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RECORDATION NO. ..... Filed 1425

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INTERSTATE COMMERCE COMMISSION

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New No

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2-312A045

NOV 1982

Fee $ 50.00

Agatha L. Mergenovich
Secretary
Interstate Commerce Commission
Washington, D. C. 20423

Dear Ms. Mergenovich:

Enclosed for recordation under the provisions of Section 11303(a) of Title 49 of the U.S. Code are the original and five counterparts of an Equipment Lease dated as of October 1, 1982. This Equipment Lease is a primary document.

A general description of the locomotives and railroad cars covered by the enclosed document and intended for use related to interstate commerce is set forth in Schedule 1 attached to this letter and made a part hereof.

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

Lessor: IC Equipment Leasing Company
111 East Wacker Drive, Suite 2700
Chicago, Illinois 60601

Lessee: Illinois Central Gulf Railroad Company
Two Illinois Center
233 North Michigan Avenue
Chicago, Illinois 60601

The undersigned is the Lessor mentioned in the enclosed document and has knowledge of the matters set forth therein.

Please return the original and four copies of the Equipment Lease to Larry Elkins, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of $50.00 covering the required recording fee.

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

Equipment Lease between IC Equipment Leasing Company, as Lessor, 111 East Wacker Drive, Suite 2700, Chicago, Illinois 60601, and Illinois Central Gulf Railroad Company, as Lessee, Two Illinois Center, 233 North Michigan Avenue, Chicago, Illinois 60601, covering 4 locomotives and 384 100-ton open top hopper cars.

Very truly yours,

IC EQUIPMENT LEASING COMPANY

By Christine J. Jones
Its Treasurer

LESSOR AS AFORESAID

Counterpart C. F. Kappler

Enclosures

DESCRIPTION OF EQUIPMENT

1	SD-40 Diesel Electric Locomotive Marked and Numbered ICG 6034
3	SD-20 Diesel Electric Locomotives Marked and Numbered ICG 2039 through ICG 2041, both inclusive
384	100-Ton Open Top Hopper Cars Marked and Numbered ICG 389116 through ICG 389499, both inclusive

Interstate Commerce Commission

Washington, D.C. 20423

11/8/82

OFFICE OF THE SECRETARY

Larry Elkins,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 11/8/82 at 12:15pm , and assigned re-recordation number(s). 13834 & 13835

Sincerely yours,

Agatha L. Mergenovich

Agatha L. Mergenovich
Secretary

Enclosure(s)

SE-30
(7/79)

13834
RECORDATION NO. Filed 1425
NOV 8 1982 12 15 PM
INTERSTATE COMMERCE COMMISSION

Matter No. 36159-2

EQUIPMENT LEASE

Dated as of October 1, 1982

Between

IC EQUIPMENT LEASING COMPANY

LESSOR

And

ILLINOIS CENTRAL GULF RAILROAD COMPANY

LESSEE

(I.C.G. No. 82-4)
(4 Locomotives and 384
Open Top Hopper Cars)

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Attachments to Equipment Lease:

Schedule A - Description of Items of Equipment
Schedule B - Certificate of Acceptance under Equipment Lease
Schedule C - Schedule of Casualty Value

EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of October 1, 1982 is between IC EQUIPMENT LEASING COMPANY, an Illinois corporation (the "Lessor") and ILLINOIS CENTRAL GULF RAILROAD COMPANY, a Delaware corporation (the "Lessee").

R E C I T A L S:

A. The Lessor and Waterloo Railroad Company have entered into a Purchase Agreement dated as of October 1, 1982 (the "Purchase Agreement") pursuant to which the Lessor is to acquire four new locomotives and 384 new open top hopper cars to be built by Waterloo Railroad Company in accordance with applicable specifications. Waterloo Railroad Company in its capacity as seller under the Purchase Agreement is herein referred to as the "Seller". The locomotives and the hopper cars are collectively referred to herein as the "Equipment" and individually as an "Item" or "Item of Equipment". The appropriate specifications applicable to the respective Items are collectively called the "Specifications", and both the locomotives and the hopper cars are more fully described in Schedule A hereto.

B. The Lessee and the Lessor have entered into a Participation Agreement dated as of October 1, 1982 (the "Participation Agreement") with Waterloo Railroad Company and the institutional investors named in Schedule 2 thereto (collectively the "Note Purchaser"), providing for a commitment of the Note Purchaser which, together with funds provided by the Lessor, will permit the Lessor to obtain the funds necessary to pay the purchase price for the Equipment. Pursuant thereto, the Lessor will commit to advance an amount equal to 35% of the Purchase Price (as defined in the Participation Agreement and hereinafter referred to as the "Purchase Price") of each Item of Equipment and the Note Purchaser will commit to purchase the Secured Notes (the "Notes") of the Lessor in an amount equal to 65% of the Purchase Price of each Item of Equipment. The Participation Agreement provides that the Notes will be secured by an assignment of certain of the Lessor's right, title and interest in and to this Lease and certain sums due and to become due hereunder and in and to the Equipment pursuant to a Security Agreement dated as of October 1, 1982 (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 following the purchase thereof under the Purchase Agreement, 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 Lessor and the Note Purchaser retain certain rights to inspect the Equipment prior to and during the construction thereof as more fully provided in the Purchase Agreement. Upon completion of construction of each Item of Equipment, the Lessor will cause each Item of Equipment to be tendered to the Lessee at the place of delivery set forth in Schedule A. 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 hire any Item of Equipment unless the same is delivered on or before the Outside Delivery Date set forth in Schedule A and meets the Specifications applicable thereto.

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 such Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture or condition or in any other respect, and shall conclusively establish as between the Lessor and the Lessee that such Item of Equipment is in good order and condition and conforms 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 railroad equipment of the character of the Equipment as of the date of delivery and acceptance by the Lessee hereunder.

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) Interim Rental. For each Item of Equipment, an amount per calendar day (the "Interim Rental") equal to .027778% of the Purchase Price thereof for the period, if any, from and including the Closing Date (as defined in the Participation Agreement) therefor to, but not including January 15, 1983 (the "Term Lease Commencement Date").

(b) Fixed Rental. For each Item of Equipment, one hundred eighty (180) monthly installments of Fixed Rental payable in arrears (the "Fixed Rental"), the first twenty-seven (27) installments of which shall be equal to 0.75128% of the Purchase Price thereof, the next one hundred twenty (120) of which shall be equal to 0.85898% of the Purchase Price thereof and the final thirty-three (33) of which shall be equal to 0.41738% of the Purchase Price thereof.

(c) Additional Rental. In addition to the foregoing rental, the Lessee agrees to pay as additional rental (the "Additional Rental"), the following amounts:

(1) In addition to the amount of each installment of Interim Rental required to be paid pursuant to Section 2.1(a) above and the first (1st) to and including the one hundred forty-seventh (147th) installment of monthly Fixed Rental required to be paid pursuant to Section 2.1(b) above, an additional amount payable on the date of payment of each such installment equal to the amount, if any, by which the interest accrued and payable on the Notes (computed in the manner provided therein) for the interim daily or monthly, as the case may be, period then ending exceeds the interest which would have accrued and been payable for such period on the Notes if the interest payable thereunder were equal to 10% per annum (determined on the basis of a 360-day year comprised of twelve 30-day months), plus, in the event the Note then outstanding shall be a Prime Note exchanged pursuant to Section 9 of the Participation Agreement, on the first rental payment date following such exchange, an amount equal to any portion of the accrued interest on the LIBOR Note exchanged therefor which resulted from an interest charge exceeding such 10% per annum rate; and

(2) All amounts payable under Sections 2.7 and 2.8 of the Participation Agreement by the Lessee.

