer"), such Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Item of Equipment is in good order and condition and appears to conform to the specifications applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, if any, and to all standards recommended by the Association of American Railroads applicable to new railroad equipment of the character of the Equipment as of the date of this Lease. By execution and delivery of such Certificate of Acceptance, the Lessee represents that it has no knowledge of any such defect.

SECTION 2. RENTALS AND PAYMENT DATES.

2.1. Rent for Equipment. The Lessee agrees to pay the Lessor the following rent for each Item of Equipment:

(a) **Fixed Rental.** For each Item of Equipment, thirty-nine (39) semiannual installments of fixed rental (the "Fixed Rental"), each in an amount determined by multiplying the Purchase Price of the Equipment by the percentage set forth in Schedule C attached hereto and made a part hereof for the applicable Fixed Rental Payment Date (as hereinafter defined), it being understood and agreed by the Lessor that as provided in said Schedule C, no Fixed Rental is due and payable on July 2, 1987, July 2, 1988, July 2, 1989, July 2, 2003, July 2, 2004 and July 2, 2005.

Anything contained herein or in the Participation Agreement to the contrary notwithstanding, each installment of Fixed Rental (both before and after any adjustment pursuant to Section 2.4 hereof), together with any Supplemental Fixed Rental payable under Section 2.1(b) hereof, shall be under any circumstances and in any event, in an amount at least sufficient for the Lessor to pay in full as of the due date of such installment any payment of principal of and interest on the Notes required to be paid by the Lessor on the due date of such installment of Fixed Rental; and

(b) **Additional Supplemental Fixed Rental; Deductions from Fixed Rental and Casualty Value.** In the event that the Lessor shall fail to pay any amounts required to be paid by it under Section 2.1(c)(ii) of the Participation Agreement when due thereunder, the Lessee shall pay, as supplemental fixed rental ("Supplemental Fixed Rental"), on each due date thereof an amount equal to the payment which was to have been made by the Lessor on such due date. After making any such payment of Supplemental Fixed Rental in such amount, the Lessee shall be entitled to deduct from each succeeding payment of Fixed Rental or Casualty Value an amount equal to the lesser of (i) the sum

of (1) the amount of such Supplemental Fixed Rental payment not previously reimbursed to the Lessee pursuant to Section 2.1(c)(ii) of the Participation Agreement or not previously deducted by the Lessee from payments of Fixed Rental or Casualty Value pursuant to this sentence of this Section 2.1(b), plus (2) interest on the amount of such Supplemental Fixed Rental payment at a rate equal to the prime commercial rate charged from time to time by the First National Bank of Boston, Boston, Massachusetts, plus 5% (compounded annually) for the period from and including the date such Supplemental Fixed Rental payment is made to but excluding, as the case may be, (x) the Fixed Rental Payment Date (as hereinafter defined) on which such succeeding payment of Fixed Rental is scheduled to be made or (y) the Fixed Rental Payment Date on which such succeeding payment of Casualty Value is scheduled to be made and (ii) the excess, if any, of the amount of such succeeding payment of Fixed Rental or Casualty Value, as the case may be, which would then be payable without deduction pursuant to this Section 2.1(b) over, in the case of Fixed Rental, the unpaid amount of principal of and interest on the Notes required to be paid by the Lessor on the Fixed Rental Payment Date on which such succeeding payment of Fixed Rental is scheduled to be made and, in the case of Casualty Value, the unpaid amount of principal of and interest accrued on the Notes, as the case may be, to the Fixed Rental Payment Date on which such succeeding payment of Casualty Value is scheduled to be made; provided that anything in this clause (b) to the contrary notwithstanding, if the Notes and the obligations of the Lessor under the Security Agreement have been satisfied in full and the Lessee has received written notice thereof from the holders of the Notes, then in such event the Lessee shall be entitled to deduct from the purchase price of the Equipment paid pursuant to Section 18.1, if any, or from the rental paid with respect to the Equipment during any renewal term pursuant to Section 18.2, if any, any amounts due to the Lessee under and pursuant to this Lease not previously reimbursed by the Lessor without regard to clauses (i) or (ii) hereof.

2.2. Fixed Rental Payment Dates. The primary term of this Lease shall commence on January 2, 1987 (the "Term Lease Commencement Date"). The first installment of Fixed Rental for each Item of Equipment shall be due and payable six months following the Term Lease Commencement Date and the balance of said installments shall be payable at six month intervals thereafter with the final such installment payable nineteen years and six months following the Term Lease Commencement Date (each a "Fixed Rental Payment Date"). Each installment of Supplemental Fixed Rental shall be due and payable on the Fixed Rental Payment Date provided therefor pursuant to Section 2.1(b) hereof. If any of the Fixed Rental Payment Dates is not a business day, the Fixed Rental payment and the Supplemental Fixed Rental payment, if any, otherwise payable on such date shall be payable on the next succeeding business day. For purposes of this Lease, the term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in the State of Illinois are authorized or required to close.

2.3. Place and Manner of Rent Payment. The payments to be made by the Lessee under this Lease shall be made as follows:

(a) Each installment of Fixed Rental and Supplemental Fixed Rental shall be paid to the Lessor by wire transfer to the principal office of the Lessor at the address provided for payments in Section 20.1 hereof; provided that in the event either the Lessor or the Note Purchaser shall notify the

Lessee in writing that the right to receive payment of such installment shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment to the Note Purchaser by wire transfer to the place designated in Section 20.1 or as otherwise designated from time to time in writing by the Note Purchaser;

(b) The portion of any installment of Fixed Rental resulting from an increase in the amount thereof, if any, which the Lessee shall agree to pay to the Lessor resulting from any rental adjustment pursuant to Section 2.4 hereof shall be paid in full to the Lessor by wire transfer to the principal office of the Lessor at the address provided for payments in Section 20.1 hereof; provided that in the event either the Lessor or the Note Purchaser shall notify the Lessee in writing that the right to receive payment of installments of Fixed Rental and Supplemental Fixed Rental shall have been assigned in accordance with Section 16 hereof and that an Event of Default or event which with the lapse of time or giving of notice, or both, would constitute an Event of Default hereunder shall have occurred and be continuing, the Lessee shall make such payment to the Note Purchaser by wire transfer to the place designated in Section 20.1 or as otherwise designated from time to time in writing by the Note Purchaser;

(c) The entire amount of any payment of Casualty Value pursuant to Section 11.3 or 18.7 hereof shall be paid to the Lessor by wire transfer to the Lessor in the manner provided for notice in Section 20.1 hereof; provided that in the event either the Lessor or the Note Purchaser shall notify the Lessee in writing that the right to receive payment of such Casualty Value shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment to the Note Purchaser by wire transfer in the manner designated in such notice or as otherwise designated from time to time in writing by the Note Purchaser;

(d) The amount of any payment owing to the Lessor pursuant to Sections 6, 10.2, 11.1 (with respect to public liability insurance) and 20.2 hereof shall be made directly to the party to receive the same without regard to the assignment of this Lease pursuant to Section 16 hereof;

(e) The amount of any interest due in respect of the late payment of any rentals or other amounts pursuant to Section 19 hereof shall be paid to the party and in the manner herein provided to receive said rental or other amount; and

(f) All payments other than those above specified shall be made by the Lessee directly to the party to receive the same unless any such payment has previously been made by the Lessor or its assignee, in which case the Lessee shall reimburse the Lessor or its assignee, as the case may be, directly for such payment.

The Lessee agrees that it will make payments due hereunder by wire transfer where specified above at the opening of business of the office of the transferring bank on the due date of such payment of Federal or otherwise immediately available funds to the party to whom such payment is to be made, and where not so specified, such payment shall be made by check of the Lessee drawn on a bank located in the continental United States and mailed

to the party to receive the same at the address herein provided or at such other address as the Lessee shall have been previously advised in writing.

2.4. Adjustment of Rent. Notwithstanding any other provision of this Lease, the Lessee and the Lessor agree that the Fixed Rental and the Supplemental Fixed Rental hereunder and the Casualty Value percentages set forth in Schedule D attached hereto and made a part hereof will be adjusted in the event that either:

(a) any assumption set forth below shall prove to be untrue:

(i) the Closing Dates on which the Equipment will be purchased will be September 15, 1986 and November 15, 1986;

(ii) one hundred Items of Equipment will be purchased by the Lessor on each of September 15, 1986 and November 15, 1986; or

(b) if any amendment to, or change in, the Internal Revenue Code of 1954, as amended (the "Code"), or income tax regulations thereunder are approved during the term of the 99th Congress, the effect of which is to change the after-tax rate of return or the net after-tax cash flow of the Lessor with respect to any Item of Equipment based on the same assumptions and methods of calculation utilized by the Lessor in originally evaluating the transactions contemplated by this Lease, except to the extent and only to the extent any such amendment to, or change in, the Code or income tax regulations thereunder affects the Lessor's assumptions with respect to cash or accrual accounting or with respect to alternative minimum taxes, in which event no such adjustment shall be made hereunder.

Any such adjustment pursuant to clause (a) above shall be with respect to all Items of Equipment and pursuant to clause (b) above shall be with respect to the subject Item of Equipment and in any such case shall be effective as of the first Fixed Rental Payment Date following the event giving rise to such adjustment and shall be made in such a manner as will, in the Lessor's reasonable judgment, maintain the after-tax rate of return and net after-tax cash flow that would have been realized by the Lessor had such event not occurred, based on the same assumptions and methods of calculation utilized by the Lessor in originally evaluating the transactions contemplated by this Lease and the Participation Agreement; provided that any such adjustment shall be made within the limitations of Section 2.2(c) of the Participation Agreement. Notwithstanding the foregoing, the Fixed Rental, the Supplemental Fixed Rental and the Casualty Value percentages will never be less than those amounts and percentages required to enable the Lessor to satisfy in full its periodic obligations in respect of the Notes. Prior to the first Closing Date the Lessor shall have deposited with D'Accord Financial Services, Inc. ("D'Accord"), a statement of its assumptions relating to its after-tax rate of return and net after-tax cash flow relating to the transactions contemplated by this Lease, including its assumption as to residual value of the Equipment and after tax-effective yield and after-tax cash flow. After any such adjustment pursuant to this Section 2.4, the Lessee may request D'Accord to verify the accuracy of such adjustment based upon the original assumptions of the Lessor so deposited with D'Accord. The Lessee agrees to pay the costs of the depository and verification arrangement herein contemplated.

2.5. Net Lease. This Lease is a net lease and the Lessee's obligation to pay all Fixed Rental, Supplemental Fixed Rental, Casualty Value and other amounts payable hereunder shall be absolute and unconditional under any and all

circumstances and, without limiting the generality of the foregoing, the Lessee shall not be entitled to any abatement of rent or reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due to any present or future claims of the Lessee against the Lessor under this Lease (excepting only as expressly contemplated in Section 2.1(b) hereof) or otherwise or against any assignee of the Lessor pursuant to Section 16 hereof; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss or destruction of all or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the Fixed Rental, Supplemental Fixed Rental, Casualty Value and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11.4 or 18 hereof, or until, pursuant to Section 13 hereof, the Equipment has been returned to the possession of the Lessor (for all purposes of this Lease any Item of Equipment shall not be deemed to have been returned to the Lessor's possession until all of the Lessee's obligations with respect to the return, transportation and storage thereof have been performed). To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Items of Equipment except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor or any assignee pursuant to Section 16 hereof for any reason whatsoever.

SECTION 3. TERM OF THE LEASE.

The term of this Lease as to each Item of Equipment shall begin on the date of the delivery to and acceptance by the Lessee of such Item of Equipment and, subject to the provisions of Sections 11, 14 and 18 hereof, shall terminate twenty years following the Term Lease Commencement Date provided for in Section 2.2 hereof.

SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.

4.1. Retention of Title. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title to the Equipment notwithstanding the delivery thereof to and possession and use thereof by the Lessee or any permitted sub-lessee pursuant to Section 17.2 hereof.

4.2. Duty to Number and Mark Equipment. The Lessee will cause each Item of Equipment to be kept numbered with its road number as set forth in Schedule A hereto and within 120 days of the date hereof will label, keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

"Leased from Mercantile Bank National Association, as Owner, and subject to a Security Interest recorded with the I.C.C."

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 16 hereof. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the road number of any Item of Equipment except with the consent of the Lessor and in accordance with a statement of new road numbers to be substituted therefor, which consent and statement previously shall have been delivered to the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

4.3. Prohibition Against Certain Designations. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates or any permitted sublessee pursuant to Section 17.2 hereof on railroad equipment used by it of the same or a similar type for convenience of identification of the right of the Lessee to use the Equipment under this Lease.

SECTION 5. DISCLAIMER OF WARRANTIES.

THE LESSOR LEASES THE EQUIPMENT, AS-IS, IN WHATEVER CONDITION IT MAY BE, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, BY THE LESSOR, THE LESSOR EXPRESSLY DISCLAIMING ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT, (B) THE LESSOR'S TITLE THERETO, (C) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, (D) THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR (E) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. Notwithstanding the disclaimer contained in clause (C) above, but subject always to Section 2.5 hereof, the Lessor warrants and represents to the Lessee that its right to quiet enjoyment of the Equipment shall not be wrongfully interfered with by the Lessor or any party claiming by, through or under the Lessor, provided that the Lessee is otherwise in compliance with terms of this Lease. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against the Manufacturer, provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Item of Equipment or by any inadequacy thereof or deficiency or defect therein or by any other

circumstances in connection therewith; (ii) the use, operation or performance of any Item of Equipment or 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 Item of Equipment. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that all Items of Equipment described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

SECTION 6. LESSEE'S INDEMNITY.

6.1. Scope of Indemnity. The Lessee shall defend, indemnify and save harmless the Lessor and any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Note Purchaser) and their respective successors and assigns from and against:

(a) any and all loss or damage to the Equipment, usual wear and tear excepted; and

(b) any claim, cause of action, damages, liability, cost or expense (including, without limitation, counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them (i) relating to any Item of Equipment or any part thereof, including, without limitation, the construction, purchase, delivery, acceptance, rejection, ownership, sale, leasing, subleasing, return or storage of any Item of Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessee or any indemnified party), (ii) relating to this Lease, the Acquisition Agreement, the Participation Agreement, the Security Agreement, the Escrow Agreement, the Notes or any sublease permitted by Section 17.2 hereof, (iii) by reason or as the result of any act or omission (whether negligent or otherwise) of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, (iv) as a result of claims for patent, trademark or copyright infringements, or (v) as a result of claims for negligence or strict liability in tort.

The Lessee shall not be required to indemnify the Lessor or any assignee with respect to indemnities pursuant to Section 6.1(b)(ii) against any loss, damage, injury, claim or demand which arises as a result of:

(1) the willful misconduct or gross negligence of any such party; provided, however, that in the event any such party shall not be entitled to indemnification by reason of its willful misconduct or gross negligence, the Lessee agrees that all other parties entitled to indemnification hereunder shall have the right to be fully indemnified by the Lessee regardless of the circumstances which relieve the Lessee of its obligations to indemnify any other such party, and the gross negligence or willful misconduct of any such party shall not be imputed to any other party entitled to indemnification hereunder; or

(2) expenses incurred by the Lessor, the Note Purchaser or any of their respective assignees in connection with the negotiation or execution of this Lease

or the financing of any portion of the Purchase Price of the Equipment, except to the extent the Lessee has agreed to pay such expenses pursuant to the Participation Agreement.

The indemnities and assumptions of liabilities set forth in this Section 6.1 do not guarantee to any party at any time a residual value in the Equipment nor do they guarantee the payment of the Notes or any interest accrued thereon.