2.2. Rent Payment Dates. All accrued and unpaid Interim Rental for each Item of Equipment shall be due and payable on the Term Lease Commencement Date. The one hundred eighty (180) installments of Fixed Rental for each Item of Equipment shall be due and payable on February 15, 1983 and on the fifteenth (15th) day of each month thereafter to and including January 15, 1998. Additional Rental due pursuant to Section 2.1(c)(2), if any, shall be paid promptly after the Lessee is notified of the need for payment. If any of the rent payment dates is not a business day, the rent payment otherwise payable on such date shall be payable on the next succeeding business day. For purposes of this Lease, the term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in the States of Illinois or New York are authorized or required to close.

2.3. Adjustment of Rentals. The Lessee and the Lessor agree that the Fixed Rentals payable hereunder and the Casualty Value percentages set forth in Schedule C hereto will, as to each Item of Equipment, be adjusted in the event that (A) any amendment to, or change in, the Internal Revenue Code of 1954, as amended (the "Code"), the income tax regulations thereunder or published administrative or judicial interpretations of the Code or such regulations, is enacted or has an effective date on or prior to January 15, 1983, (B) the Closing Dates (as defined in the Participation Agreement) and the aggregate principal amount of Equipment

settled for on each such date are other than $3,806,555 on October 29, 1982, $6,811,730 on November 30, 1982 and $9,416,215 on December 21, 1982, (C) if for any reason the Lessor shall have advanced in settlement for any portion of the Purchase Price of any Item of Equipment pursuant to the Participation Agreement any amount exceeding 35% of any such settlement or (D) any Item of Equipment, as delivered, materially differs from the Specifications therefor. Any such adjustment 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 manner as will result, in the Lessor's reasonable judgment, in maintaining for the Lessor the same after-tax rate of return, total after-tax cash flow and the present value of periodic after-tax cash flow that would have been realized by the Lessor over the entire term of this Lease had such event not occurred, (i) based on the rates of Federal, state and local taxes on, or measured by, net income in effect from time to time, and (ii) in all other respects based on the assumptions and methods of calculation utilized by the Lessor in originally evaluating the transaction described in this Lease and related documents (the "Net Economic Return").

Anything in this Section 2.3 to the contrary notwithstanding, the amounts payable as installments of Fixed Rental and Casualty Value (as defined in Section 11.6 of this Lease) hereunder, with respect to any Item of Equipment (i) shall in no event be reduced below amounts necessary to discharge that portion of the principal of and/or interest on the Notes due and payable on each rent payment date or casualty payment date under this Lease, and (ii) shall not be reduced below an amount which would cause the Lessor to lose the ability to account for this Lease and its investment in the Equipment using leveraged lease accounting, in accordance with Financial Accounting Standards Board Statement No. 13, and (iii) will be adjusted in such manner (subject to the restrictions of the preceding clauses) so as to enable the Lessor to satisfy the profit and positive cash flow requirements set forth in Section 4(6) of Rev. Proc. 75-21, 1975-1 Cum. Bull. 715, as such requirements may be modified or adjusted as of the applicable rental payment date or casualty payment date. The Lessor shall furnish the Lessee prior to the effective date of any such adjustment with a notice setting forth in reasonable detail the computations and methods used in computing such adjustment.

As more fully stated in Section 7 of the Participation Agreement, the Lessor and the Lessee contemplate that the Lessee will endeavor to arrange for refinancing of the Notes at a fixed rate of interest. The Lessor and the Lessee hereby agree that in the event the Lessee is successful in arranging for and consummating such refinancing under the terms described in Section 7 of the Participation Agreement then each installment of Fixed Rental due and payable from and after the date of such consummation and the Casualty Value payable on and after such dates shall be adjusted in such manner as will result in preserving for the Lessor its Net Economic Return.

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

(a) The installments of Interim Rental and Additional Rental shall be paid to the Lessor by wire transfer to the principal office of the Lessor at the address thereof provided for payments in Section 21.1 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 by wire transfer to the place designated in such notice or as otherwise designated from time to time in writing by such assignee;

(b) The portion of any installment of Fixed Rental resulting from an increase in the amount thereof, if any, which the Lessee shall be required to pay to the Lessor pursuant to Section 2.3 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 21.1 hereof;

(c) Each installment of Fixed Rental shall be paid to the Lessor by wire transfer to the principal office of the Lessor at the address thereof provided for payments in Section 21.1 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 by wire transfer to the place designated in such notice or as otherwise designated from time to time in writing by such assignee; and provided further that in the event such notice shall direct the Lessee to divide such installment into not more than two portions, in addition to the portion referred to in Section 2.4(b) hereof, and to pay each portion by wire transfer separately to not more than two parties, the Lessee agrees to do so;

(d) The entire amount of any payment of Casualty Value pursuant to Section 11 hereof shall be paid to the Lessor by wire transfer to the principal office of the Lessor at the address provided for payment in Section 21.1 hereof or in such other manner or to such other address as may be designated by the Lessor in writing; 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 by wire transfer in the manner designated in such notice or as otherwise designated from time to time in writing by such assignee;

(e) The amount of any payment owing to the Lessor pursuant to Sections 6, 10.2, 11.1 (with respect to public liability insurance), 20 and 21.2 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;

(f) 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

(g) 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 of in writing.

2.5. Net Lease. This Lease is a net lease and the Lessee's obligation to pay all Interim Rental, Additional Rental and Fixed Rental 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 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 or requisitioning of the Equipment by condemnation or otherwise, the prohibition of Lessee's use of the Equipment other than by the Lessor's breach of the Lessee's right of quiet enjoyment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be

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

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 15 years following the Term Lease Commencement Date provided for in Section 2.1(a) 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.

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 will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting colors upon each side of each Item of Equipment in letters not less than one inch in height as follows:

"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, obliterated 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 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 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 DESIGN (INCLUDING, BUT NOT LIMITED TO, THE APPLICABLE DESIGNATED SPECIFICATIONS) OR CONDITION OF, OR THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR (D) 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. 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 original manufacturer thereof, 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 and provided, further, that the Lessor has, at any time, the right, but not the obligation, to proceed on its own behalf against the manufacturer of the Equipment. 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) except for amounts which the Lessor has specifically agreed to pay pursuant to Section 2.1 of the Participation Agreement, any claim, cause of action, loss, damages, liability, demands, disbursements, 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, 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) 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, (iii) as a result of claims for patent, trademark or copyright infringements, or (iv) as a result of claims for negligence (whether active or passive, except in the case of gross negligence or wilful misconduct on the part of the party claiming such indemnity), or strict liability in tort.

The Lessee shall be required to promptly pay an amount with respect to any of its obligations under this Section 6.1 which shall include a payment to the indemnified party sufficient to restore such party to the same position, after considering the effect of such payment on its United States Federal income taxes and state and local income taxes or franchise taxes based on net income, that the indemnified party would have been in had the liability or expense indemnified against not been incurred. 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 Section 6.1 hereof occurring after the termination of this Lease, except for any such matters attributable to, arising or accruing during the term of this Lease, and except for any such matters occurring after the expiration or earlier termination hereof 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. The Lessee shall promptly notify the Lessor of any matter which may give rise to a claim or liability against the Lessor or any assignee thereof pursuant to Section 16 hereof. The Lessor shall have the right, but not the obligation, to defend any such matter, subject to the Lessee's approval of the manner in which such defense is made, which approval shall not be unreasonably withheld.

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, to the extent applicable, 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, that Lessee may, in good faith and by appropriate legal proceedings, 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 adversely affect the property rights or interests of the Lessor 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 designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment and the component parts thereof in good order and repair, to a standard at least equal to

the standard and frequency of maintenance performed on other equipment owned or leased by it, and in the condition received by the Lessee from the Lessor, ordinary wear and tear excepted, and to the extent applicable, suitable for use in interchange in accordance with the Interchange Rules. Except as required by the provisions of Section 7 hereof, the Lessee shall not modify any Item of Equipment unless (i) such modifications, additions or improvements shall comply with all of the requirements set forth in Rev. Proc. 79-48 for advance ruling purposes (and Lessee agrees to provide upon Lessor's request reasonable evidence of such compliance), and (ii) the Lessee shall have obtained the prior written authority and approval of the Lessor and any assignee pursuant to Section 16 hereof. 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 or which meet the requirements of clause (i) of the preceding sentence shall in each case 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 Lessor and the Note Purchaser agree to consent to any modifications that do not reduce the value or materially change the character of such Item of Equipment. 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 other 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 may, or at the request of the Lessor, the Lessee shall, prior to the return of such Item of Equipment to the Lessor hereunder, remove the same at its own expense without causing material damage to such Item of Equipment.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee 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, in the Lessor's opinion, 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 expiration or earlier termination of this Lease.

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

10.1. Filing. Prior to the delivery and acceptance of the first Item of Equipment hereunder, 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 49 U.S.C. §11303 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. Except as provided in Section 2.6 of the Participation Agreement, the Lessee will pay all costs, charges and expenses incident to any such filing, refiling, recording and rerecording or depositing and redepositing of any such instruments or incident to the taking of such action.

10.2. Payment of State and Local Taxes. All payments to be made by the Lessee hereunder will be free of expense to 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 (the "Indemnitees") for collection or other charges and will be free of expense to the Indemnitees with respect to the amount of any local, state, Federal or foreign taxes, assessments, documentary stamp taxes, or license fees and any charges, fines or penalties in connection therewith (hereinafter called "Impositions") now or hereafter levied or imposed upon or in connection with or measured by this Lease or the receipt of sums pursuant hereto or any sale, rental, use, payment, shipment, delivery or transfer of title or return or other disposition of any Items of Equipment under the terms hereof or the Security Agreement, all of which Impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein; provided that Impositions shall not include as to each respective Indemnitee: (i) United States Federal income tax liability, and, to the extent that any respective Indemnitee receives credit therefor against its United States Federal income tax liability, any foreign income tax of such Indemnitee, payable by any respective Indemnitee in consequence of the receipt of payments provided herein; and (ii) the aggregate of all state, city or other local income taxes or franchise taxes measured by net income based on such receipts, up to the amount in the aggregate of any such income and/or franchise taxes which would be payable to the state, city and/or locality 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. The Lessee will also pay promptly all Impositions which may be imposed upon any Item or for the use or operation thereof or upon the earnings arising therefrom or upon an Indemnitee solely by reason of the ownership thereof and will keep at all times all and every part of such Item free and clear of all Impositions which might in any way affect the title of the Lessor or the security interest of the Note Purchaser or result in a lien upon any such Item; 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 Indemnitee, adversely affect the title, property or rights of the Lessor hereunder or the security interest of the Note Purchaser. If any Impositions shall have been charged or levied against any Indemnitee directly and paid by such Indemnitee the Lessee shall reimburse such Indemnitee on presentation of an invoice therefor; provided, however, that, without imposing any obligation upon any Indemnitee hereunder or relieving the Lessee of its obligation to indemnify and pay any Indemnitee as otherwise provided in this Section 10.2 because of failure to notify, each Indemnitee will attempt to provide notice to the Lessee of any Imposition charged or levied directly against it and the Lessee shall be permitted to contest the same in the manner and upon the conditions set forth in the proviso to the preceding sentence.

In the event any reports with regard to Impositions are required to be made on the basis of individual Items or otherwise, the Lessee will, where permitted to do so under applicable rules or regulations, make and timely file such reports in such manner as to show the interest of the Lessor and the Note Purchaser in the Items as shall be satisfactory to the Lessor and the Note Purchaser or, where not so permitted, will, as soon as the Lessee has knowledge thereof, notify the Lessor and the Note Purchaser of such requirement and will prepare such reports and furnish the same to the Lessor or the Note Purchaser in such manner as shall be satisfactory to the Lessor and the Note Purchaser.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Impositions, 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.

The Lessee shall, whenever reasonably requested by any Indemnitee, submit to such Indemnitee evidence satisfactory to such Indemnitee of the Lessee's performance of its duties under this Section 10.2. The Lessee shall also furnish promptly upon request such data as any Indemnitee reasonably may require to permit such Indemnitee's compliance with the requirements of taxing

jurisdictions, including, but not limited to, information relating to the use of any Item or Items outside the United States of America.

The parties agree that the Lessee shall include the Equipment in the ad valorem tax returns to be filed by the Lessee in the applicable states or localities and that no Indemnitee shall include the Equipment in any ad valorem or other similar tax returns filed by it in such states or localities.

The amount which the Lessee shall be required to pay to any Indemnitee with respect to any Imposition which is subject to indemnification under this Section 10.2 shall be an amount sufficient to restore such Indemnitee to the same position, after considering the effect of such payment and such Imposition on its United States Federal income taxes and state and local income taxes or franchise taxes based on net income, that such Indemnitee would have had or been in had such Imposition not been imposed.

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 return and 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 as are customarily insured against by railroad companies at not less than the Casualty Value of such Item of Equipment as of the next following rental payment date and will maintain general public liability insurance with respect to the Equipment against damage because of bodily injury, including death, or damage to property of others, such insurance to afford protection to the limit maintained by the Lessee with respect to similar equipment which it owns or leases. Any such property insurance may have deductible provisions to no greater extent than are customary with railroad companies in the aggregate in any single occurrence, and any public liability insurance may have deductible provisions to no greater extent than are customary with railroad companies in the aggregate in any single occurence. All such insurance shall cover the interest of the Lessor and any assignee of the Lessor (including, without limitation, the Note Purchaser) and the Lessee, as their interests may appear, in the Equipment or, as the case may be, shall protect the Lessor and any assignee of the Lessor (including, without limitation, the Note Purchaser) and the Lessee, in respect of risks arising out of the condition, maintenance, use, ownership and operation of the Equipment and shall provide that proceeds, if any, in respect to the Equipment shall be payable to the Lessee, the Lessor and the Note Purchaser as their respective interests may appear. All policies of insurance maintained pursuant to this Section shall provide therein or by endorsement that prior written notice of expiration, cancellation or modification shall be given to the Note Purchaser and the Lessor. Such written notice shall be given not less than 30 days prior to such expiration, cancellation or modification (or such advance period as is consistent

with insurance industry practices). As to the interest of the Lessor or the Note Purchaser therein, no such insurance shall be invalidated by any foreclosure or other remedial proceedings or notices thereof relating to the Equipment or any interest therein nor by any change in the title or ownership of the Equipment or any interest therein or by the use or operation of the Equipment for purposes more hazardous than is permitted by such policy. The Lessee warrants and affirms that it will satisfy all obligations under such policy necessary to keep such insurance in full force and effect. No such policy shall require co-insurance. So long as any principal or interest shall remain unpaid on the Notes, the Lessee shall cause the property insurance on the Equipment to provide that the proceeds, if any, shall be payable to the Note Purchaser under a standard mortgage loss payable clause satisfactory to the Lessor, the Lessee and the Note Purchaser. To the extent permitted by the terms of applicable insurance coverage, any loss under the property insurance policy referred to above shall be adjusted with the Lessee, provided that no such adjustment shall constitute a waiver of the respective rights of the named insureds under such insurance policy. The Lessee shall furnish the Lessor and the Note Purchaser with certificates or other satisfactory evidence of maintenance of the insurance required hereunder and with respect to any renewal policy or policies shall furnish certificates or binders evidencing such renewal as soon as practicable but in no event later than 30 days after the expiration date of the original policy or policies. All insurance provided for in this Section shall be effective with insurance companies or insurers having all necessary power and authority to furnish the required coverage.