6.2. Continuation of Indemnities and Assumptions. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise; provided, however, that such indemnities and assumptions of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i), (ii), (iii) or (v) of subsection (b) of Section 6.1 hereof, occurring after the termination of this Lease, except for any such matters occurring after the termination arising in connection with the Lessee's assembling, delivering, storing or transporting of the Equipment as provided in Section 13 or 15, as the case may be. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including, without limitation, the rules of the United States Department of Transportation, the Interstate Commerce Commission and the current Interchange Rules or supplements thereto of the Mechanical Division, Association of American Railroads as the same may be in effect from time to time) (the "Interchange Rules") with respect to the use and maintenance of each Item of Equipment subject to this Lease. In case any equipment or appliance is required to be altered, added, replaced or modified on any Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such alterations, additions, replacements and/or modifications at its own expense and title thereto shall be immediately vested in the Lessor; provided, however, so long as no Event of Default hereunder shall have occurred and be continuing, that Lessee may, in good faith and by appropriate legal proceedings, at its own expense, contest the validity or application of any such law, regulation, requirement or rule in any reasonable manner which does not in the opinion of the Lessor and the Note Purchaser adversely affect the rights or interests of the Lessor and the Note Purchaser in the Equipment or hereunder.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the manner for which it was originally designed and intended and so as to subject it only to ordinary wear and tear; provided, however, that, anything herein contained to the contrary notwithstanding, in no event will the Lessee (or any permitted assignee or transferee thereof) use any Item of Equipment for the transportation of commodities the toxic effect of which on the condition of such Item of Equipment would be materially greater than the toxic effect of plastic pellets or resins or similar petrochemical commodities on the condition of such Item of Equipment. The Lessee shall, at its own cost and expense and in a manner no less thorough and complete than is the prudent industry standard for Class I line-haul railroads,

maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, but in any event in a condition at least equal to that of similar equipment owned or leased by the Lessee, and otherwise suitable for use in interchange in accordance with the Interchange Rules and for immediate regular use by a Class I line-haul railroad. Except as required by the provisions of Section 7 hereof, the Lessee shall not modify any Item of Equipment; provided, however, so long as no Event of Default hereunder shall have occurred and be continuing, that Lessee may, in good faith and by appropriate legal proceedings, at its own expense, contest the validity or application of any such law, regulation, requirement or rule in any reasonable manner which does not in the opinion of the Lessor or the Note Purchaser adversely affect the property rights, or interests of the Lessor or the Note Purchaser in the Equipment or hereunder. Any parts installed or replacements made by the Lessee upon any Item of Equipment pursuant to Section 7 hereof or pursuant to its obligation to maintain and keep the Equipment in good order, condition and repair under this Section 8 shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor without cost or expense to the Lessor. The Lessee shall make no other additions or improvements to any Item of Equipment unless the same are readily removable without causing material damage to such Item of Equipment. Title to any such readily removable additions or improvements shall remain with the Lessee. If the Lessee shall at its cost cause such readily removable additions or improvements to be made to any Item of Equipment, the Lessee agrees that it will, prior to the return of such Item of Equipment to the Lessor hereunder and if requested to do so by the Lessor, remove the same at its own expense without causing material damage to such Item of Equipment.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon any Item of Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease and any other liens or charges which arise by virtue of claims against, through or under any other party other than the Lessor, but the Lessee shall not be required to pay or discharge any such claims so long as it shall in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor or the security interest or other rights of any assignee under Section 16 hereof in and to the Equipment. The Lessee's obligations under this Section 9 shall survive the termination of this Lease.

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

10.1. Filing. On or prior to the first Closing Date under the Participation Agreement, the Lessee will cause this Lease and the Security Agreement to be duly filed, registered or recorded with the Interstate Commerce Commission in accordance with Section 11303 of the Interstate Commerce Act and in such other places within the United States as the Lessor or the Note Purchaser may reasonably request and will furnish the Lessor and the Note Purchaser proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, reregister or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Note

Purchaser, for the purpose of protecting the Lessor's title to, or the Note Purchaser's security interest in, any Item of Equipment to the satisfaction of the Lessor's or the Note Purchaser's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor and the Note Purchaser proof of such filings and an opinion of the Lessee's counsel reasonably satisfactory to the Lessor and the Note Purchaser that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, refiling, recording and rerecording or depositing and redepositing of any such instruments or incident to the taking of such action.

10.2. Payment of State and Local Taxes. The Lessee shall defend, indemnify and save harmless the Lessor and any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Note Purchaser) and their respective successors and assigns (collectively, the "Indemnities", and individually, an "Indemnitee") from and against, and as between the Lessee and each Indemnitee the Lessee hereby assumes liability with respect to, all fees (including, without limitation, license fees and registration fees), taxes (including, without limitation, income, gross receipts, franchise, sales, use, value added, property and stamp taxes), assessments, levies, imposts, duties, charges or withholdings of any nature whatsoever, together with any and all penalties, additions to tax, fines or interest thereon imposed against any of the Indemnities, any Item of Equipment or the Lessee, upon, arising from or relating to (a) any Item of Equipment, (b) the construction, purchase, delivery, ownership, acceptance, rejection, possession, improvement, use, operation, leasing, subleasing, condition, maintenance, repair, sale, return, storage, abandonment or other application or disposition of any Item, (c) the rental payments, receipts or earnings arising from any Item of Equipment or payable pursuant to this Lease, or (d) this Lease, the Acquisition Agreement, the Participation Agreement, the Security Agreement, the Escrow Agreement, the Notes or any sublease permitted by the terms of Section 17.2 hereof or otherwise with respect to or in connection with the transactions contemplated thereby (herein called "Impositions"); provided that Impositions shall not include as to each respective Indemnitee: (i) United States Federal income taxes and, to the extent that any respective Indemnitee receives credit therefor (at any time, either in a current taxable year, or by way of carryback or carryover to any other taxable year) against its United States Federal income tax liability, any foreign income or withholding tax of such Indemnitee, payable by any respective Indemnitee in consequence of the receipt of payments provided in this Lease, the Participation Agreement, the Escrow Agreement or the Notes; (ii) the aggregate of all income, franchise and capital taxes measured by net income, capital or net worth and based on such receipts, up to the amount in the aggregate of any such income, franchise and capital taxes which are payable to the state and city in which such Indemnitee has its principal place of business without apportionment to any other state, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided, but only to the extent of the amount which would otherwise be payable by the Lessee; and (iii) Impositions payable upon the sale, transfer or assignment by the Lessor, the Note Purchaser or any of their respective assignees of any interest in the Equipment, this Lease or the Notes, provided, however, that if such sale, transfer or assignment occurs as a result of a termination of this Lease based upon an Event of Default hereunder, a termination which occurs by reason of an event which requires payment of Casualty Value pursuant to Section 11 hereof or an exercise by the Lessee of its purchase options or early termination options contained in Section 18 hereof, the Lessee shall pay such Imposition. The Lessee agrees to pay, on demand, any and all Impositions. The Lessee will also pay promptly all Impositions which may be imposed upon any Item of Equipment or for the use or operation thereof or upon the earnings arising

therefrom or upon any Indemnatee solely by reason of its interest with respect thereto and will keep at all times all and every part of such Item of Equipment free and clear of all Impositions which might in any way affect the interest of any Indemnatee therein or result in a lien upon any such Item of Equipment; provided, however, that the Lessee shall be under no obligation to pay any Impositions so long as it is contesting in good faith and by appropriate legal proceedings such Impositions and the nonpayment thereof does not, in the reasonable opinion of the Indemnatee, adversely affect the interest of any Indemnatee hereunder or under the Security Agreement. If any Impositions shall have been charged or levied against any Indemnatee directly and paid by such Indemnatee after such Indemnatee shall have given written notice thereof to the Lessee and the same shall have remained unpaid for a period of ten business days thereafter, the Lessee shall reimburse such Indemnatee on presentation of invoice therefor. Prior to making such payment, such Indemnatee shall promptly notify the Lessee of the Impositions charged or levied, and the Lessee shall have the opportunity to contest in good faith and by appropriate legal proceedings such Impositions, at its sole expense.