The proceeds of any property insurance received by the Lessor or the Note Purchaser shall be held by such party until the repairs referred to in clause (i) below are made as specified therein or payment of the Casualty Value is made, but in no case longer than one year and will be paid either (i) to the Lessee within 30 days following receipt by the Note Purchaser or the Lessor, as the case may be, of a written application signed by the Lessee for payment of, or to reimburse the Lessee for payment of, the costs of repairing or restoring the Item of Equipment which has been lost or damaged (which application shall be accompanied by reasonably satisfactory evidence of such cost and the completion of such repair or restoration), or (ii) if this Lease is terminated with respect to such Item of Equipment because of a Casualty Occurrence and the Lessee has paid the Casualty Value due as a result thereof, such proceeds shall be applied in the manner as is provided for the disposition of insurance proceeds in Section 11.5 hereof; provided that, if the Lessee is at the time of the application in default in the payment of any other liability of the Lessee to the Lessor hereunder, such proceeds may be applied against such liability.

11.2. Duty of Lessee to Notify Lessor. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or in the reasonable opinion of the Lessee, rendered permanently unfit

for normal interchange use, or remains in an inoperable condition for a period of nine months as a result of the Lessee's failure to complete necessary repairs to such Item within such period, the aggregate reasonably estimated cost of which will exceed 25% of the Purchase Price (as defined in the Participation Agreement) of such Item, from any cause whatsoever during the term of this Lease or thereafter while such Item of Equipment is in the possession of the Lessee pursuant to Section 13 or 15 hereof, or title or use thereof shall be requisitioned or taken 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, or the Lessee is unable to return any Item of Equipment at the end of the term of the Lease because such Item has been requisitioned or taken by any governmental authority (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 thereof pursuant to Section 16 hereof in regard thereto (including, without limitation, the Note Purchaser) 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 Term Lease Commencement Date or next succeeding Fixed Rental payment date or the last day of any storage period pursuant to Section 13 hereof, as the case may be, following its determination that a Casualty Occurrence has taken place with respect to any Item of Equipment, shall pay to the Lessor (i) any rentals or other sums due on or prior to such date then remaining unpaid, and (ii) a sum equal to the Casualty Value of such Item of Equipment as of the date of such payment.

11.4. Rent Termination. 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, 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 for all other Items of Equipment.

11.5. Disposition of Equipment. The Lessee shall, as agent for the Lessor, use its best efforts to dispose of such Item or Items of Equipment having suffered a Casualty Occurrence as soon as it is able to do so at the best price available; it being understood that the purchaser thereof may be the Lessee provided that the Lessee shall have so used its best efforts and shall itself pay such best price; provided, however, that the Lessor shall have the right, upon notice to the Lessee, to revoke the appointment of the Lessee as its agent with respect to the sale of any Item or Items having suffered a Casualty Occurrence. Any such disposition shall be on an "as-is", "where-is" basis without representation or warranty, express or implied (including, without limitation, those representations and warranties expressly disclaimed in Section 5 hereof). Upon the Lessee's request, the Lessor shall provide the Lessee with a bill of sale or any other documents reasonably necessary for the Lessee's disposition of the Items suffering a Casualty Occurrence. Any payments received at any time by the Lessor or

the Lessee from any governmental authority, insurer or other party with respect to a Casualty Occurrence or from a purchaser as a result of the disposition of an Item of Equipment (including a purchase by the Lessee) pursuant to this Section, will be applied promptly as follows:

(a) so much of such payments as shall not exceed the Casualty Value required to be paid pursuant to Section 11.3 (plus any indemnification payment required pursuant to Section 6 hereof) shall be applied in reduction of the Lessee's obligation to pay such Casualty Value (plus any indemnification payment), if not already paid by the Lessee, or, if already paid by the Lessee, shall be applied to reimburse the Lessee for its payment of such Casualty Value (plus any such indemnification payment); and

(b) any remaining balance, to the extent such remainder is attributable to payments received from an insurer for property insurance (the portion so received for property insurance to be determined for purposes of this Section 11.5 by treating amounts received as attributable, first, to the proceeds from property insurance policies, and, then, from payments from all other sources), shall be paid to the Lessee; and

(c) any remaining balance after such application and such payment to the Lessee to be thereafter paid over to, or retained by, the Lessor.

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). Casualty Value for each Item shall be equal to that percentage of the Purchase Price thereof (as defined in the Participation Agreement) set forth in Schedule C hereto (as such Schedule may be modified pursuant to Section 2.3 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 rental installments and other sums due on and prior to the date of payment of such Casualty Value in respect of such Item of Equipment has been made, such Item or the salvage thereof has been disposed of by the Lessor 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 rental and other sums shall continue for the duration of such requisitioning or taking. So long as no Event of Default, 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.

12.1. Duty of Lessee to Furnish. On or before the first May 1 which occurs more than four months following the date of this Lease and on each May 1 thereafter, 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), describing the insurance which is in force with respect to the Equipment 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.

12.2. Lessor's Inspection Rights. The Lessor and any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Note Purchaser) each shall have the right (but not the obligation), at their respective sole cost and expense, by their respective authorized representatives, to inspect the Equipment and the Lessee's records with respect thereto, at such time as shall be reasonably necessary to confirm the existence and proper maintenance of the Equipment during the continuance of this Lease.

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 upon such storage tracks of the Lessee or any entity associated with or owned or controlled, by the Lessee as the Lessor may designate, or in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Item of Equipment on such tracks for a period not exceeding 180 days and transport the same at any time within such 180-day period to any reasonable place on any railroad lines operated by

the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee. All movement and storage of each such Item is to be at the risk and expense of the Lessee. During any such 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. 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. All amounts earned in respect of the Equipment after the date of expiration of this Lease after deduction of the reasonable expenses of the Lessee incident thereto, 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 .05555% 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.

SECTION 14. DEFAULT.

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

(a) Default shall be made in the payment of any part of the rental or Casualty Value provided in Section 2 or 11 hereof and such default shall continue for five business 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, and the Lessee shall, in the case of any such assignment or transfer of possession of the Equipment made without its knowledge or consent, fail to secure a reassignment or retransfer of the Equipment within thirty days after receipt of written notice from Lessor so demanding;

(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 or the Seller contained herein or in the Participation Agreement or the Purchase Agreement, and such default shall continue for 30 days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied;

(d) Any representation or warranty made by the Lessee or the Seller contained herein or in the Participation Agreement or the Purchase 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 Purchase Agreement is untrue in any material respect as of the date of issuance or making thereof;

(e) Any 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 the Lessee 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; or

(f) A petition for reorganization under Chapter 11 of the Bankruptcy Reform Act of 1978, as now constituted or as hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), the trustee or trustees appointed in such proceedings shall not have agreed, pursuant to a court order or decree, as a cost of administration, to perform all the obligations of the Lessee hereunder, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier.

14.2. Remedies. If any Event of Default has occurred and is continuing, the Lessor and/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 such additional amounts as are sufficient to maintain for the Lessor the Net Economic Return (as defined in Section 2.3 hereof) that it would have realized had such breach not occurred; 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 worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then Fair Rental Value of such Item for such period, such present worth to be computed in each case on a basis of a 10% per annum discount, compounded quarterly 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 rent payment date on or immediately preceding the date of termination over 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 rent payment date on or immediately preceding the date of termination of such Item of Equipment under the Lease over the net proceeds of such sale, and (ii) any damages and expenses, other than for a failure to pay 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 rental, including without limitation the repayment in full of any costs and expenses necessary to be expended in repairing or modifying any Item in order to cause it to be in compliance with all maintenance and regulatory standards imposed by this Lease.

For purposes of this Section 14.2, the Fair Rental Value and Fair Market Value for any Item of Equipment shall be determined in the manner provided for appraisal arrangements in Section 18.2 hereof; provided that if an Event of Default shall have occurred and be continuing and a portion of Notes shall then remain outstanding, all rights of the Lessor referred to in said Section 18.2 shall be exercised by the Note Purchaser, and further 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 or on its behalf in connection with the lease of the Equipment.

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

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

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

All amounts earned in respect of the Equipment after the date of termination of this Lease 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 .05555% 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, 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 the failure of the Lessor to afford the right of quiet enjoyment to the Lessee, or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of such assignee, the Lessee shall be unconditionally and absolutely obligated to pay such assignee all of the rents and other sums which are the subject matter of the assignment, (ii) said assignee shall, if an Event of

Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of said assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor (except those rights, privileges and remedies relating to amounts payable to the Lessor pursuant to Sections 6, 10.2, 11.1 [with respect to public liability insurance], 20 and 21.2 hereof which shall remain enforceable by the Lessor), but if no Event of Default or event which with the lapse of time or giving of notice, or both, would constitute an Event of Default, shall have occurred and be continuing, said assignee and the Lessor may each exercise their respective rights, privileges and remedies stated in this Lease to be provided for their respective benefits, and (iii) all obligations of the Lessor to the Lessee under this Lease shall be 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, which consent shall not be unreasonably withheld, enter into any sublease with respect to, 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 a common carrier railroad having an equipment obligation rating (as evidenced by ratings of Moody's Investors Services, Inc. and Standard & Poor's Incorporated) of "A" or better and being classified as a "Class I Railroad" by the Interstate Commerce Commission pursuant to a sublease which shall be for a term not exceeding five years or in any event extending beyond the term of this Lease and which shall be made expressly subordinate to the rights of the Lessor and otherwise to the extent permitted by the provisions of Section 17.2 hereof. The Lessee will give the Lessor and the Note Purchaser at least twenty business days prior notice of the identity of any proposed sublessee under any such sublease and will deliver to such parties copies of such sublease, specifying the terms evidencing compliance with such restrictions. No assignment or sublease entered

into by the Lessee hereunder shall relieve the Lessee of any of its liabilities or obligations hereunder which shall be and remain those of a principal and not a surety.

17.2. Use and Possession in Railroad Operations. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Equipment and to the use thereof upon the lines of railroad owned or operated by it (either alone or jointly) or by any corporation, a majority of whose voting stock (i.e., having ordinary voting power for the election of a majority of its Board of Directors) is owned directly or indirectly by the Lessee, or upon lines of railroad over which the Lessee or such corporation has trackage or other operating rights or over which equipment of the Lessee is regularly operated pursuant to contract or upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease. Notwithstanding the foregoing, the Lessee shall at no time throughout the term of this Lease assign or permit the assignment of any Item of Equipment to service (including, without limitation, the regular operation or maintenance thereof) outside the continental United States, and the Lessee agrees that any use of the Equipment outside the continental United States shall be de minimus.

17.3. Merger, Consolidation or Acquisition of Lessee. Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all of the lines of railroad of the Lessee, provided that such assignee, successor or transferee shall be, effective upon such transfer, a corporation incorporated in any state of the United States or the District of Columbia which shall have all necessary authorizations and approvals to operate such assets as an interstate rail carrier and have duly assumed the obligations of the Lessee hereunder and that it will not, upon the effectiveness of such merger or consolidation or acquisition of properties and the assumption of such obligations, be in default under any provision of this Lease and that such merger or consolidation or acquisition of properties shall not alter in any way the Lessee's obligations to the Lessor hereunder which shall be and remain those of a principal and not a guarantor.

SECTION 18. RENEWAL OPTION; DUTY OF FIRST OFFER.

18.1. Renewal Option. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than 180 days prior to the end of the original term of this Lease, elect to extend such original term of this Lease in respect of all but not less than all the Items of Equipment then

covered by this Lease for an additional two-year period commencing on the scheduled expiration of such original term. Such extended term of the Lease shall be on the same terms and conditions as are contained in this Lease, except (x) as to the amount of rentals, which shall be at a "Fair Market Rental" payable, in arrears, in quarterly payments on the months and days such rentals were payable for the Items in each year of the original term and (y) that the Casualty Value of each Item on the first day of such extended term shall be equal to the "Fair Market Value" of such Item on such date and thereafter such Casualty Value shall be reduced on a straight line basis over four years or the estimated remaining useful life of such Item, whichever is greater, all as determined by the procedures hereinafter established.

18.2. Appraisal Procedure. Fair Market Rental, Fair Market Value and estimated remaining useful life shall be agreed upon by the Lessor and the Lessee or determined as provided in the next paragraph, on the basis of (and shall be equal in amount to) the rental or sale value which would obtain in an arm's length transaction between an informed and willing lessee or vendee, as the case may be (other than a lessee currently in possession), and an informed and willing lessor or vendor, as the case may be, under no compulsion to lease or sell, as the case may be, and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental or sale value but there shall be excluded any rental value or sale value attributable to additions, modifications and improvements which the Lessee is entitled to remove pursuant to Section 8 hereof, provided, however, that, in the determination of Fair Market Value, the existence of the Lessee's right of first refusal pursuant to this Section 18 shall be disregarded. Fair Market Rental, Fair Market Value and estimated remaining useful life of the Items shall be determined upon the assumption that the Items shall have been maintained in accordance with the provisions of Section 8 hereof.

If after 45 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease, as provided in Section 18.1 or of the Lessee's election to purchase the Equipment, as provided in Section 18.3, the Lessor and the Lessee are unable to agree upon a determination of Fair Market Rental, Fair Market Value or estimated remaining useful life, as the case may be, such Fair Market Rental or Fair Market Value or such remaining useful life, as the case may be, shall be determined in accordance with the following procedure: If either party to such determination shall have given written notice to the other requesting determination of Fair Market Rental, Fair Market Value or estimated remaining useful life, by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 10 business days after such notice is given, each party shall appoint an independent appraiser within 15 business days after such notice is given, and the two appraisers so appointed shall, within 10 business days after such appointment, appoint a third independent appraiser. If no such third appraiser is appointed

within the time permitted, the parties shall promptly apply to make such appointment to the American Arbitration Association and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedures shall be instructed to determine Fair Market Rental, Fair Market Value or estimated remaining useful life, as the case may be, of the Items subject to the proposed extended lease term within 30 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of a single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such average shall be final and binding upon the parties hereto. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental, Fair Market Value and estimated remaining useful life, unless these are agreed upon by the Lessor and the Lessee as provided for herein, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne equally by the Lessee and the Lessor.

18.3. Right of First Offer. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, in the event the Lessor decides to sell any one or more Items of Equipment to third parties at the expiration of the original, or if extended, the extended term of this Lease, or thereafter within one year of either such expiration date, the Lessee shall be given written notice of such intention not more than 180 days nor less than 90 days prior to the proposed date of sale consummation. The Lessee shall have the sole right and option to purchase all (but not less than all) of such Items offered at the Fair Market Value, in cash, of such Items as hereinafter provided. Within 10 business days of receipt of notice from the Lessor, the Lessee shall exercise such purchase right by delivery to the Lessor of a written notice specifying a date of purchase, which date shall not be later than 180 days after the giving of notice of intention to sell by the Lessor. In the event that the Lessee shall have delivered a notice of its election to purchase the Items, this Lease (including the obligation to pay rent) shall be further extended upon the same terms and conditions set forth herein from the date such notice is delivered to the Lessor until the date of such purchase.