In the event any reports with respect to Impositions are required to be made on the basis of individual Items of Equipment, the Lessee will either prepare and file such reports in such manner as to show as required the interests of each Indemnatee in such Items of Equipment or, if it shall not be permitted to file the same, it will notify each Indemnatee of such reporting requirements, prepare such reports in such manner as shall be satisfactory to each Indemnatee and deliver the same to each Indemnatee within a reasonable period prior to the date the same is to be filed.

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

SECTION 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE.

11.1. Insurance. The Lessee agrees that it will at all times during the term of this Lease and during any storage period hereunder and at its own cost and expense keep each Item of Equipment insured against loss by fire, collision, derailment and explosion and with extended coverage and against such other risks and in such amounts as are customarily insured against by companies similar to the Lessee on similar equipment, in amounts and against risks at least to the extent contained in insurance maintained by the Lessee with respect to similar equipment which it owns or leases, but in any event in an amount not less than the lesser of the Purchase Price of such Item of Equipment or the then applicable Casualty Value, and will maintain general public liability insurance with respect to the Equipment against damage because of bodily injury, including death, or damage to property of others, such insurance to afford protection in an amount not less than the amount of liability insurance maintained by the Lessee on similar equipment owned or leased by the Lessee, but in any event in an amount not less than the greater of \$50,000,000 or such amount as the Lessee maintains with respect to similar equipment owned or leased by the Lessee, in any such case arising out of any single occurrence during any consecutive 12 month period. Any such property and liability insurance may have deductible and/or self-insurance provisions to no greater extent than deductible and/or self-insurance provisions applicable to other similar equipment owned or leased by the

Lessee, provided, however, that in no event will such deductible and/or self-insurance provisions be in an amount greater than the industry standard for similar equipment and for transactions similar to those contemplated by this Lease and the Participation Agreement. The Lessor and the Note Purchaser, by its acceptance of the collateral assignment of this Lease, agree that for a period beginning with the first Closing Date and ending January 1, 1992, the Lessee shall be deemed to be in compliance with the deductible and/or self-insurance standard relating to liability insurance recited in the preceding sentence so long as the actual deductible and/or self-insurance provisions applicable to the Equipment do not exceed in the aggregate an amount equal to seven percent (7%) of the Tangible Net Worth (as hereinafter defined) of the Lessee based on financial statements for the most recently completed fiscal year of the Lessee. The Lessor and the Note Purchaser, by its acceptance of such assignment, further agree that from and after January 1, 1992, they will consider any request of the Lessee to extend the five-year (5-year) variance period or to permit any other variance from the standard recited in the second sentence of this Section 11.1, the concurrence of each of the Lessor and the Note Purchaser being required for any such extension or variance. If for any reason whatsoever the Lessee fails to make any such request or the Lessor or the Note Purchaser fails to consent to the extension of such variance period, then and thereafter the maximum deductible and/or self-insurance provisions permitted hereunder shall be the from time to time lesser of (1) the amount permitted by the second sentence of this Section 11.1, (2) \$5,000,000 or (3) the amount permitted by the third sentence of this Section 11.1. The Lessor and the Note Purchaser, by its acceptance of such assignment, agree that in considering any variance after January 1, 1992 from the standard set forth in the second sentence of this Section 11.1, they will consider the creditworthiness of the Lessee and the availability of liability insurance at commercially reasonable rates, but any such variance shall, in any event, be within the discretion of the Lessor and the Note Purchaser.

All such liability insurance shall protect the Lessor, the Note Purchaser and the Lessee in respect of risks arising out of condition, maintenance, use, ownership and operation of the Equipment and each such party shall be a named insured or additional insured under any liability policy. All policies of insurance maintained pursuant to this Section shall not be subject to a co-insurance clause and shall provide that:

(a) 30-days' prior written notice of cancellation shall be given to the Lessor and the Note Purchaser,

(b) in respect of the interest of the Lessor and the Note Purchaser in such policies the insurance shall not be invalidated by any action or inaction of the Lessee, its agent or any other person acting on behalf of the Lessee (other than of the Lessor or the Note Purchaser, as the case may be, and then only as against such person) and shall insure the Lessor and the Note Purchaser regardless of any breach or violation of any warranties, declarations or conditions contained in such policies by the Lessee, its agent or any other person acting on behalf of the Lessee (other than by the Lessor or the Note Purchaser, as the case may be, and then only as against such person),

(c) the insurers shall waive all rights of subrogation against the Lessor and the Note Purchaser, and

(d) the Lessor and the Note Purchaser shall have no obligation or liability for premiums, commissions, assessments or calls in connection with such insurance.

Policies covering loss or damage to the Equipment shall be made payable solely to the Note Purchaser as long as the Notes are outstanding pursuant to a lender's loss payable clause and thereafter to the Lessor. Any amounts received by the Note Purchaser or the Lessor on account of loss or damage to the Equipment shall be repaid to the Lessee after the Lessee has fully complied with any and all obligations imposed upon it pursuant to this Lease and the Tax Indemnification Agreement dated the date hereof between the Lessor and the Lessee with respect to such loss or damage, including without limitation restoring any damaged Equipment to the standard required by this Lease or paying the Casualty Value with respect to any Items of Equipment suffering a Casualty Occurrence. The Lessee shall be deemed to have complied with the requirement to maintain insurance as above set forth if it shall maintain or cause to be maintained a blanket policy covering all of the Items of Equipment then subject to this Lease together with all other rolling stock of the Lessee, so long as such blanket policy shall otherwise comply with the provisions of this Section 11.1.

The Lessee shall, from time to time as required to evidence coverage and in any event at least annually, furnish the Lessor and the Note Purchaser with certificates or other satisfactory evidence of maintenance of the insurance required hereunder or with a certificate of a reputable insurance agent not affiliated with the Lessee stating that the insurance maintained by or on behalf of the Lessee complies with the requirements of this Section, and with respect to any renewal policy or policies shall furnish certificates evidencing such renewal prior to the expiration date of the original policy or policies. Any amounts received by the Note Purchaser or the Lessor on account of loss or damage to the Equipment from policies of insurance maintained by the Lessee pursuant to the first sentence of this Section 11.1 shall be repaid to the Lessee after the Lessee has fully complied with any and all obligations imposed upon it pursuant to this Lease and the Tax Indemnification Agreement dated the date hereof between the Lessor and the Lessee with respect to such loss or damage, including without limitation restoring any damaged Equipment to the standard required by this Lease or paying the Casualty Value with respect to any Items of Equipment suffering a Casualty Occurrence.

Without limiting any of the obligations of the Lessee set forth in this Section 11.1, the Lessor shall have the right to carry insurance against loss or damage to the Equipment for its own benefit in excess of the amounts required to be maintained by the Lessee pursuant to this Section 11.1.

For purposes of this Section 11.1, the term Tangible Net Worth shall mean the excess of the total consolidated assets of the Lessee and its subsidiaries (less any amount thereof constituting goodwill, trade names, trademarks, patents, organization expenses, unamortized debt discount and expenses and other similar intangibles, in each case determined in accordance with generally accepted accounting principles) over total consolidated liabilities and reserves of the Lessee and its subsidiaries.

11.2. Duty of Lessee to Notify Lessor. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged or worn out, or permanently returned to the Manufacturer pursuant to any patent or warranty indemnity during the term of this Lease or thereafter while such Item of Equipment is in the possession of the Lessee pursuant to Section 13 or 15 hereof,

or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease for a stated period which exceeds the then remaining term of this Lease (any such occurrence being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor and any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Note Purchaser) in regard thereto and shall pay the Casualty Value (as defined in Section 11.6 hereof) of such Item in accordance with the terms of Section 11.3 hereof.