18.4. Delivery of Equipment. Unless the Lessee has elected to accept an offer to purchase the Items of Equipment then leased hereunder or to renew this Lease in respect of such Items of Equipment as provided in this Section 18, all of such Items of Equipment shall be returned to the Lessor at the end of

the original term, or the extended term, as the case may be, in accordance with Section 13 hereof.

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

Anything to the contrary herein contained notwithstanding any nonpayment of rent or other sums due hereunder shall result in the additional obligation on the part of the Lessee to pay also an amount equal to interest at a rate 1% in excess of the then Applicable Rate (or the highest lawful rate, whichever is less) on such overdue amounts for the period of time during which they were overdue and not repaid. The term "Applicable Rate" shall mean, for any period during which any principal or interest remains unpaid on the Notes, a rate 1% in excess of the per annum rate of interest then being charged on the Notes and thereafter shall mean 1% per annum in excess of the Prime Rate.

SECTION 20. FEDERAL INCOME TAX INDEMNIFICATION.

(a) Loss of Assumed Tax Benefits. If:

(i) the Lessor is not allowed for its calendar 1982 taxable year an investment credit under Section 38 and related sections of the Code with respect to any one or more of the Items of Equipment of not less than 10% of the Purchase Price with respect to such Item; or

(ii) Lessor is not allowed, for the five years beginning with its 1982 taxable year, deductions under section 168(a) of the Code (the "Accelerated Cost Recovery Deductions") in respect of each Item of Equipment in the amounts specified for 5-year property in section 168(b)(1)(A) of the Code upon an "unadjusted basis" for such Item of Equipment or portion thereof (within the meaning of section 168(d) of the Code) of no less than an amount equal to the sum of (X) the Purchase Price thereof, plus (Y) a ratable portion of the expenses which are included in basis under section 1012 of the Code in accordance with Lessor's customary practice (such sum being herein referred to as the "Capitalized Cost" of an Item of Equipment);

(iii) the Lessor is not allowed the benefit of current deductions under Section 163 of the Code for interest payable on the Notes; or

(iv) any investment credits or deductions with respect to recovery property or for depreciation with respect to any one or more of the Items are recaptured

in whole or in part pursuant to Section 47 or Section 1245 of the Code or any successor provision or provisions thereto; or

(v) any amount includible in the gross income of the Lessor with respect to any one or more of the Items or any deduction allowable to the Lessor with respect to such Item or Items or with respect to any interest payable on the Notes shall be treated as derived from, or allocable to, sources outside the United States; or

(vi) any amount is included, at any time prior to the end of the term of this Lease (including any renewal terms), in the gross income of the Lessor as a result of any repair, improvement, alteration, modification or addition (including replacement of parts) to such Item or Items made by the Lessee (herein called a "Capital Expenditure"); or

(vii) this Lease is not treated as a lease for purposes of the Code;

(any such failure to allow, such recapture, such treatment of income or deductions as derived from or allocable to sources without the United States, such inclusion in gross income as a result of a Capital Expenditure, or such mistreatment being herein called a "Loss"), then, subject to paragraph (b) of this Section 20, the Lessee shall pay to the Lessor as an indemnity the amount or amounts set forth in paragraph (d) of this Section 20 at the time or times set forth therein.

(b) Indemnification and Exceptions. Except as hereinafter provided, the Lessee shall be required to indemnify the Lessor with respect to any Loss that results from:

(i) a loss described in clause (i), (ii) or (iii) of paragraph (a) of this Section 20;

(ii) the Lessee's use of an Item or Items in such a manner as to result in a Loss described in clauses (iv) or (v) of paragraph (a) of this Section 20;

(iii) a Capital Expenditure; or

(iv) any act, or failure to act, at any time, by the Lessee or any of its officers, employees or agents (including, without limitation, any act, or failure to act, in respect of the income tax returns of the Lessee insofar as they relate to the transaction contemplated by this Lease and related documents, it being understood that the Lessee will not take, or fail to take, any action

if such act or failure to act is inconsistent with the Lessor being treated as the owner, and the Lessee being treated as the lessee, of the Equipment for Federal, state and local income tax purposes).

However, the Lessee shall not be required to indemnify the Lessor, with respect to any Loss that results solely and directly from:

(i) a Casualty Occurrence, if the Lessee has made all payments with respect thereto that are required to be made pursuant to Section 11 hereof;

(ii) a voluntary disposition by the Lessor of its beneficial interest in any Item or Items, if such disposition (x) shall be the direct cause of such Loss with respect to such Item or Items, (y) shall occur at a time while no Event of Default (and no event that, with the lapse of time or the giving of notice, or both, would constitute an Event of Default) has occurred and is continuing, and (z) shall not be pursuant to the written consent of the Lessee;

(iii) the failure of the Lessor to claim in a timely and proper manner on its income tax returns for the appropriate years any credits or deductions contemplated by paragraph (a) of this Section 20 unless the Lessor shall have been advised by tax counsel selected by the Lessor and approved by the Lessee (which approval shall not be unreasonably withheld), that there is no reasonable basis for claiming any such deduction or credit;

(iv) the failure of the Lessor to have sufficient Federal income tax liability against which to apply such credits or sufficient income to benefit from such depreciation or interest deductions;

(v) the failure of the Lessor to take timely action in contesting a claim made by the Internal Revenue Service, but only if such action is required by the terms of paragraph (c) of this Section 20; or

(vi) any amendment to, or change in, the Code, the income tax regulations thereunder or published administrative or judicial interpretations of the Code or such regulations, which change or amendment is not enacted and does not have an effective date on or prior to January 15, 1983.

(c) Proceedings. If at the conclusion of any audit the Lessor receives a preliminary or "30-day" letter from the Internal Revenue Service proposing an adjustment in any item that, if agreed

to by the Lessor, would result in a Loss with respect to which the Lessee would be required to indemnify the Lessor pursuant to this Section 20, the Lessor shall promptly notify the Lessee of such proposed adjustment and shall furnish to the Lessee a statement describing such Loss in reasonable detail. If requested to do so by the Lessee, within 20 days after receipt of such statement, the Lessor shall contest such proposed adjustment beyond the level of the Internal Revenue Service auditing agent by such administrative proceedings as may be reasonably available to the Lessor. Upon the conclusion of such administrative proceedings, the Lessor shall promptly notify the Lessee of the final adjustment proposed by the Internal Revenue Service and, if the amount of the indemnity which the Lessee would be required to pay over the unexpired term of this Lease with respect to such final adjustment would exceed in the aggregate $100,000 and if the Lessor receives within 30 days after such notice a written request to do so from the Lessee, the Lessor shall promptly request from tax counsel selected by the Lessor and approved by the Lessee (which approval shall not be unreasonably withheld) (the "Special Tax Counsel"), their opinion as to whether there exists a meritorius basis in law and fact in favor of the Lessor's position with respect to such final adjustment. If their opinion is to that effect, the Lessor shall contest such final adjustment in a court of competent jurisdiction. If the Lessee requests the Lessor to appeal the decision of such a court, the Lessor shall promptly request from Special Tax Counsel their opinion as to whether the basis in law and fact in favor of the Lessor's position in appealing such adverse trial court decision outweighs the basis in law and fact in favor of the position of the Internal Revenue Service. If the opinion is to that effect, the Lessor shall appeal such decision. The Lessor, in its sole discretion, shall determine the initial and any appellate court and shall determine whether the proceedings shall be for redetermination of the deficiency proposed to be assessed by the Internal Revenue Service or for refund of taxes paid based on such deficiency. The Lessor shall not be required to take any action as set forth in this paragraph (c) unless and until the Lessee shall have agreed to indemnify the Lessor in a manner satisfactory to it for any Loss that results from an adverse determination with respect to the proposed adjustment and shall have agreed to pay to the Lessor on demand all reasonable out-of-pocket costs and expenses, including without limitation attorneys' fees and expenses, incurred by it in connection with the taking of such action. If the Lessor elects to pay taxes based on a proposed deficiency and sue for a refund thereof, and if the proposed deficiency would be a Loss with respect to which the Lessee would be required to indemnify the Lessor, then the Lessee shall pay to the Lessor on demand the amount of such taxes and interest thereon which the Lessor shall have paid, and if the Lessor subsequently receives a refund of all or any part of such taxes and interest, it shall promptly pay to the Lessee the amount of such refunded taxes and interest plus the amount of any interest received by the Lessor from the United States Government with respect to such refunded taxes and interest. Notwithstanding anything to the contrary contained in