11.3. Sum Payable for Casualty Loss. The Lessee, on the next succeeding Fixed Rental Payment Date following its notice of a Casualty Occurrence with respect to any Item or Items of Equipment or on January 2, 2007 if such notice is received after July 2, 2006, shall pay to the Lessor the Fixed Rental and, if applicable, the Supplemental Fixed Rental due on such payment date for such Item of Equipment plus any other sums due on or prior to such date then remaining unpaid plus a sum equal to the Casualty Value of such Item of Equipment as of the date of such payment.

11.4. Rent Termination Upon Payment of Casualty Value. Upon (and not until) payment of all sums required to be paid pursuant to Section 11.3 hereof in respect of any Item or Items of Equipment which has or have been the subject of a Casualty Occurrence, the obligation to pay rent for such Item or Items of Equipment accruing subsequent to the Casualty Value payment date shall terminate, but the Lessee shall continue to pay rent and other sums due hereunder for all other Items of Equipment.

11.5. Disposition of Equipment. The Lessee shall, as agent for the Lessor, dispose of any Item or Items of Equipment having suffered a Casualty Occurrence as soon as it is able to do so for the fair market value thereof. Any such disposition shall be on an "as-is", "where-is" basis without representation or warranty, express or implied. As to each separate Item of Equipment so disposed of, so long as no Event of Default hereunder, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default shall have occurred and be continuing, the Lessee may retain all amounts arising from such disposition plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence after having paid the Casualty Value attributable thereto. In disposing of such Item of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item of Equipment.

11.6. Casualty Value. The Casualty Value of each Item of Equipment shall be an amount determined as of the date the Casualty Value is paid as provided in this Section 11 (and not the date of the Casualty Occurrence) equal to that percentage of the Purchase Price of such Item of Equipment set forth in Schedule D attached hereto and made a part hereof opposite such date of payment.

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

salvage thereof and all risk of loss and liabilities incident to ownership have been transferred to the purchaser of such Item or the salvage thereof.

11.8. Eminent Domain. In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the term of this Lease, the Lessee's obligation to pay all installments of Fixed Rental, Supplemental Fixed Rental and other sums shall continue for the duration of such requisitioning or taking. So long as no Event of Default hereunder, or event which with the lapse of time or giving of notice, or both, shall have occurred and be continuing, the Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession.

SECTION 12. ANNUAL REPORTS.

On or before May 1 of each year, commencing May 1, 1987, the Lessee will furnish to the Lessor and any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Note Purchaser) an accurate statement, as of the preceding December 31 (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the 12 months ending on such December 31 (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as the Lessor may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof shall have been preserved or replaced.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this Lease with respect to any Item of Equipment, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Item of Equipment to the Lessor at a mutually agreed upon location and permit the Lessor to store such Item of Equipment at such location for a period not exceeding 90 days.

The Equipment shall be in good repair, order and condition, excepting only ordinary wear and tear and any lining which may be affixed to any Item of Equipment (which may be returned in an "as is" condition), and shall be suitable for use in interchange in accordance with the Interchange Rules and shall otherwise be in a condition so as to conform in all material respects to any other rules and regulations of governmental entities applicable to railroad rolling stock of the type leased hereunder, with the effect and result that each Item of Equipment shall be in a state of condition such that the Lessor or any person which may purchase or lease any such Item of Equipment from the Lessor may immediately place such Item of Equipment in interchange and otherwise in normal service comparable to that of the Lessee during the term of this Lease without the necessity of the Lessor or such person to incur any repair, maintenance, rebuilding, reconfiguration or improvement expense prior thereto; provided, however, that, anything herein contained to the contrary notwithstanding, the Equipment shall be returned to the Lessee in at least the condition required by Section 8 hereof.

All movement and storage of each such Item is to be at the risk and expense of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. All amounts earned in respect of the Equipment after the date of expiration of this Lease, but not exceeding the rental, per diem, or other similar charge for equipment received therefor, shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Item of Equipment is not assembled, delivered and stored as hereinabove provided within 30 days after the expiration of this Lease, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the higher of: (i) an amount equal to .019593% of the Purchase Price of such Item of Equipment or (ii) the Fair Rental Value (determined in the manner provided in Section 18 hereof) for such Item for each such day, exceeds the amount, if any, received by the Lessor (either directly or from the Lessee) for such day for such Item pursuant to the preceding sentence. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment.

SECTION 14. DEFAULT.

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

(a) Default shall be made in the payment of any part of the Fixed Rental, Supplemental Fixed Rental or Casualty Value and such default shall continue for five days;

(b) The Lessee shall make or permit any assignment or transfer of this Lease, or of possession of the Equipment, or any portion thereof not permitted by this Lease;

(c) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein and such default shall continue for 30 days after written notice from the Lessor or the Note Purchaser to the Lessee specifying the default and demanding the same to be remedied;

(d) Any representation or warranty made by the Lessee herein or in the Participation Agreement or the Escrow Agreement or in any statement or certificate furnished to the Lessor or the Note Purchaser pursuant to or in connection with this Lease, the Participation Agreement or the Escrow Agreement is untrue in any material respect as of the date of issuance or making thereof;

(e) The Lessee becomes insolvent or fails generally to pay its debts as such debts become due, or causes an order for relief to be entered against the Lessee or acquiesces in the entering of such an order against it, under applicable Federal or state bankruptcy law, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a custodian, trustee or receiver for the Lessee or for the major part of its property;

(f) A custodian, trustee or receiver is appointed for the Lessee or for the major part of its property and is not discharged within 60 days after such appointment; or

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

14.2. Remedies. If any Event of Default has occurred and is continuing hereunder, the Lessor or, in the event this Lease shall be assigned to an assignee pursuant to Section 16 hereof, such assignee, at its option, may:

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

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

whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum with respect to each Item of Equipment which represents the excess of the present value, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present value of the then Fair Rental Value of such Item for such period computed by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of such Item during such period, such present worth to be computed in each case on a basis of an 8% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, or (y) an amount equal to the excess if any of the Casualty Value of such Item of Equipment as of the Fixed Rental Payment Date on or immediately preceding the date of termination over the amount the Lessor reasonably estimates to be the Fair Market Value thereof at such time; provided, however, that in the event the Lessor shall have sold any Item of Equipment, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this part (i) with respect thereto may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor, on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value of such Item of Equipment as of the Fixed Rental Payment Date on or immediately preceding the date of termination over the net proceeds of such sale, and (ii) any damages and expenses other than for a failure to pay Fixed Rental, in addition thereto, including reasonable attorneys' fees, which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of Fixed Rental.

For purposes of Section 14.2 above, the Fair Rental Value and Fair Market Value for any Item of Equipment shall be determined in the manner provided for appraisal arrangements specified in Section 18 hereof; provided that any sale in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Market Value of such Item and any rental in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Rental Value of such Item.

14.3. Cumulative Remedies. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any offset against the rent payments due hereunder, and agrees to make the rent payments regardless of any offset or claim which may be asserted by the Lessee on its behalf in connection with the lease of the Equipment. Nothing contained in this Section 14.3 shall prevent the Lessee from exercising such other legal rights and remedies as it may have against the Lessor for any claim arising pursuant to Section 2.1(b) hereof or otherwise.

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

14.5. Notice of Event of Default. The Lessee also agrees to furnish to the Lessor and the Note Purchaser, promptly upon any responsible officer becoming aware of any condition which constituted or constitutes an Event of Default under this Lease or which, after notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof. For the purposes of this Section 14.5 a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate officer of the Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. Lessee's Duty to Return. If the Lessor or any assignee of the Lessor pursuant to Section 16 hereof shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith place such Equipment upon such storage tracks as the Lessor may designate or, in the absence of such designation, as the Lessee may select;

(b) Permit the Lessor to store such Equipment on such tracks without charge for insurance, rent or storage until such Equipment has been sold, leased or otherwise disposed of by the Lessor and during such period of storage the Lessee shall continue to maintain all insurance required by Section 11.1 hereof; and

(c) Transport the Equipment one time to a place on any lines of railroad as the Lessor may direct in writing.