this paragraph (c), the Lessor may at any time, whether before or after commencing to take any action with respect to a proposed adjustment, decline to take any further action with respect thereto, provided that, if the Lessee has properly requested such action pursuant to this paragraph (c), the Lessor notifies the Lessee that it waives its right to any indemnity with respect to any Loss that will result from acceptance of such proposed adjustment.

(d) Amount and Time of Payment of Indemnity. The amount of indemnity payable by the Lessee pursuant to this Section 20 with respect to a Loss shall be such amount as will result, in the Lessor's reasonable judgment, in maintaining for the Lessor its Net Economic Return (as defined in Section 2.3 hereof). The amount of such payment of indemnity shall reflect (A) the amount of interest, additions to tax and penalties payable by the Lessor with respect to such Loss, (B) the amount of Federal, state and local taxes on, based on, or measured by, net income (at the rates in effect from time to time), interest, additions to tax and penalties incurred by the Lessor as a result of the receipt of such indemnity payment, and (C) any amount paid by the Lessee to the Lessor pursuant to the next-to-last sentence of paragraph (c) of this Section 20 which is not repaid by the Lessor to the Lessee pursuant to such sentence. The Lessor shall furnish the Lessee with a notice setting forth in reasonable detail the computations and methods used in computing such amount of indemnity.

In determining the amount of indemnity payable by the Lessee pursuant to this Section 20 with respect to a Loss which results from a Capital Expenditure, there shall be taken into account any investment credits and depreciation deductions to which the Lessor is or expects to be entitled with respect to such Capital Expenditure in the year in which the Capital Expenditure is made and in subsequent years, but if any such investment credits or depreciation deductions are subsequently disallowed, recaptured or treated as derived from or allocable to sources outside the United States, such disallowance, recapture or allocation shall be treated as a Loss described in clause (i), (ii), (iv) and (v) of paragraph (a) of this Section 20, as the case may be.

The Lessee's obligation to pay any indemnity payable pursuant to this Section 20 with respect to a Loss shall become unconditional (1) in the case of a Loss that is required to be reflected on a tax return of the Lessor, 30 days after the date such tax return is filed; (2) in the case of a Loss that results from a proposed adjustment of the Internal Revenue Service that is not contested pursuant to paragraph (c) of this Section, 30 days after the Lessee's receipt of the statement referred to in the first sentence of paragraph (c) of this Section; and (3) in the case of a Loss that results from a proposed adjustment of the Internal Revenue Service that is contested pursuant to paragraph (c) of this Section, 30 days after the day on which such contest is finally concluded.

The Lessee shall pay to the Lessor a lump sum indemnity at the time its obligation to pay indemnity pursuant to this Section 20 becomes unconditional, (A) with respect to a Loss described in clause (i) of paragraph (a) of this Section 20, and (B) with respect to any other Loss, if the Lessee's obligation to pay indemnity pursuant to this Section 20 becomes unconditional on or after the termination of this Lease. Any other indemnity payable pursuant to this Section 20 shall be structured as level future rent increases, and the Lessee shall commence payment of such increased rent on the first rental payment date after the Lessee's obligation to pay indemnity pursuant to this Section becomes unconditional. The amount of increased rental resulting from any one Loss shall be adjusted from time to time for each change in the rates of Federal, state and local taxes on, based on, or measured by, net income which affects the Lessor's net after-tax rate of return, total after-tax cash flow or present value of periodic after-tax cash flows.

(e) Adjustment of Casualty Values. In the event that the Lessee shall be required to indemnify the Lessor pursuant to this Section 20 with respect to a Loss relating to an Item or Items, upon payment of such indemnity the Casualty Value of such Item or Items shall be appropriately adjusted so as to reflect, among other things, the reduction (if any) in taxes that will be payable upon a Casualty Occurrence with respect thereto, and so that the Casualty Value of the Item or Items as adjusted shall preserve for the Lessor the net after-tax rate of return, total after-tax cash flow and present value of periodic after-tax cash flows that the Lessor expects to realize from the transaction described in this Lease and related documents; provided, however, that such Casualty Values shall not be reduced below the amounts required to satisfy the obligations of the Lessor on the Notes.

(f) Definition of Lessor. For purposes of this Section 20, the term "Lessor" shall include any affiliated group, within the meaning of Section 1504 of the Code, of which the Lessor is a member, if consolidated returns are filed for such affiliated group for Federal income tax purposes.

(g) Payments of Indemnity. All payments of indemnity made pursuant to this Section 20, whether payable in a lump sum or in the form of increases in future rental payments, shall be made by the Lessee directly to the Lessor by transfer of immediately available funds to the account of the Lessor specified in Schedule 1 to the Participation Agreement or to such other account or in such other manner as the Lessor from time to time shall have identified in written instructions given to the Lessee.

SECTION 21. MISCELLANEOUS.

21.1. Notices. Any notice required or permitted to be given by either party hereto to the other or to any other party listed below shall be in writing and shall be deemed to have been

given when delivered personally or otherwise actually received at the following addresses:

If to the Lessor: IC Equipment Leasing Company
111 East Wacker Drive, Suite 2700
Chicago, Illinois 60601
Attention: Treasurer

If to the Lessee: Illinois Central Gulf Railroad Company
Two Illinois Center
233 North Michigan Avenue
Chicago, Illinois 60601
Attention: Treasurer

If to the Note Purchaser: At the address provided therefor in Schedule 2 to the Participation Agreement

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

21.2. 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 to perform the same and to take all such action as may be necessary to obtain such performance. 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 thereon at the lesser of (a) the maximum rate allowed by law, or (b) the Applicable Rate (as defined in Section 19 hereof).