All amounts earned in respect of the Equipment after the date of termination of this Lease, but not exceeding the rental, per diem, or other similar charge for equipment received therefor, shall belong to the Lessor or in the event this Lease has been assigned pursuant to Section 16 hereof, to such assignee, and, if received by the Lessee, shall be promptly turned over to the Lessor, or in the case of such assignment, to such assignee. In the event any Item of Equipment is not assembled, delivered and stored as hereinabove provided within 30 days after the termination of this Lease, the Lessee shall, in addition, pay to the Lessor or, in the case of such assignment, to such assignee for each day thereafter an amount equal to the amount, if any, by which the higher of (i) an amount equal to .019593% of the Purchase Price of such Item of Equipment, or (ii) the Fair Rental Value (determined in the manner provided in Section 18 hereof) for such Item of Equipment for each such day exceeds the amount, if any, received by the Lessor or such assignee (either directly or from the Lessee) for such day for such Item pursuant to the preceding sentence.

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

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

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

SECTION 16. ASSIGNMENTS BY LESSOR.

This Lease and all rent and all other sums due or to become due hereunder may be assigned in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. Upon notice to the Lessee of any such assignment, the rent and other sums payable by the Lessee which are the subject matter of the assignment shall be paid to or upon the written order of the assignee. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of any such assignee in and to the sums payable by the Lessee under any provision of this Lease shall not be subject to any abatement whatsoever and shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever whether by reason of failure of or defect in the Lessor's title, or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that the Lessee shall be unconditionally and absolutely obligated to pay such assignee all of the rents and other sums which are the subject matter of the assignment, (ii) said assignee shall, if an Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default hereunder, shall have occurred and be continuing, have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of said assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor (except those rights, privileges and remedies relating to amounts payable to the Lessor pursuant to Sections 6, 10.2 and 11.1 [with respect to public liability insurance] which shall remain enforceable by the Lessor to the extent and upon the terms and conditions set forth in the Security Agreement), but if no Event of Default or event which with the lapse of time or giving of notice, or both, would constitute an Event of Default hereunder, shall have occurred and be continuing, said assignee and the Lessor may each exercise their respective rights, privileges and remedies stated in this Lease to be provided for their respective benefits to the extent and in the manner contemplated by the Security Agreement, and (iii) all obligations of the Lessor to the Lessee under this Lease shall be and remain enforceable by the Lessee against, and only against, the Lessor.

It is understood and agreed that the right, title and interest of any such assignee in, to and under this Lease and the rents and other sums due and to become due hereunder shall by the express terms granting and conveying the same be subject to the interest of the Lessee in and to the Equipment.

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION.

17.1. Lessee's Rights to the Equipment. So long as no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of Section 17.2 hereof.

17.2. Use and Possession in Railroad Operations. (a) So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Equipment and to the use thereof upon lines of railroad in the usual interchange of traffic, but only upon and subject to all the terms and conditions of this Lease. The Lessee shall at no time use or permit use of the Equipment outside the continental United States excepting only in interchange, which in any event shall be de minimus. No assignment or sublease entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligation hereunder which shall be and remain those of a principal and not a surety.

(b) So long as no Event of Default hereunder, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall be entitled to sublease any Items of Equipment; provided that (i) in no event shall any such sublease relieve the Lessee of any of its obligations, liabilities or duties hereunder which shall be and remain those of a principal and not a surety or guarantor and (ii) any such sublease and the rights and interest of any sublessee thereunder shall by the express terms of any such sublease be made subject and subordinate to this Lease and the rights and interests of the Lessor and its respective successors and assigns hereunder, which subordination shall be confirmed by a provision in such sublease satisfactory in form and content to the Lessor and the Note Purchaser. So long as no Event of Default hereunder, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, each Item of Equipment may, under the terms of this Lease and pursuant to any such sublease, be used on any railroad lines in the usual interchange of traffic, but only upon and subject to all of the terms and conditions of this Lease.

17.3. Merger, Consolidation or Acquisition of Lessee. (a) So long as no Event of Default hereunder shall have occurred and be continuing, nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation into or with which the Lessee shall have become merged or consolidated or which shall have acquired all or substantially all of the property of the Lessee, provided that: any such assignee, successor or transferee shall have duly assumed in writing the obligations of the Lessee hereunder, shall, after giving effect to such merger, consolidation or sale of assets, have a net worth (calculated in accordance with standard financial practice) at least equal to that of the Lessee immediately prior to such merger or consolidation and will not, upon the effectiveness of such merger or consolidation or acquisition of properties and the assumption of such obligations, be in default under any provision of this Lease, and provided further that such merger or consolidation or

acquisition of properties shall not alter in any way the Lessee's obligations to the Lessor hereunder which shall be and remain those of a principal and not a guarantor.

(b) Without limiting clause (a) of this Section 17.3, the Lessee may assign or transfer its leasehold interest under this Lease in connection with the sale of all or substantially all of the assets of its Pullman Leasing Company Division ("PLC Division"), provided that: (i) the senior debt securities of the assignee or transferee shall at the time of such assignment or transfer be assigned a rating of "A" or better by Moody's Investors Services, Inc. or by Standard & Poor's Corporation, (ii) such assignee or transferee shall have duly assumed in writing the obligations of the Lessee hereunder, (iii) after giving effect to such assignment or transfer, the assignee or transferee shall not be in default under any provision of this Lease, and (iv) the Lessor and the Note Purchaser shall have given their prior written consent to such assignment or transfer, which consent shall not be unreasonably withheld. If for any reason whatsoever the Lessee fails to obtain the prior written consent of the Lessor and the Note Purchaser to any such sale or transfer, then, anything to the contrary herein contained notwithstanding, Signal Capital Corporation, a Delaware corporation, shall remain primarily liable for the performance of the obligations of the Lessee hereunder.

SECTION 18. PURCHASE OPTIONS; RENEWAL OPTIONS; EARLY TERMINATION.

18.1. Purchase Options. Provided that no Event of Default hereunder or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee may exercise either of the following two options to purchase the Equipment:

(a) The Lessee may purchase any one or more Items of Equipment for cash upon the expiration of the primary term or any renewal term for its Fair Market Value at the time of purchase. This option may be exercised by the Lessee only by written notice to the Lessor given not less than 180 days nor more than 270 days before the expiration of the primary term or any renewal term. If this option is exercised, the Lessor shall sell and the Lessee shall purchase the selected number of Items of Equipment on the last day of the primary term or renewal term, as the case may be. The Lessee understands and agrees with the Lessor that if the Lessee selects for such purchase any Item of Equipment subject to a sublease permitted hereby on the date of such purchase, it shall select all Items of Equipment subject to such sublease for such purchase and that any remaining Items of Equipment to be so purchased shall be selected at random by means of a procedure reasonably acceptable to the Lessor and the Lessee. Upon payment by the Lessee of the purchase price for all of the Items of Equipment to be so purchased and all rent in respect of the primary term or renewal term remaining due but unpaid, the Lessor shall execute and deliver to or at the direction of the Lessee a bill of sale for such Items of Equipment transferring title thereto on an "as-is", "where-is" basis and without any representation or warranty by the Lessor, except for a warranty that each such Item of Equipment is free and clear of all liens, claims and encumbrances created by contract by the Lessor or arising out of claims against the Lessor other than claims against which the Lessee has agreed to indemnify the Lessor. The Lessee shall pay or cause to be paid (i) all sales and use taxes payable in connection with each sale and (ii)

all unpaid property taxes accrued with respect to each such Item of Equipment attributable to the period prior to the sale.

(b) The Lessee may at the end of the primary term of this Lease, but only at the end of the primary term hereof, purchase all, but not less than all, of the Items of Equipment for an amount equal to 40% of the Purchase Price thereof, which the Lessor and the Lessee believe represents the anticipated Fair Market Value of the Equipment.

Time is of the essence of this Section 18.1.