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

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

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

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

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

[CORPORATE SEAL]

IC EQUIPMENT LEASING COMPANY

ATTEST:

By _____
Its Treasurer

_____
Secretary

[CORPORATE SEAL]

ILLINOIS CENTRAL GULF RAILROAD COMPANY

ATTEST:

By _____
Its Vice President

_____
Assistant Secretary

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 4th day of November, 1982, before me personally appeared Christine J. Sauser, to me personally known, who being by me duly sworn, says that she is the Treasurer of IC EQUIPMENT LEASING COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and she acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Marianne C Olson
Notary Public

[NOTARIAL SEAL]

My commission expires:

My Commission Expires July 20, 1986

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 4th day of November, 1982, before me personally appeared G. E. Konker, to me personally known, who being by me duly sworn, says that he is a Vice President of ILLINOIS CENTRAL GULF RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Virginia N. Shanahan
Notary Public

[NOTARIAL SEAL]

My commission expires:

May 4, 1984

DESCRIPTION OF ITEMS OF EQUIPMENT

Term Lease Commencement Date:	January 15, 1983
Outside Delivery Date:	December 31, 1982
Place of Delivery:	Paducah, Kentucky (for Locomotives) Centralia, Illinois (for Hopper Cars)
Description of Hopper Cars:	384 100-Ton Open Top Hopper Cars Marked and Numbered ICG 389116 through ICG 389499, inclusive
Description of Locomotives:	3 SD-20 Diesel Electric Locomotives Marked and Numbered ICG 2039 through ICG 2041, inclusive 1 SD-40 Diesel Electric Locomotive Marked and Numbered ICG 6034

(I.C.G. No. 82-4)

SCHEDULE A
(to Equipment Lease)

CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE

TO: IC Equipment Leasing Company

I, a duly appointed and authorized representative of ILLINOIS CENTRAL GULF RAILROAD COMPANY (the "Lessee") under the Equipment Lease dated as of October 1, 1982 between the Lessor and the Lessee, do hereby certify that I have inspected, received, approved and accepted delivery under the Lease of the following Items of Equiment:

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 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 or condition or in any other respect, and that each Item has been labeled by means of a plate or a stencil printed in contrasting colors upon each side of the Item in letters not less than one inch in height as follows:

"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 Seller (as defined in the Participation Agreement) for any warranties it has made with respect to the Equipment.

Dated: _____, 1982

_____
Inspector and Authorized Representative
of the Lessee

(I.C.G. No. 82-4)

SCHEDULE B
(to Equipment Lease)

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 shall mean an amount equal to the percent of the Purchase Price of such Item set forth opposite such date in the following schedule:

Date of Fixed Rental Payment on which Casualty Value is Paid	Percentage of Purchase Price Payable as Casualty Value
Term Commencement Date	113.69%
February 15, 1983	113.69
March 15, 1983	114.22
April 15, 1983	114.72
May 15, 1983	115.36
June 15, 1983	116.01
July 15, 1983	116.77
August 15, 1983	117.55
September 15, 1983	118.35
October 15, 1983	119.34
November 15, 1983	120.37
December 15, 1983	120.46
January 15, 1984	114.87
February 15, 1984	110.88
March 15, 1984	111.03
April 15, 1984	111.15
May 15, 1984	111.48
June 15, 1984	111.80
July 15, 1984	112.31
August 15, 1984	112.83
September 15, 1984	113.36
October 15, 1984	114.12
November 15, 1984	114.92
December 15, 1984	114.79
January 15, 1985	108.05
February 15, 1985	103.82
March 15, 1985	103.59
April 15, 1985	103.40
May 15, 1985	103.22
June 15, 1985	103.07
July 15, 1985	103.14
August 15, 1985	103.21
September 15, 1985	103.29
October 15, 1985	103.64
November 15, 1985	104.01
December 15, 1985	103.46
January 15, 1986	97.89
February 15, 1986	93.70
March 15, 1986	93.35
April 15, 1986	92.99
May 15, 1986	92.62
June 15, 1986	92.26
July 15, 1986	92.03

Date of Fixed Rental Payment on which Casualty Value is Paid	Percentage of Purchase Price Payable as Casualty Value
August 15, 1986	91.81
September 15, 1986	91.59
October 15, 1986	91.66
November 15, 1986	91.73
December 15, 1986	90.91
January 15, 1987	87.29
February 15, 1987	83.28
March 15, 1987	82.90
April 15, 1987	82.50
May 15, 1987	82.11
June 15, 1987	81.70
July 15, 1987	81.30
August 15, 1987	80.90
September 15, 1987	80.49
October 15, 1987	80.29
November 15, 1987	80.10
December 15, 1987	79.06
January 15, 1988	76.56
February 15, 1988	72.74
March 15, 1988	72.32
April 15, 1988	71.89
May 15, 1988	71.47
June 15, 1988	71.03
July 15, 1988	70.60
August 15, 1988	70.16
September 15, 1988	69.72
October 15, 1988	69.43
November 15, 1988	69.15
December 15, 1988	68.87
January 15, 1989	67.91
February 15, 1989	67.45
March 15, 1989	66.99
April 15, 1989	66.52
May 15, 1989	66.04
June 15, 1989	65.57
July 15, 1989	65.09
August 15, 1989	64.60
September 15, 1989	64.11
October 15, 1989	63.82
November 15, 1989	63.53
December 15, 1989	63.24
January 15, 1990	62.12
February 15, 1990	61.61
March 15, 1990	61.10
April 15, 1990	60.58
May 15, 1990	60.06
June 15, 1990	59.53
July 15, 1990	59.03
August 15, 1990	58.52
September 15, 1990	58.01

Date of Fixed Rental Payment on which Casualty Value is Paid	Percentage of Purchase Price Payable as Casualty Value
October 15, 1990	57.71
November 15, 1990	57.41
December 15, 1990	57.12
Janaury 15, 1991	55.72
February 15, 1991	55.16
March 15, 1991	54.60
April 15, 1991	54.02
May 15, 1991	53.44
June 15, 1991	52.86
July 15, 1991	52.37
August 15, 1991	51.87
September 15, 1991	51.37
October 15, 1991	51.06
November 15, 1991	50.76
December 15, 1991	50.46
January 15, 1992	48.65
February 15, 1992	48.03
March 15, 1992	47.40
April 15, 1992	46.78
May 15, 1992	46.13
June 15, 1992	45.50
July 15, 1992	45.01
August 15, 1992	44.52
September 15, 1992	44.03
October 15, 1992	43.71
November 15, 1992	43.40
December 15, 1992	43.10
January 15, 1993	40.84
February 15, 1993	40.16
March 15, 1993	39.46
April 15, 1993	38.77
May 15, 1993	38.15
June 15, 1993	37.53
July 15, 1993	37.06
August 15, 1993	36.59
September 15, 1993	36.12
October 15, 1993	35.80
November 15, 1993	35.49
December 15, 1993	35.19
January 15, 1994	32.52
February 15, 1994	31.85
March 15, 1994	31.71
April 15, 1994	30.50
May 15, 1994	29.94
June 15, 1994	29.37
July 15, 1994	28.93
August 15, 1994	28.49
September 15, 1994	28.06
October 15, 1994	27.75
November 15, 1994	27.45

Date of Fixed Rental Payment on which Casualty Value is Paid	Percentage of Purchase Price Payable as Casualty Value
December 15, 1994	27.17
January 15, 1995	25.04
February 15, 1995	24.47
March 15, 1995	23.90
April 15, 1995	23.22
May 15, 1995	23.29
June 15, 1995	23.26
July 15, 1995	23.32
August 15, 1995	23.39
September 15, 1995	23.45
October 15, 1995	23.62
November 15, 1995	23.80
December 15, 1995	23.98
January 15, 1996	22.51
February 15, 1996	22.41
March 15, 1996	22.31
April 15, 1996	22.21
May 15, 1996	22.18
June 15, 1996	22.15
July 15, 1996	22.21
August 15, 1996	22.26
September 15, 1996	22.32
October 15, 1996	22.47
November 15, 1996	22.62
December 15, 1996	22.78
January 15, 1997	21.37
February 15, 1997	21.26
March 15, 1997	21.15
April 15, 1997	21.03
May 15, 1997	20.98
June 15, 1997	20.93
July 15, 1997	20.96
August 15, 1997	20.99
September 15, 1997	21.01
October 15, 1997	21.13
November 15, 1997	21.24
December 15, 1997	21.37
January 15, 1998	20.00