18.2. Renewal Options. Provided that no Event of Default hereunder, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall have the option to renew and extend this Lease as to all or any of the Items of Equipment then leased hereunder for two additional renewal terms of five years each upon and subject to the terms and conditions herein contained for the original term of this Lease; provided that the Fixed Rental payable for and during any such renewal term shall be an amount equal to the Fair Rental Value (as hereinafter defined) of such Items of Equipment and the Casualty Value payable for and during any such renewal term in respect of any Item of Equipment suffering a Casualty Occurrence during such term shall be an amount equal to the higher of (i) the Fair Market Value of such Item of Equipment as of the beginning of such renewal term, or (ii) an amount equal to 20% of the Purchase Price of such Item of Equipment and provided further that if the Lessee selects for such renewal any Item of Equipment subject to a sublease permitted hereby on the date of such renewal, it shall select all Items of Equipment subject to such sublease for such renewal and that any remaining Items of Equipment to be so renewed shall be selected at random by means of a procedure reasonably acceptable to the Lessor and the Lessee. Each renewal term shall commence immediately upon the expiration of the preceding term. The Lessee shall give the Lessor written notice of any such election 180 days prior to the commencement of any renewal term provided for in this Section 18.2.

18.3. Fair Rental Value and Fair Market Value. With at least 270 days remaining in the primary term of the Lease or any renewal term thereof, as the case may be, the Lessor and the Lessee will commence discussions regarding the Fair Market Value and the Fair Rental Value of the Equipment for the purpose of agreeing upon the same. The Fair Rental Value or Fair Market Value, as the case may be, of the Items of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee or buyer, as the case may be (other than a lessee or buyer currently in possession) and an informed and willing lessor or seller, as the case may be, under no compulsion to lease or sell. If the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value or the Fair Market Value of such Items of Equipment within 20 days after the commencement of such discussions, such value shall be determined in accordance with the foregoing by a qualified independent Appraiser. The term "Appraiser" shall mean any independent appraiser mutually agreed upon by the Lessor and the Lessee or if no such mutual agreement is reached within 10 days after the expiration of such 20-day period, two independent appraisers, one chosen by the Lessor and one chosen by the Lessee, or, if such appraisers cannot agree on the amount of such value within 205 days prior to the end of the primary term of the Lease or any renewal term thereof, as the case may be, an independent appraiser to be chosen by the American Arbitration Association promptly thereafter. The Appraiser shall be instructed to make such determination prior to 180

days before the end of the primary term of the Lease or any renewal term thereof, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both the Lessor and the Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee.

18.4. Delivery of Equipment. Unless the Lessee has elected to purchase the Items of Equipment then leased hereunder or to renew this Lease in respect of such Items of Equipment or terminate this Lease as provided in this Section 18, all of such Items of Equipment shall be returned to the Lessor at the end of the primary term, or the then current renewal term, as the case may be, in accordance with Section 13 hereof.

18.5. Early Termination. So long as no Event of Default hereunder or event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee may, upon not less than 180 days' prior written notice to the Lessor, terminate this Lease with respect to a minimum of 75 Items of Equipment or, if there are fewer than 75 Items of Equipment then remaining subject to this Lease, all but not less than all of the Equipment, on and as of January 2, 1997 or any Fixed Rental Payment Date thereafter if such Equipment, in the good faith judgment of the Lessee as determined by its Board of Directors, shall have become functionally obsolete or surplus to the needs of the Lessee; provided that in no event may the Lessee exercise its option under this Section 18.5 on two successive Fixed Rental Payment Dates. Such written notice shall designate the date on which termination is to become effective and shall be accompanied by a certified copy of the resolutions of the Board of Directors making such determination and by a certificate of a responsible officer of the Lessee setting forth the determination that the Equipment has become functionally obsolete or surplus to the needs of the Lessee, and containing a statement that the Lessee does not have on order (and is not presently contemplating ordering) equipment similar in size, capacity and design to the Equipment. For the purposes of this Section 18.5, interest rates payable by the Lessee on its indebtedness for borrowed money or finance charges payable by the Lessee in connection with the acquisition of its equipment under conditional sale contracts, leases or other arrangements for deferred payment shall be disregarded in the determination of any right of termination provided herein.

18.6. Disposition of Equipment Following Termination. In the case of a termination of this Lease pursuant to Section 18.5 hereof, the Lessee shall solicit bids and dispose of the Equipment as promptly as possible for the best price obtainable and the Lessee is hereby appointed agent of the Lessor for such purposes, provided that no such disposition shall be to the Lessee or any party affiliated therewith. The Lessee shall certify to the Lessor in writing the amount of each bid so received and the name and address of the party submitting such bid promptly upon receipt thereof. The Lessor may, but shall be under no duty to, solicit bids, inquire into the efforts of the Lessee to obtain bids or otherwise take any action in connection with arranging such dispositions. Prior to such disposition and after such termination, the Equipment so disposed of shall not be used by the Lessee or any party affiliated therewith.

Any disposition pursuant to this Section 18.6 shall be on an "as-is", "where-is" basis specifically disclaiming any representation or warranty, express or implied. The Lessee shall remain liable under all provisions of this Lease (other than its obligation to pay rent for the period after the Fixed Rental Payment Date as of which the Casualty Value is paid pursuant to Section 18.7 hereof) as if this Lease were in full force and effect, until such time as the Equipment shall have been disposed of in accordance

with the provisions of this Section 18.6. If for any reason whatsoever no sale shall have occurred by the date designated as the termination date, this Lease shall continue in full force and effect as to the Items of Equipment which were otherwise the subject of such termination election.

The Lessor shall be entitled to receive any proceeds from the disposition of the Equipment pursuant to this Section 18.6, provided that unless an Event of Default hereunder or an event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the amount so received by the Lessor, net of all costs and expenses which the Lessor may have incurred in connection with such disposition, shall be credited against the Lessee's obligation to pay the Casualty Value of the Items of Equipment in respect of which this Lease is terminated. After payment of the Casualty Value and all other amounts then due and payable by the Lessee under this Lease, the Lessor shall pay to the Lessee any such net proceeds up to, but not exceeding, any amounts paid by the Lessee to the Lessor (other than by way of such credit) as Casualty Value and any amount of such net proceeds in excess of such payments by the Lessee shall be retained by the Lessor.

18.7. Payment of Casualty Value. In the event of a termination of this Lease pursuant to Section 18.5 hereof, the Lessee shall pay to the Lessor on the Fixed Rental Payment Date designated as the termination date or on January 2, 2007 if such date has been designated as the termination date the sum of (a) all payments of Fixed Rental through and including the termination date, (b) the Casualty Value of the Equipment in respect of which this Lease is terminated as of such termination date, and (iii) all other sums then due and payable by the Lessee under this Lease.

SECTION 19. INTEREST ON OVERDUE RENTALS AND AMOUNT PAID BY LESSOR.

Anything to the contrary herein contained notwithstanding any nonpayment of rent due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the additional obligation on the part of the Lessee to pay also an amount equal to 10.25% per annum (or the lawful rate, whichever is less) on the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 20. MISCELLANEOUS.

20.1. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first class, postage prepaid, addressed as follows:

If to the Lessor:

Mercantile Bank National Association
Eighth and Locust Streets
Mercantile Tower
St. Louis, Missouri 63101
Attention: Leasing Manager

All payments to be made to the Lessor under the Operative Agreements by wire transfer of immediately available funds to Mercantile Bank National Association, Fed. No. 0810-01210, to account No. 26-05500, R.C.801, with instructions to call Leasing Group Manager upon receipt.

If to the Note Purchaser:

Principal Mutual Life Insurance Company

In the case of all payments, by bank wire transfer of Federal Funds together with an advice setting forth (1) the full name, interest rate and maturity date of the note; (2) allocation of payment between principal and interest; (3) name of issuer; (4) confirmation of principal balance and (5) Principal Mutual Life Insurance Company Bond No. 1-B-21341 to:

Norwest Bank Des Moines, N.A.
7th and Walnut Streets
Des Moines, Iowa 50304
for credit to Principal Mutual Life
Insurance Company
Account 014752

In case of all notices:

711 High Street
Des Moines, Iowa 50309
Attention: Investment Department,
Securities Division

If to the Lessee:

Pullman Leasing Company, a division of
Signal Capital Corporation
200 South Michigan Avenue
Chicago, Illinois 60604
Attention: Lease Administrator

with a copy to:

Signal Capital Corporation
Liberty Lane
Hampton, New Hampshire 03842
Attention: General Counsel

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

20.2. Right of Lessor to Perform. If the Lessee shall fail to comply with any of its covenants herein contained, either the Lessor or, in the case of an assignment by

the Lessor pursuant to Section 16 hereof, the assignee thereunder (including, without limitation, the Note Purchaser) may, but shall not be obligated to, make advances after written notice to the Lessee to perform the same and to take all such action as may be necessary to obtain such performance; provided, however, that failure by the Lessor to give such written notice to the Lessee shall not affect the right of the Lessor to perform hereunder. Any payment so made by any such party and all cost and expense (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection therewith shall be payable by the Lessee to the party making the same upon demand as additional rent hereunder, with interest at the rate of 10.25% per annum.

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

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

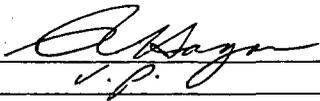
20.5. Headings and Table of Contents. All Section headings and the Table of Contents are inserted for convenience only and shall not affect any construction or interpretation of this Lease.

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

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

MERCANTILE BANK NATIONAL ASSOCIATION

[CORPORATE SEAL]

By 
Its _____

ATTEST:

Secretary

SIGNAL CAPITAL CORPORATION

[CORPORATE SEAL]

By _____
Its _____

ATTEST:

Secretary

STATE OF MISSOURI)
) SS
CITY OF ST. LOUIS)

On this 17th day of September, 1986, before me personally appeared ~~_____~~ and RUSSELL A. HAGAN, to me personally known, who being by me duly sworn, says that ~~they are the~~ he is a ~~and~~ VICE PRESIDENT ~~respectively~~ of Mercantile Bank National Association, ~~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 ~~they~~ he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Doris Jung
Notary Public

[NOTARIAL SEAL]

My commission expires:
DORIS JUNG
NOTARY PUBLIC, STATE OF MISSOURI
MY COMMISSION EXPIRES FEB. 28, 1988
CITY OF ST. LOUIS

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this _____ day of September, 1986, before me personally appeared _____ and _____, to me personally known, who being by me duly sworn, says that they are the _____ and _____, respectively, of Signal Capital Corporation, 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 they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[NOTARIAL SEAL]

My commission expires:

DESCRIPTION OF ITEMS OF EQUIPMENT

Manufacturer of Equipment:	Trinity Industries, Inc.
Description and Mark and Number of Items of Equipment:	Two Hundred 5850 Cubic Foot Hopper Cars equipped with pneumatic outlet gates and circular hatch covers marked and numbered PLWX 46,000 to PLWX 46,199, both inclusive.
Base Purchase Price of Equipment:	\$45,585.50 for each Item of Equipment
Maximum Aggregate Purchase Price of Equipment:	\$9,200,000 for all Items of Equipment
Place of Delivery:	Chicago, Illinois
Outside Delivery Date:	December 31, 1986

(Signal Capital No. 86-1)

**CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE**

TO: Mercantile Bank National Association (the "Lessor")

I, a duly appointed and authorized representative of Signal Capital Corporation (the "Lessee") under the Equipment Lease dated as of September 1, 1986 between the Mercantile Bank National Association and Signal Capital Corporation, do hereby certify that I have inspected, received, approved and accepted delivery under the Lease of the following Items of Equipment:

TYPE OF EQUIPMENT:

PLACE ACCEPTED:

DATE ACCEPTED:

NUMBER OF UNITS:

MARKED AND NUMBERED:

I do further certify that the foregoing Items of Equipment are in good order and condition, and appear to conform to the specifications applicable thereto, that the Lessee has no knowledge of any defect in any of the foregoing Items of Equipment with respect to design, manufacture, condition or in any other respect, and that each Item has been or will be within 120 days labeled by means of a plate or a stencil printed in contrasting colors upon each side of the Item in letters not less than one inch in height as follows:

"Leased from Mercantile Bank National Association, as Owner, and subject to a Security Interest recorded with the I.C.C."

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

Dated: _____, 19__

Inspector and Authorized Representative
of Signal Capital Corporation

SCHEDULE B
(to Equipment Lease)

SCHEDULE OF FIXED RENTAL

The Fixed Rental for an Item of Equipment shall mean an amount equal to the percentage of the Purchase Price of such Item set forth opposite the applicable Fixed Rental Payment Date in the following schedule:

<u>Fixed Rental Payment Date</u>	<u>Percentage of Purchase Price</u>
July 2, 1987	0.000000
January 2, 1988	6.2873282
July 2, 1988	0.000000
January 2, 1989	6.2873282
July 2, 1989	0.000000
January 2, 1990	6.2873282
July 2, 1990	2.2510713
January 2, 1991	4.0362569
July 2, 1991	2.1685064
January 2, 1992	4.1188218
July 2, 1992	2.1072944
January 2, 1993	4.1800338
July 2, 1993	2.6181783
January 2, 1994	3.6691499
July 2, 1994	2.5932251
January 2, 1995	3.6941031
July 2, 1995	6.2873282
January 2, 1996	4.9620181
July 2, 1996	2.7224942
January 2, 1997	6.1943366
July 2, 1997	1.4901756
January 2, 1998	6.4108866
July 2, 1998	1.2736256
January 2, 1999	6.6600068
July 2, 1999	1.0245055
January 2, 2000	6.9332880
July 2, 2000	0.7512243
January 2, 2001	7.2330735
July 2, 2001	0.4514387
January 2, 2002	7.5619339
July 2, 2002	0.1225783
January 2, 2003	7.6845122
July 2, 2003	0.000000
January 2, 2004	7.6845122
July 2, 2004	0.000000
January 2, 2005	7.6845122
July 2, 2005	0.000000
January 2, 2006	7.6845075
July 2, 2006	0.0000047
	<u>141.1155883</u>

(Signal Capital No. 86-1)

SCHEDULE OF CASUALTY VALUE

The Casualty Value for an Item of Equipment payable on the Term Lease Commencement Date or any Fixed Rental Payment Date thereafter or on January 2, 2007 shall mean an amount equal to the percentage of the Purchase Price of such Item set forth opposite such date in the following schedule:

<u>Term Lease Commencement Date or Fixed Rental Payment Date on which Casualty Value is Paid</u>	<u>Percentage of Purchase Price of each Hopper Car Payable as Casualty Value</u>
January 2, 1987	105.24997
July 2, 1987	107.96945
January 2, 1988	102.56699
July 2, 1988	106.16303
January 2, 1989	100.29663
July 2, 1989	103.45305
January 2, 1990	97.12831
July 2, 1990	97.69558
January 2, 1991	93.00831
July 2, 1991	93.04940
January 2, 1992	88.07416
July 2, 1992	88.11737
January 2, 1993	86.12720
July 2, 1993	85.60880
January 2, 1994	84.04236
July 2, 1994	83.50454
January 2, 1995	81.86288
July 2, 1995	83.86696
January 2, 1996	79.41010
July 2, 1996	76.17497
January 2, 1997	75.17391
July 2, 1997	70.54578
January 2, 1998	70.70645
July 2, 1998	65.79103
January 2, 1999	66.10139
July 2, 1999	60.86727
January 2, 2000	61.36823
July 2, 2000	55.79240
January 2, 2001	56.51348
July 2, 2001	50.57418
January 2, 2002	51.54847
July 2, 2002	45.22260
January 2, 2003	46.48722
July 2, 2003	39.85624
January 2, 2004	41.11601
July 2, 2004	34.27481
January 2, 2005	35.34746
July 2, 2005	28.31294
January 2, 2006	29.18585
July 2, 2006	22.50000
January 2, 2007	22.50000

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